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Armstrong

To: Holders of Claims (Including Asbestos Personal Injury Claims) Against and Equity Interests in Armstrong World Industries, Inc.

Holders of Common Stock of Armstrong Holdings, Inc.

GENERAL

We are transmitting to you with this letter the Disclosure Statement with respect to the fourth amended chapter 11 plan of reorganization (the "***Plan***") of Armstrong World Industries, Inc. ("***AWI***"). The Disclosure Statement describes the provisions of the Plan for AWI, which is supported by the major constituencies in AWI's chapter 11 case—the Official Asbestos Claimants' Committee (the "***Asbestos PI Claimants' Committee***"), the Legal Representative for Future Personal Injury Claimants (the "***Future Claimants' Representative***"), and the Official Committee of Unsecured Creditors (the "***Unsecured Creditors' Committee***"). The Disclosure Statement has been approved for dissemination to parties in interest. You should read the Disclosure Statement carefully. A summary of the distributions that will be made under the Plan is included in Sections II and V of the Disclosure Statement. If you are entitled to vote on the Plan, a ballot is enclosed for you. **WE URGE YOU TO VOTE TO ACCEPT THE PLAN.**

THE PLAN IS THE PRODUCT OF EXTENSIVE NEGOTIATIONS AMONG AWI AND THE REPRESENTATIVES OF ITS PRINCIPAL CONSTITUENCIES, INCLUDING UNSECURED CREDITORS AND ASBESTOS PERSONAL INJURY CLAIMANTS. AWI AND THESE REPRESENTATIVES BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS AND WILL ALLOW AWI TO EMERGE FROM CHAPTER 11 AS A VIABLE ONGOING BUSINESS ENTERPRISE. THE PLAN HAS THE SUPPORT OF AWI, THE REPRESENTATIVES OF ALL OF THE HOLDERS OF PRESENT AND FUTURE ASBESTOS-RELATED PERSONAL INJURY CLAIMS AGAINST AWI, AND THE REPRESENTATIVES OF ALL UNSECURED CREDITORS.

ARMSTRONG HOLDINGS, INC. SHAREHOLDERS

Although we are concurrently distributing the Disclosure Statement (and related Plan) to shareholders of Armstrong Holdings, Inc. ("***Holdings***"), such shareholders are not entitled to vote on the Plan. By order of the Court overseeing AWI's chapter 11 case, however, Holdings' shareholders do have standing to object to confirmation of the Plan. In addition, as discussed in Section V.P, entitled "THE PLAN OF REORGANIZATION—Holdings Plan of Liquidation," in connection with AWI's solicitation of votes with respect to the Plan, Holdings will solicit its shareholders for approval of the Holdings Plan of Liquidation. Under the Plan, AWI will issue to Armstrong Worldwide, Inc. ("***AWWD***"), the direct parent of AWI and a wholly-owned subsidiary of Holdings, or directly to Holdings, warrants to purchase shares of the new common stock of reorganized AWI, which Holdings will distribute under the Holdings Plan of Liquidation if the Holdings Plan of Liquidation is approved.

CREDITORS OF AWI

The Plan is attached to the Disclosure Statement as Exhibit "A." In order for a class to accept the Plan, at least two-thirds in dollar amount of the claims voted in such class and more than one-half in number of claims voted in the class must be voted to accept the Plan. Moreover, the Plan

ARMSTRONG WORLD INDUSTRIES INC

requires that at least 75% of the holders of asbestos-related personal injury claims who vote on the Plan vote in favor of the Plan. Your acceptance will facilitate and expedite the emergence of AWI from chapter 11.

If you did not receive a ballot with the Disclosure Statement, please see the summary of who may *not* vote on the Plan on page 3 of the Disclosure Statement. If you believe that you are entitled to vote on the Plan but did not receive a ballot, received a damaged ballot, lost your ballot, or if you have any other questions about the Plan or this Disclosure Statement, please call Innisfree M&A Incorporated, AWI's special ballot tabulation and solicitation agent, at (877) 750-2689.

Please note that **BALLOTS MUST BE RECEIVED NO LATER THAN 5:00 P.M., WILMINGTON DELAWARE TIME, ON SEPTEMBER 22, 2003**. If you are entitled to vote on the Plan, a ballot and return envelope are enclosed for your convenience. **IT IS OF THE UTMOST IMPORTANCE THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN.**

Sincerely,

ARMSTRONG WORLD INDUSTRIES, INC.

/s/ Michael D. Lockhart

Michael D. Lockhart, Chairman

ASBESTOS PI CLAIMANTS' COMMITTEE

/s/ John D. Cooney

John D. Cooney
Co-Chairman

/s/ Joseph F. Rice

Joseph F. Rice
Co-Chairman

UNSECURED CREDITORS' COMMITTEE

/s/ Andrew N. Rosenberg

Andrew N. Rosenberg
Counsel to the Unsecured Creditors' Committee

FUTURE CLAIMANTS' REPRESENTATIVE

/s/ Dean M. Trafelet

Dean M. Trafelet

Armstrong

DISCLOSURE STATEMENT, DATED JUNE 2, 2003, FOR THE FOURTH AMENDED PLAN OF REORGANIZATION OF ARMSTRONG WORLD INDUSTRIES, INC.

The Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., which is attached as Exhibit "A" to this Disclosure Statement, contains the Asbestos PI Permanent Channeling Injunction, an injunction against conduct not otherwise enjoined under the Bankruptcy Code. For a description of the acts to be enjoined and the identity of the entities that would be subject to the Asbestos PI Permanent Channeling Injunction, see Section VI.C of this Disclosure Statement, entitled, "THE ASBESTOS PI TRUST – The Asbestos PI Permanent Channeling Injunction," and section 1.21 of the Plan of Reorganization. The Fourth Amended Plan of Reorganization also contains the Claims Trading Injunction, which restricts the transfer of Asbestos Personal Injury Claims. See section 1.40 of the Fourth Amended Plan of Reorganization.

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DISCLOSURE STATEMENT, DATED JUNE 2, 2003, FOR THE FOURTH AMENDED PLAN OF REORGANIZATION OF ARMSTRONG WORLD INDUSTRIES, INC.

I. INTRODUCTION

Armstrong World Industries, Inc. ("***AWI***") submits this Disclosure Statement pursuant to section 1125 of title 11 of the United States Code (the "***Bankruptcy Code***") to the holders of Claims (each a "***Claimant***," and all or some of them "***Claimants***") and to Armstrong Worldwide, Inc. ("***AWWD***"), the holder of the common stock of AWI, in connection with (i) the solicitation of acceptances or rejections of the fourth amended chapter 11 plan of reorganization (the "***Plan***") of AWI, dated May 23, 2003, filed with the United States Bankruptcy Court for the District of Delaware (the "***Bankruptcy Court***"), and (ii) the hearing on confirmation of the Plan (the "***Confirmation Hearing***") scheduled for November 17, 2003.

This Disclosure Statement is also being provided to shareholders of AWI's publicly held indirect parent company, Armstrong Holdings, Inc. ("***Holdings***"). In connection with the Plan, Holdings' shareholders will be requested to approve the dissolution and winding up of Holdings following consummation of the Plan. *See* Section V.P, entitled "THE PLAN OF REORGANIZATION – Holdings Plan of Liquidation," for more information.

Unless otherwise defined herein, all capitalized terms contained in this Disclosure Statement shall have the meanings ascribed to them in the Plan.

Attached as Exhibits to this Disclosure Statement are the following documents:

1. the Plan (Exhibit "A");
2. the Order of the Bankruptcy Court, dated June 2, 2003, approving this Disclosure Statement (Exhibit "B");
3. Financial Appendix (Exhibit "C");
4. Ballot Tabulation and Solicitation Procedures, as approved by the order of the Bankruptcy Court, dated April 21, 2003 (the "***Voting Procedures***") (Exhibit "D");
5. Liquidation Analysis (Exhibit "E"); and
6. list of AWI's Subsidiaries (Exhibit "F").

In addition, the Ballot for acceptance or rejection of the Plan is enclosed with this Disclosure Statement if you are entitled to vote to accept or reject the Plan.

Holdings is the publicly held Armstrong parent holding company. It owns all of the stock of AWWD, which in turn owns all of the stock of AWI. Holdings became the parent company of AWI on May 1, 2000, following AWI shareholder approval of a plan of exchange under which each share of AWI was automatically exchanged for one share of Holdings. Stock certificates that formerly represented shares of AWI were automatically converted into certificates representing the same number of shares of Holdings. As a result, all publicly held stock certificates that bear the name "Armstrong World Industries, Inc." actually represent shares of stock of Holdings. The publicly held debt of AWI was not affected in the transaction. Holdings was formed for purposes of the share exchange, and Holdings does not have any other significant assets or operations.

Additional information concerning AWI and its financial condition, on a consolidated basis, and results of operations, on a consolidated basis, is set forth in AWI's and Holdings' joint (i) Annual Report on Form 10-K for the fiscal year ended December 31, 2002, (ii) Quarterly Report on Form 10-Q for the period ended March 31, 2003,

and (iii) Current Reports on Form 8-K filed since the most recent 10-K report. You may read and copy these documents (and any other document AWI or Holdings files with the Securities and Exchange Commission (the "***SEC***")) at the SEC's Public Reading Room located at 450 Fifth Street, N.W., Washington D.C. 20549. You may obtain information on the operation of the Public Reading Room by calling the SEC at 1-800-SEC-0300. The SEC also maintains an Internet site (www.sec.gov) through which you can access reports, proxy and information statements and other information regarding Holdings and AWI. These documents also may be viewed by accessing the Internet site maintained by AWI in connection with the Plan (www.armstrongplan.com).

Certain exhibits to the Plan are included with this Disclosure Statement. The remaining exhibits to the Plan will be contained in a separate exhibit volume, which will be filed with the clerk of the Bankruptcy Court by September 5, 2003, which is not later than the earlier of (i) fifteen (15) days before the deadline for filing objections to confirmation of the Plan and (ii) thirty (30) days prior to the Confirmation Hearing. Such exhibit volume may be inspected in the office of the clerk of the Bankruptcy Court during normal court hours and may also be viewed at AWI's Internet site (www.armstrongplan.com). Claimants and AWWD, as well as Holdings' shareholders, also may obtain a copy of the exhibit volume, once filed, from AWI by written request sent to the following address:

Armstrong World Industries, Inc.
Post Office Box 3666
Lancaster, Pennsylvania 17604-3666

On June 2, 2003, after notice and a hearing, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind and in sufficient detail adequate to enable hypothetical, reasonable investors typical of the Claimants to make an informed judgment as to whether to accept or reject the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.**

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

On April 21, 2003, after notice and a hearing, the Bankruptcy Court entered an order approving the Voting Procedures. Among other things, these procedures (i) designate which Claimants are entitled to vote on the Plan and (ii) establish other procedures governing the solicitation and tabulation of Ballots. A copy of the Voting Procedures is attached to this Disclosure Statement as Exhibit "D." *See* Section VII.A, entitled, "CONFIRMATION AND CONSUMMATION PROCEDURE – Solicitation of Votes," for a complete description of the Voting Procedures.

Each Claimant entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting on the Plan.

Under the Bankruptcy Code, only classes of claims or equity interests that are "impaired" are entitled to vote to accept or reject the Plan. The Claims in each of Classes 3, 4, 6, 7, and 8 and AWWD's Equity Interests in AWI in Class 12 of the Plan are impaired (*see* Section V.A, entitled, "THE PLAN OF REORGANIZATION — Classification and Treatment of Claims and Equity Interests in AWI," for a description of these classes). Claimants in these classes who, pursuant to the Voting Procedures, are entitled to vote on the Plan and AWWD may do so by completing and mailing the enclosed Ballot to the address set forth on the Ballot so that it is received by 5:00 p.m., Wilmington, Delaware time, on September 22, 2003 (the "***Voting Deadline***").

Beneficial owners of debt securities of AWI that are registered either fully or as to principal only ("*Debt Securities*") who hold such securities through nominees should return their individual ballots to their nominees in sufficient time to allow their nominees to complete and return a master ballot prior to the Voting Deadline UNLESS such beneficial owners receive "prevalidated" ballots. "Prevalidated" ballots may be sent directly to the address set forth on the Ballot. *See* the Voting Procedures, a copy of which is annexed hereto as Exhibit "D," and Section VII.A, entitled, "CONFIRMATION AND CONSUMMATION PROCEDURE — Solicitation of Votes," for a more detailed description of the Voting Procedures. If you have any questions about the type of Ballot you received, please call AWI's special balloting and solicitation agent, Innisfree M&A Incorporated ("***Innisfree***"), at (877) 750-2689. Shareholders of Holdings are not entitled to vote on the Plan, but may object to confirmation of the Plan.

If you did not receive a Ballot, it is because AWI believes that, in accordance with the Voting Procedures, you are not entitled to vote on the Plan. Because AWI does not have records of the addresses of individual holders of Asbestos Personal Injury Claims and because no deadline for the filing of Asbestos Personal Injury Claims (other than Indirect PI Trust Claims) has been set in the Chapter 11 Case, this Disclosure Statement is being sent to attorneys who may represent holders of Asbestos Personal Injury Claims, together with a form of Ballot. The Voting Procedures provide special procedures for voting by attorneys on behalf of holders of Asbestos Personal Injury Claims (to the extent such attorneys are authorized to do so) or voting by individual holders of Asbestos Personal Injury Claims. Please review the Voting Procedures for detailed instructions regarding how to vote with respect to Asbestos Personal Injury Claims.

The following are **NOT** entitled to vote on the Plan and, therefore, have not received Ballots with this Disclosure Statement:

- **Shareholders of Armstrong Holdings, Inc.**
- **Administrative Expense Claimants**
- **Holders of Priority Tax Claims**
- **Holders of Secured Claims**
- **Holder of COLI Claims**
- **Holders of Asbestos Property Damage Claims**
- **Holders of Affiliate Claims**
- **Holders of Subsidiary Debt Guarantee Claims**
- **Holders of Employee Benefit Claims**
- **Claimants whose Claims have been fully disallowed**
- **Claimants whose Claims are the subject of pending objections and have not been allowed for voting purposes**

If you are not listed above and you did not receive a Ballot, received a damaged Ballot, or lost your Ballot, please call Innisfree, at (877) 750-2689.

If you are not entitled to vote solely because your Claim is the subject of a pending objection, you may apply to the Bankruptcy Court for an order allowing your Claim for voting purposes only. ***You must file any such motion no later than July 7, 2003 (fifteen (15) days after the deadline for AWI to complete its mailing of solicitation packages).***

The Bankruptcy Code defines "acceptance" of a plan by a class of claimants as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that cast ballots for acceptance or rejection of the plan. AWI is seeking acceptance of the Plan by Claimants in Classes 3, 4, 6, 7, and 8, as well as by AWWD, the holder of the Equity Interests in Class 12. For a complete description of the requirements for acceptance of the Plan, *see* Section VII, entitled, "CONFIRMATION AND CONSUMMATION PROCEDURE." Moreover, the Plan requires that at least 75% of the holders of Asbestos Personal Injury Claims who vote on the Plan vote to accept the Plan.

The record date for determining which holders of Unsecured Claims (including holders of Debt Securities) are entitled to vote on the Plan is June 4, 2003. **THE TRUSTEES FOR THE DEBT SECURITIES ARE NOT ENTITLED TO VOTE ON BEHALF OF THE HOLDERS OF SUCH SECURITIES, AND, CONSEQUENTLY, SUCH HOLDERS MUST SUBMIT THEIR OWN BALLOTS.** Please see the Voting Procedures for further information regarding voting procedures that have been established for holders of Debt Securities.

After carefully reviewing this Disclosure Statement, including the exhibits, each Claimant in an impaired class that is entitled to vote and AWWD should vote on the enclosed Ballot and return the Ballot in the envelope provided so that it is *actually received* by the Voting Deadline — 5:00 p.m., Wilmington, Delaware time, on September 22, 2003. If you have a Claim in more than one class and you are entitled to vote Claims in more than one class, you will receive separate Ballots for each Claim.

All Ballots for Debt Securities should be returned to the following address:

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10022
(Attn: Armstrong World Industries, Inc.)

All Claimants other than holders of Debt Securities should vote and return their Ballots to Trumbull Services LLC ("***Trumbull***") at one of the following two addresses:

BY HAND DELIVERY OR COURIER:
4 Griffin Road North
Windsor, CT 06095
(Attn: Armstrong World Industries, Inc.)

BY MAIL:
P.O. Box 1117
Windsor, CT 06095
(Attn: Armstrong World Industries, Inc.)

If you have any questions about the Plan, this Disclosure Statement, or the Voting Procedures, please call Innisfree at (877) 750-2689.

TO BE COUNTED, YOUR BALLOT MUST BE *ACTUALLY RECEIVED* AT THE APPROPRIATE ADDRESS BY THE VOTING DEADLINE — 5:00 P.M., WILMINGTON, DELAWARE TIME, ON SEPTEMBER 22, 2003. BALLOTS MUST BE DELIVERED BY MAIL, COURIER, OR DELIVERY SERVICE. FACSIMILE BALLOTS WILL *NOT* BE ACCEPTED. ANY COMPLETED BALLOTS RECEIVED THAT DO NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATE BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED.

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on November 17, 2003, at 9:30 a.m. (Eastern Time), at the Martin Luther King, Jr. Federal Building and U.S. Courthouse, 50 Walnut Street, Newark, New Jersey, Courtroom 4609. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed on or before September 22, 2003 at 4:00 p.m. (Wilmington, Delaware time), in the manner described in this Disclosure Statement under Section VII.B, entitled, "CONFIRMATION AND CONSUMMATION PROCEDURE — The Confirmation Hearing." The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned date of the Confirmation Hearing.

AWI AND THE REPRESENTATIVES OF THE UNSECURED CREDITORS AND THE ASBESTOS PERSONAL INJURY CLAIMANTS BELIEVE THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERIES TO THE CLAIMANTS AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EVERY CLASS OF CLAIMANTS. ACCORDINGLY, AWI, THE ASBESTOS PI CLAIMANTS' COMMITTEE, THE FUTURE CLAIMANTS' REPRESENTATIVE, AND THE UNSECURED CREDITORS' COMMITTEE ALL RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

II. OVERVIEW OF THE PLAN

The following is a brief overview of the provisions of the Plan. This overview is qualified in its entirety by reference to the Plan, a copy of which is included as Exhibit "A." In addition, for a more detailed description of the terms of the Plan, *see* Section V, entitled, "THE PLAN OF REORGANIZATION."

The Plan and the Chapter 11 Case accomplish the following objectives, which AWI believes are essential components of a successful reorganization:

- Resolution of AWI's liability for all Asbestos Personal Injury Claims;
- Fair treatment for Unsecured Claims;
- Resolution of AWI's liability for all Asbestos Property Damage Claims; and
- Corporate reorganization of AWI and liquidation of Holdings.

The Plan designates 12 classes — eleven classes of Claims and one class of Equity Interests in AWI (which are held by AWWD, AWI's sole shareholder). These classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Equity Interests.

The Plan accomplishes, and is premised on, a resolution of AWI's liability for all Asbestos Personal Injury Claims (Class 7) by channeling them to a trust established by AWI (the "***Asbestos PI Trust***"). In exchange for the Asbestos PI Insurance Asset and the Reorganization Consideration (*see* Section V.D, entitled, "THE PLAN OF REORGANIZATION – Description of the Reorganization Consideration") to be transferred pursuant to the terms of the Plan, the Asbestos PI Trust will assume and be responsible for all liability for Asbestos Personal Injury Claims and certain other obligations associated with the Asbestos PI Insurance Asset. All Asbestos Personal Injury Claims will be determined and paid pursuant to the terms, provisions, and procedures of the Asbestos PI Trust, the Asbestos PI Trust Distribution Procedures, and the Asbestos PI Trust Agreement. Moreover, as described in Section VI.C, entitled, "THE ASBESTOS PI TRUST – The Asbestos PI Permanent Channeling Injunction," Asbestos Personal Injury Claimants will be permanently enjoined from pursuing their claims against Reorganized AWI and certain other parties.

The Plan currently does not provide for a distribution with respect to Asbestos Property Damage Claims. AWI, the holders of outstanding Asbestos Property Damage Claims, and the Asbestos PD Committee have reached an agreement in principle with respect to the resolution of all outstanding Asbestos Property Damage Claims and various pending issues relating to Asbestos Property Damage Claims (the "***Global Asbestos PD Settlement***"). Although, as of the date hereof, the settlement agreement with respect to the Global Asbestos PD Settlement has not been fully executed, and the Global Asbestos PD Settlement has not been approved by the Bankruptcy Court, the Global Asbestos PD Settlement has the support of AWI's insurers, all of the Committees and the Future Claimants' Representative, and the holders of Asbestos Property Damage Claims. Accordingly, AWI believes it is likely that the Global Asbestos PD Settlement will be finalized, approved by the Bankruptcy Court, and consummated, in which case no Asbestos Property Damage Claims will remain outstanding as of the Effective Date. In the unlikely event, however, that AWI and the representatives of holders of Asbestos Property Damage Claims cannot reach agreement on the specific terms of a settlement agreement or if the Bankruptcy Court refuses to approve the Global Asbestos PD Settlement, then AWI intends to amend the Plan to provide alternative treatment for Asbestos Property Damage Claims. Under those circumstances AWI would propose that any treatment for Asbestos Property Damage Claims be funded exclusively from the proceeds of insurance. Thus, AWI would propose at that point only to solicit votes on the Plan from holders of Asbestos Property Damage Claims and not to re-solicit votes on the Plan from any other class. The insurers have advised AWI that they reserve all rights with respect to this issue.

Pursuant to the terms of the Plan, each holder of a Convenience Claim (Class 3) will receive a cash payment of 75% of the Allowed Amount of such Convenience Claim on the Effective Date or as soon as practicable after such Convenience Claim becomes Allowed. A "***Convenience Claim***" is an Unsecured Claim other than a Debt Security

Claim that otherwise would be classified as a general Unsecured Claim, but which either (i) is in an amount less than or equal to $10,000 or (ii) has been reduced to $10,000 by the holder of such Claim on the Ballot.

For all Unsecured Claims other than Convenience Claims (Class 6), each holder of an Allowed Unsecured Claim in Class 6 will receive its Pro Rata Share of the following elements of Reorganization Consideration:

- 34.43% of the New Common Stock,

- 34.43% of the first $1.05 billion of (x) up to $300 million of Available Cash and (y) the principal amount of each series of Plan Notes and/or 144A Offering Proceeds,

- 60% of the first $50 million of the amount of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan,

- 60% of the amount of each series of Plan Notes and/or 144A Offering Proceeds equal to the difference (if positive) of $50 million *less* the amount of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan, and

- 34.43% of the remaining Available Cash and each series of Plan Notes and/or 144A Offering Proceeds after making provision for the Distribution provided in sections 3.2(f)(ii)2, 3.2(f)(ii)3, and 3.2(f)(ii)4 of the Plan and the funding of the Asbestos PI Trust in sections 10.1(b)(ii), 10.1(b)(iii), and 10.1(b)(iv) of the Plan.

The proposed capital structure for Reorganized AWI, including post-Effective Date financing arrangements that Reorganized AWI expects to enter into in order to meet the working capital needs of its ongoing business operations (and, if necessary, increase the amount of Available Cash to $350 million), is as follows:

- Retained cash for working capital purposes of up to $100 million on a consolidated basis. AWI currently estimates that it will retain cash in the amount of $90 million for working capital purposes.

- Exit financing facility for working capital needs in the approximate amount of $300 million. AWI's projections assume that $124 million will be drawn under the exit financing facility to increase Available Cash to $350 million. AWI estimates that such borrowing will be repaid by the end of 2003. In addition, letters of credit will be issued under the exit financing facility to replace the Letters of Credit and to issue letters of credit in the ordinary course of Reorganized AWI's business. *See* Section V.F, entitled, "THE PLAN OF REORGANIZATION – Exit Facility," for a description of the proposed exit financing facility.

- Plan Notes in an aggregate principal amount equal to the higher of (x) $1,125 million *less* the amount of Available Cash and (y) $775 million (the "***Plan Note Amount***"). *See* Section V.D.2, entitled, "THE PLAN OF REORGANIZATION – Description of the Reorganization Consideration – Plan Notes," for a description of the Plan Notes. If Reorganized AWI completes a 144A Offering, the aggregate principal amount of Plan Notes will be reduced by the amount of the 144A Offering Proceeds.

- 50-60 million shares of New Common Stock to be issued to the Asbestos PI Trust and holders of Unsecured Claims. *See* Section V.D.1, entitled, "THE PLAN

OF REORGANIZATION – Description of the Reorganization Consideration – New Common Stock," for a description of the New Common Stock. The Existing AWI Common Stock, which is held directly by AWWD (and indirectly by Holdings), will be cancelled on the Effective Date.

- New Warrants to purchase 5% of the New Common Stock on a fully diluted basis, which will be issued to AWWD or Holdings. *See* Section V.P, entitled, "THE PLAN OF REORGANIZATION – Holdings Plan of Liquidation," for a description of the Holdings Plan of Liquidation and Section V.D.4, entitled, "THE PLAN OF REORGANIZATION – Description of the Reorganization Consideration – New Warrants," for a description of the New Warrants.

Important Note: The industry in which AWI operates is affected by numerous uncertainties. Those uncertainties and other investment risks make it difficult to determine a precise value for AWI and the equity interests distributed under the Plan. The recoveries described in the table below represent AWI's best estimate of these values given the information available at this time. This estimate does not predict the potential trading prices of the securities under the Plan. Unless otherwise noted, the information in the following table and in the sections below is based upon an assumed Effective Date of July 1, 2003. Although the actual Effective Date is more likely to be November 1, 2003 or thereafter, AWI believes that an Effective Date as late as December 31, 2003 will not materially affect these estimates or the underlying assumptions. The estimated recoveries set forth below are based upon the following assumptions:

- The Plan Notes, together with the 144A Offering Proceeds (if any), will be in the aggregate principal amount of $775 million, and the Plan Notes will be worth their face value. If the 144A Offering is completed, the 144A Offering will yield net proceeds of at least $775 million.

- The estimated reorganization value for AWI is between $2,400 million and $3,000 million (with a midpoint valuation of $2,700 million).

- The estimated Equity Value of the New Common Stock (based on the residual value of the equity of Reorganized AWI) is between $24.66 per share and $35.30 per share, with a midpoint value of $30.00 per share (assuming a distribution of approximately 56.4 million shares of New Common Stock to holders of Unsecured Claims and the Asbestos PI Trust).

- AWI will have Available Cash of approximately $350 million as of the Effective Date.

- The estimated value of the New Warrants is $35-40 million.

Based upon these assumptions, AWI estimates that the total value of the Reorganization Consideration to be available to be distributed *pro rata* to holders of Allowed Unsecured Claims in Class 6 will be approximately $982 million, consisting of New Common Stock with an aggregate value of approximately $582 million (or approximately 59% of the Reorganization Consideration distributed to Class 6), Available Cash in the amount of approximately $133 million (or approximately 14% of the Reorganization Consideration distributed to Class 6), and Plan Notes and/or 144A Offering Proceeds in the amount of approximately $267 million (or approximately 24% of the Reorganization Consideration distributed to Class 6). Based upon AWI's estimate of total Allowed Unsecured Claims in Class 6 of approximately $1,650 million, AWI estimates that each holder of an Allowed Unsecured Claim will receive total Distributions equal to 59.5% of its Allowed Unsecured Claim. That means, for example, that a holder of an Allowed Unsecured Claim in the amount of $100,000 would receive approximately $59,500 of Reorganization Consideration consisting of approximately $35,300 in value of New Common Stock, $8,000 in cash, and $16,200 in either Plan Notes or cash (depending upon whether and the extent to which the 144A Offering is completed).

SUMMARY OF CLASSIFICATION AND TREATMENT UNDER THE PLAN[1]

The Plan classifies Claims and Equity Interests in AWI for all purposes, including voting, confirmation, and distribution, as follows:

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?	ESTIMATED RECOVERY
Class 1: Priority Claims	Paid in full, in cash, on the later of the Effective Date or as soon as practicable after such Priority Claim becomes Allowed.	Unimpaired	No	100%
Class 2: Secured Claims	Reinstated – Any defaults related to Secured Claims will be cured.	Unimpaired	No	100%
Class 3: Convenience Claims	Paid 75% of Allowed Amount of Convenience Claim, in cash, on later of the Effective Date or as soon as practicable after such Convenience Claim becomes Allowed.	Impaired	Yes	75%
Class 4: Asbestos Property Damage Claims	All Asbestos Property Damage Claims will be resolved pursuant to the terms of the Global Asbestos PD Settlement and, therefore, are treated as unimpaired. If the Global Asbestos PD Settlement is not approved by the Bankruptcy Court at least fifteen (15) days before the Voting Deadline, AWI will amend the Plan to provide alternative treatment for Asbestos Property Damage Claims, in which case the Asbestos Property Damage Claims will be treated as impaired and will be entitled to vote on the Plan.	Unimpaired	Yes	Unknown
Class 5: COLI Claims	Reinstated – Any defaults related to the COLI Claims will be cured.	Unimpaired	No	100%
Class 6: Unsecured Claims other than Convenience Claims	Each holder of an Allowed Unsecured Claim will receive its Pro Rata Share of (i) 34.43% of the New Common Stock, (ii) 34.43% of the first $1.05 billion of (x) up to $300 million of Available Cash and (y) the Plan Notes and/or 144A Offering Proceeds, (iii) 60% of the next $50 million of the remaining Available Cash, (iv) 60% of the remaining amount of Plan Notes and/or 144A Offering Proceeds to the extent that Available Cash in (iii) is less than $50 million, and (v) 34.43% of the remaining Available Cash and Plan Notes and/or 144A Offering Proceeds.	Impaired	Yes	59.5%
Class 7: Asbestos Personal Injury Claims	All Asbestos Personal Injury Claims will be channeled to the Asbestos PI Trust, which will be funded pursuant to section 10.1 of the Plan.	Impaired	Yes	Unknown

[1] This table is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of such classification and treatment.

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?	ESTIMATED RECOVERY
Class 8: Environmental Claims	Each Environmental Claim will be treated as an Allowed Unsecured Claim to the extent it becomes Allowed prior to any Distribution Date. Other treatment determined as applicable under the relevant settlement agreement.	Impaired	Yes	59.5%
Class 9: Affiliate Claims	Reinstated	Unimpaired	No	100%
Class 10: Subsidiary Debt Guarantee Claims	Reinstated	Unimpaired	No	100%
Class 11: Employee Benefit Claims	Reinstated	Unimpaired	No	100%
Class 12: AWWD's Equity Interests in AWI	The holder of the Equity Interests in AWI will receive the New Warrants (which will be distributed in accordance with the Holdings Plan of Liquidation, if approved).	Impaired	Yes	N/A

As a separate condition to confirmation of the Plan, at least 75% of the holders of Asbestos Personal Injury Claims who vote on the Plan must vote to **ACCEPT** the Plan. Moreover, for confirmation of the Plan to occur, the Confirmation Order must contain findings that are consistent with and those that are required by section 524(g) of the Bankruptcy Code. Section 524(g) contains requirements for a "channeling injunction" of the type that is provided under the Plan (*see* Section V.B, entitled, "THE PLAN OF REORGANIZATION — Conditions to Confirmation" and Section VI.C, entitled, "THE ASBESTOS PI TRUST – The Asbestos PI Permanent Channeling Injunction"). Only AWI and the Asbestos PI Claimants' Committee, the Future Claimants' Representative and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee, may waive the satisfaction of these conditions to confirmation of the Plan.

Following confirmation of the Plan, the Plan will not become effective until the first Business Day of the month immediately following the date by which all of the conditions precedent to the effectiveness of the Plan have been satisfied or waived or, if a stay of the Confirmation Order is in effect on such date, the first Business Day of the month immediately following the date of the expiration, dissolution, or lifting of such stay (the "***Effective Date***"). These conditions are described in Section V.C, entitled, "THE PLAN OF REORGANIZATION — Conditions Precedent to the Effective Date under the Plan." For purposes of this Disclosure Statement, AWI has assumed that the Effective Date will be July 1, 2003. Of course, there can be no certainty that the Effective Date will occur by such date, and it is more likely that the Effective Date will be November 1, 2003 or thereafter. The satisfaction of many of the conditions to the occurrence of the Effective Date is beyond the control of AWI.

Distributions on account of Allowed Unsecured Claims will be made on the "***Initial Distribution Date***" (a date selected by Reorganized AWI within fifteen (15) days after the Effective Date, or such later date as the Bankruptcy Court may establish upon request by Reorganized AWI, for cause shown; *provided, however*, that in no event shall the Initial Distribution Date be more than forty-five (45) days after the Effective Date) and on subsequent Distribution Dates. Distributions on account of all other Allowed Claims (other than Asbestos Personal Injury Claims and Asbestos Property Damage Claims) will be made on the Effective Date or as soon as practicable thereafter, but in no event more than fifteen (15) days after the Effective Date.

The timing of distributions to holders of Allowed Asbestos Personal Injury Claims will be established by the Asbestos PI Trustees pursuant to the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures. The timing of distributions to holders of Allowed Asbestos Property Damage Claims will be established by the terms of the Global Asbestos PD Settlement and as otherwise ordered by the Bankruptcy Court.

Notwithstanding the foregoing, a payment will only be made on account of a Disputed Claim after, and to the extent that, such Disputed Claim becomes Allowed. All payments to be made in cash under the Plan will be made, at the election of Reorganized AWI or the Disbursing Agent, by check or wire transfer.

III. GENERAL INFORMATION

A. Description and History of Business.

AWI is a Pennsylvania corporation that was incorporated in 1891 to carry on the business founded by Thomas M. Armstrong in 1860. Together with its subsidiaries, it is referred to here as "Armstrong." Through its U.S. operations and U.S. and international subsidiaries, Armstrong designs, manufactures and sells flooring products (resilient, wood, carpeting and sports flooring), as well as ceiling systems, around the world. Armstrong products are sold primarily for use in the finishing, refurbishing and repair of residential, commercial and institutional buildings. Armstrong also designs, manufactures and sells kitchen and bathroom cabinets.

Holdings became the indirect parent company (and AWWD became the direct parent company) of AWI on May 1, 2000, following AWI shareholder approval of a plan of exchange pursuant to which each share of AWI was exchanged for one share of Holdings. As a result, stock certificates dated before that date that bear the name "Armstrong World Industries, Inc." actually represent stock of Holdings. Until the filing of the Plan, the common stock of Holdings was publicly traded on the New York Stock Exchange under the ticker symbol "ACK." The Holdings common stock currently is quoted on the OTC (over-the-counter) bulletin board with the ticker symbol "ACKHQ." Holdings and AWWD were formed for purposes of the share exchange and do not hold any other significant assets or engage in any operations.

Armstrong conducts its business through the following business segments:

Resilient Flooring — Armstrong is a worldwide manufacturer of a broad range of floor coverings for homes and commercial and institutional buildings, which are sold with adhesives, installation and maintenance materials and accessories. Armstrong's flooring products include vinyl sheet and vinyl tile, linoleum and laminate flooring. Various products offer ease of installation, reduced maintenance (no-wax), and cushioning for greater underfoot comfort. The products are sold in a wide variety of types, designs, and colors to commercial, residential and institutional customers through wholesalers, retailers (including large home centers and buying groups), contractors, and to the hotel/motel and manufactured homes industries.

Building Products — The Building Products segment includes commercial and some residential ceiling systems. Commercial suspended ceiling systems, designed for use in shopping centers, offices, schools, hospitals, and other commercial and institutional settings, are available in numerous colors, performance characteristics and designs and offer characteristics such as acoustical control, accessibility to the plenum (the area above the ceiling), rated fire protection, and aesthetic appeal. Armstrong sells commercial ceiling materials and accessories to ceiling systems contractors and to resale distributors. Ceiling materials for the home provide noise reduction and incorporate features affording ease of installation. These residential ceiling products are sold through wholesalers and retailers (including large home centers). Framework (grid) products for Armstrong suspension ceiling systems products are manufactured through a joint venture with Worthington Industries (WAVE) and are sold by both Armstrong and the WAVE joint venture.

Wood Flooring — The Wood Flooring segment manufactures and distributes wood and other flooring products. These products are used primarily in residential new construction and remodeling, with some commercial applications in stores, restaurants and high-end offices. Wood Flooring sales are generally made through independent wholesale flooring distributors and retailers (including large home centers and buying groups) under the brand names Bruce™, Hartco™ and Robbins™.

Cabinets — The Cabinets segment manufactures kitchen and bathroom cabinetry and related products, which are used primarily in residential new construction and remodeling. Through its nationwide system of company-owned and independent distribution centers, the Cabinets segment provides design, fabrication and installation services to single-family builders, multi-family builders and remodelers under the brand names IXL™, Bruce,™ and Armstrong™.

Textiles & Sports Flooring — The Textiles and Sports Flooring business segment manufactures carpeting and sports flooring products that are mainly sold in Europe. The carpeting products consist principally of carpet tiles and broadloom used in commercial applications as well as the leisure and travel industry. Sports flooring products include artificial turf surfaces. Both product groups are sold through wholesalers, retailers and contractors.

Armstrong businesses principally sell products through building products distributors, who re-sell its products to retailers, builders, contractors, installers and others. Armstrong also sells a significant portion of its products to home center chains and industry buying groups. For example, in 2002, Armstrong sales to The Home Depot, Inc. totaled approximately $380 million. No other customer accounted for more than 10% of Armstrong's revenue.

Raw materials essential to Armstrong businesses are purchased worldwide in the ordinary course of business from numerous suppliers. The principal raw materials used in each business include the following:

Business	**Principal Raw Materials**
Resilient Flooring	Synthetic resins, plasticizers, PVC, latex, linseed oil, limestone, films, pigments and inks
Building Products	Mineral fibers and fillers, clays, starches, newspaper, and perlite, as well as steel used in the production of metal ceilings and manufacturing of ceiling grids
Wood Flooring	Lumber, veneer, acrylics, and plywood
Cabinets	Lumber, veneer, plywood, particleboard and fiberboard
Textiles and Sports Flooring	Yarn, latex, bitumen and wool

Armstrong's laminate flooring products are sourced from third parties under long-term supply contracts.

Armstrong also purchases significant amounts of packaging materials for all products and uses substantial amounts of energy, such as electricity and natural gas, and water in its manufacturing operations. In general, adequate supplies of raw materials have been available to all of Armstrong's businesses. Armstrong, however, cannot guarantee that a significant shortage of one raw material or another will not occur.

Customers' orders for Armstrong products are typically for immediate shipment. Thus, in each business group, Armstrong keeps sufficient inventory on hand to satisfy orders, or manufactures product to meet delivery dates specified in orders. As a result, there historically has been no material backlog in any industry segment.

Patent protection is important to Armstrong's business in the United States and other markets. Armstrong's competitive position has been enhanced by U.S. and foreign patents on products and processes developed or perfected within Armstrong or obtained through acquisition or license. In addition, Armstrong also benefits from its trade secrets for certain products and processes. Patent protection extends for varying periods according to the date of patent filing or grant and the legal term of a patent in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage, and the availability of legal remedies in the country. Although Armstrong considers that, in the aggregate, its patents and trade secrets constitute a valuable asset of material importance to its business, Armstrong does not regard any of its businesses as being materially dependent upon any single patent or trade secret, or any group of related patents or trade secrets.

Armstrong products are sold around the world under numerous brand-name trademarks that are considered in the aggregate to be of material importance. Certain of Armstrong trademarks, including, without limitation, house marks Armstrong™, Bruce™, Hartco™, Robbins™, and DLW™, and product line marks Ceramaguard™, Cirrus™, Corlon™, Cortega™, Designer Solarian™, Excelon™, Fundamentals™, i-Ceilings™, Medintech™, Minatone™, Natural Inspirations™, Second Look™, Switflock™, ToughGuard™, Traffic Zone™, Travertone™ and Ultima™ are important to Armstrong's business because of their significant brand name recognition. Trademark protection continues in some countries as long as the mark is used and, in other countries, as long as it is registered. Registrations are generally for fixed, but renewable, terms.

Armstrong's world headquarters are located in Lancaster, Pennsylvania. Armstrong owns a 100-acre, multi-building campus comprising the site of its corporate headquarters, most operational headquarters, and its U.S. R&D operations and marketing and service headquarters. Altogether, Armstrong's headquarters operations occupy over 986,000 square feet of floor space.

Armstrong produces and markets Armstrong products and services throughout the world, owning and operating 50 manufacturing plants in 15 countries. Twenty-nine of these facilities are located throughout the United States. In addition, Armstrong has an interest through joint ventures in nine additional plants in five countries.

Business Segment	Number of Plants	Location of Principal Facilities
Resilient Flooring	14	California, Illinois, Oklahoma, Pennsylvania, Mississippi, Canada, Germany, Sweden, Australia, and the U.K.
Building Products	15	Alabama, Florida, Georgia, Oregon, Pennsylvania, China, France, Germany, and the U.K.
Wood Flooring	13	Arkansas, Tennessee, Texas, and West Virginia
Cabinets	3	Nebraska, Pennsylvania, and Tennessee
Textiles and Sports Flooring	5	Belgium, Germany, and The Netherlands

Sales offices are leased and owned worldwide, and leased facilities are used to supplement Armstrong's owned warehousing facilities.

Productive capacity and the extent of utilization of Armstrong facilities are difficult to quantify with certainty because maximum capacity and utilization in any one facility vary periodically depending upon the product that is being manufactured, and individual facilities manufacture multiple products. Armstrong believes its facilities have sufficient productive capacity to meet its current and anticipated future needs. Armstrong believes that its various facilities are adequate and suitable. Additional incremental investments in plant facilities are made as appropriate to balance capacity with anticipated demand, improve quality and service, and reduce costs.

As of December 31, 2002, Armstrong had approximately 16,500 full and part time employees around the world, of whom approximately 5,100 are located outside of the United States. About 68% of the approximately 8,000 hourly or salaried production and maintenance employees in the United States are represented by labor unions. This percentage includes all hourly production employees of Armstrong plants and warehouses where labor unions exist, regardless of whether or not the employees actually pay union dues.

B. Competition.

There is strong competition in all of the industry segments in which Armstrong does business. Competition in each industry segment and each geographic area where Armstrong does business includes numerous companies. Principal methods of competition include price, product performance and service. In addition, product styling is a significant component of competition. Increasing competition in the U.S. from worldwide producers is apparent in

Armstrong's businesses. Over recent years, there has continued to be excess production capacity in many geographic markets, which tends to increase price competition.

C. Proposed Dissolution of Armstrong Holdings, Inc.

Holdings, which is not a debtor, will be seeking approval from its shareholders of the dissolution and winding up of Holdings in connection with the Plan (and, as part thereof, the termination of the corporate existence of AWWD) pursuant to Subchapter F, Chapter 19 of the Pennsylvania Business Corporation Law of 1988 (the "***Pennsylvania BCL***") or in such other manner as is consistent with the terms of the Plan and permitted by law. *See* Section V.P, entitled "THE PLAN OF REORGANIZATION — Holdings Plan of Liquidation."

D. Events Leading to the Commencement of the Chapter 11 Case.

1. AWI's Involvement with Asbestos-Containing Materials.

AWI's involvement in asbestos personal injury litigation relates primarily to its involvement in the high temperature insulation contracting business. Throughout the early 1900's, AWI (then known as Armstrong Cork Company) manufactured, installed, and serviced low temperature primarily cork based products for cold storage insulation and pipe covering applications. In addition, as an adjunct to these cold storage contracting activities, from around 1910 to 1933, AWI manufactured various high temperature insulation products, including some that contained asbestos. These products have not been the subject of significant claims.

Commencing in 1939, AWI expanded its low temperature insulation contracting business into high temperature contracting services. AWI generally manufactured its own low temperature insulation materials for use in its contracting services, but did not manufacture the high temperature insulation materials used in its contracting operations. Some of the high temperature products furnished and installed in the contracting operations contained asbestos. AWI believes that its sale and installation of asbestos-containing insulation products was limited to the United States and Canada.

As a part of overall organizational changes that took place in the late 1950's, AWI separated the insulation contracting business from the remainder of the company with the formation of a separate, independent subsidiary, Armstrong Contracting and Supply Corporation ("***ACandS***"). From January 1, 1958 through July 1969, ACandS operated as an independent subsidiary in the insulation contracting business. During this period, AWI licensed certain trade names and trademarks to ACandS, which ACandS placed on certain insulation products manufactured by others. In addition, from 1964 through 1969, another independent subsidiary of AWI, National Cork Company ("***NCC***"), operated an insulation contracting business. Other than two specific products, AWI did not manufacture or sell any asbestos containing thermal insulation materials during this period.

In August of 1969, a group of ACandS management employees formed a holding company and purchased the stock of ACandS from AWI. In connection with such sale, AWI assigned certain trade names to ACandS, but ACandS was not licensed to use, and did not use, AWI's trademark or the trade style "(A)rmstrong." ACandS continues to exist today and is now known as ACandS, Inc. On September 19, 2002, ACandS filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Bankruptcy Court.

AWI manufactured only two asbestos containing insulation materials between 1939 and 1968 – LT Cork Covering and Armaspray. LT Cork Covering (1956-1959) was a cork product with a purchased paper wrapper that contained chrysotile asbestos. Armaspray (1966-1968) was an investigatory high temperature spray applied insulation material that contained less than 10% amosite asbestos and was sold only to ACandS for installation. LT Cork Covering with the asbestos paper covering and Armaspray were not commercially successful products, and AWI had no involvement with asbestos containing insulation materials after AWI stopped making Armaspray in 1968. AWI has no information to suggest that LT Cork Covering was sold outside the United States.

The following asbestos containing insulation products were sold and/or installed by AWI during various points of AWI's history from about 1910 to 1957 (and to a very limited extent from 1958 to 1969), or are believed to have been used, installed, or sold by AWI's former subsidiaries ACandS from 1958 to 1969 and NCC from 1964 to 1969.

This information is not intended to be an exhaustive list, but is intended to identify those products that have been the most identified by claimants in the course of AWI's history and based upon information acquired about the activities of ACandS from 1958 to 1969 and NCC from 1964 to 1969. These products were primarily (if not exclusively) used in the high temperature insulation contracting installation operations where AWI, ACandS, or NCC employed insulators. This list does not include products that may have contained some portion of the "Armstrong" name but did not contain asbestos.

Nonpareil Pipecovering, Block and Cement (1910 – 1930's only)

85% Magnesia Pipecovering and Block (Keasbey & Mattison or Ehret Magnesia)

Hy-Temp Pipecovering and Block (Keasbey & Mattison)

Bestfelt Pipecovering and Block (Keasbey & Mattison)

Air Cell Pipecovering and Block (Keasbey & Mattison)

Duplex Pipe Insulation (Keasbey & Mattison)

No. 152 Asbestos Cement (Keasbey & Mattison)

Hy-Temp Cement (Keasbey & Mattison)

85% Magnesia Cement (Keasbey & Mattison)

Amblerex No. 2 Cement (Keasbey & Mattison)

Mineral Wool Cement (Keasbey & Mattison)

Kamatt Pipecovering (Keasbey & Mattison)

Kaytherm Block (Keasbey & Mattison)

Mani-Ply Insulation (Keasbey & Mattison)

No. 151 Cement (Keasbey & Mattison)

Velvet Hard Finish Cement (Keasbey & Mattison)

Asbestos Floats (Keasbey & Mattison)

Millboard, Rollboard, Paper and Range Boiler Jackets (Keasbey & Mattison)

LT Cork Covering

Armabestos Pipecovering and Block (UNR)

Armatemp Cements (Eagle-Picher)

Armstrong LK Pipecovering and Block (Owens-Illinois)

Armstrong's Limpet (Turner-Newall, Keasbey & Mattison after 1962 only)

Armaspray

CC Navy Sealer

LT Sealer

P Series (2) Sealer

Insul Mastic

Sure Mastic

Asbestos Asphaltum Mastic

Fibrated/Aquaseal Emulsion

SP Emulsion

Plastic/Weatherproof Emulsion

Cold Erection Plastic Emulsion

Asbestos Shorts (Keasbey & Mattison)

Asbestos Cloth (various manufacturers)

Kaylo Pipecovering and Block (Owens Illinois)

No. 1 Insulating Cement (Baldwin Hill)

V-18 High Temperature Block (Vermiculite Co.)

In addition to the products listed above, AWI, ACandS, or NCC may have used other asbestos-containing high temperature insulation products manufactured by other manufacturers in the course of their contract insulation installation activities, depending on the requirements of the particular contract involved. It is impossible to state with certainty what other specific asbestos-containing products might have been called for by these contracts.

From 1932 until 1982, AWI manufactured various forms of resilient floor tiles, some of which contained encapsulated chrysotile asbestos. From 1954 until 1983, some of the sheet vinyl resilient floor coverings that AWI manufactured and sold were on an asbestos-containing backing material, which was designated as "Hydrocord." The chrysotile asbestos was bound into the Hydrocord backing by a latex binder, and, as installed, the backing was covered by a sheet vinyl floor covering that did not contain asbestos.

From the early 1950's until the late 1980's, AWI manufactured and sold gasket materials primarily intended for mechanical applications, including internal combustion engines. Some of these gasket materials contained encapsulated asbestos fiber. As a general matter, this gasket material was not sold directly to end users but to secondary processors for the creation of prefabricated gaskets for resale.

In addition to plants within the United States, AWI subsidiaries have manufacturing plants in Reservoir (Victoria), Australia; Gateshead (Team Valley), England; Munster, Germany; and Montreal, Canada that produced asbestos-containing floor tiles and/or sheet vinyl products or the Hydrocord backing (in the U.K., Canada, and Australia), and AWI's plant in Portumna, Ireland also may have manufactured asbestos-containing floor tiles. Although Hydrocord was manufactured by AWI within the United States, it was shipped as a backing for certain sheet vinyl products manufactured at plants in Canada, Australia, and the United Kingdom.

AWI's resilient floor covering products, including those that contained asbestos, were distributed worldwide. In addition to sales within North America, AWI's gasket products were distributed primarily within Europe and Japan, although an effort was made to distribute them worldwide.

All AWI-manufactured acoustical ceiling products never contained asbestos. AWI, however, sold a specialty asbestos cement ceiling board between the mid 1940's and the mid 1970's. This ceiling product, which was composed of asbestos containing Portland cement manufactured by both Keasbey & Mattison and National Gypsum Company, was slate-like in its appearance (which made it readily distinguishable from AWI's acoustical ceiling materials), was intended for use in high humidity areas, and was generally attached to the surface with furring strips and fasteners (and not a suspended grid system).

During the period between the mid-1930's and mid-1980's, some of the related adhesive products that AWI manufactured and sold for use in the installation of resilient floor tile or acoustical ceiling tile contained encapsulated chrysotile asbestos.

AWI manufactured two distinct roof deck systems: (1) Fluid Applied and (2) Travelon Weather Deck. Components of both systems contained asbestos. These were special-purpose systems that were distinguishable from traditional built-up roofing. Both roofing systems were unique and specially directed to a highly specialized segment of the roofing market. These products were not commercially successful and, therefore, were discontinued shortly after their introduction in the mid-1960's.

2. Prepetition Asbestos-Related Personal Injury Litigation Against AWI.

Nearly all the asbestos-related personal injury and wrongful death lawsuits brought against AWI relate to individuals who claim they were exposed to the asbestos-containing high temperature thermal insulation products used by AWI in its insulation contracting activities prior to 1958, or used by ACandS in connection with ACandS's use of AWI's licensed tradename or trademarks after 1958. The majority of these claimants seek compensatory and punitive damages arising from their alleged exposure to these products. Many of these claims involve allegations of negligence, strict liability, and breach of warranty, and some allege conspiracy or other claims that seek to make AWI responsible for the activities of ACandS. In some instances, personal injury claims have been asserted against AWI on account of its asbestos-containing gaskets or flooring materials. LT Cork Covering and Armaspray have rarely been identified by plaintiffs as a cause of injury.

As of September 30, 2000, approximately 173,000 asbestos-related personal injury and wrongful death claims were pending against AWI within the tort system in a multitude of jurisdictions. As a result, AWI lacked an effective means to address its liability for asbestos-related personal injury claims in a comprehensive manner. Moreover, only the Bankruptcy Code provides a vehicle for AWI to address both its present, as well as future, unknown Asbestos Personal Injury Claims.

3. Owens Corning Fiberglas Filing for Protection under Chapter 11.

On October 5, 2000 Owens Corning Fiberglas Corp. ("***OCF***"), a manufacturer of insulation products, filed for protection under chapter 11 of the Bankruptcy Code to address its asbestos liability. This filing adversely affected AWI's attempts at that time to obtain a credit facility to replace its then-existing $450 million credit facility, which was due to expire on October 19, 2000. Following the OCF filing, the potential lenders under the new credit facility reevaluated their credit exposure to AWI, primarily due to AWI's asbestos personal injury liability. AWI could not reach agreement on a new facility with acceptable terms, and the existing credit facility expired. In addition, AWI was concerned about a possibility of increased settlement demands of asbestos plaintiffs given that OCF, which had previously been a major defendant in asbestos litigation, had filed for chapter 11 protection.

4. Downgrading of AWI's Credit Rating.

On October 25, 2000, both Standard & Poors and Moody's Investors Services (collectively, the "***Rating Agencies***") downgraded AWI's long-term debt rating, citing the reduction in committed credit facilities, prospects for weaker operating performance, and continued uncertainty surrounding AWI's asbestos personal injury liability as a result of, among other things, OCF's chapter 11 filing. Both agencies also indicated the possibility of additional downgrades. On November 17, 2000, the Rating Agencies further downgraded AWI's long-term debt rating to below investment grade.

After October 25, 2000, AWI was unable to issue commercial paper and instead borrowed from its remaining $450 million credit facility. As of December 6, 2000, approximately $50 million of commercial paper was outstanding, and the entire $450 million credit facility had been drawn and was outstanding.

In response to the large number of Asbestos Personal Injury Claims then outstanding, the increase in settlement demands over recent years and the resulting liquidity issues, AWI filed for protection under chapter 11 of the Bankruptcy Code on December 6, 2000.

IV. THE CHAPTER 11 CASE

A. General.

On December 6, 2000 (the "***Commencement Date***"), AWI filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Bankruptcy Court in order to use the court-supervised reorganization process to achieve a resolution of its liability for asbestos-related personal injury and wrongful death claims. Also filing under chapter 11 were two of AWI's wholly-owned subsidiaries, Nitram Liquidators, Inc. ("***Nitram***") and Desseaux Corporation of North America, Inc. ("***Desseaux*** with Nitram and AWI, collectively, the "***Debtors***"). The cases are being jointly administered as *In re Armstrong World Industries, Inc., et al.*, Case No. 00-4471 (RJN) (the "***Chapter 11 Case***").

Currently AWI is operating its business and managing its properties as a debtor in possession subject to the provisions of the Bankruptcy Code. Pursuant to the provisions of the Bankruptcy Code, AWI is not permitted to pay any claims or obligations that arose prior to the Commencement Date unless specifically authorized by the Bankruptcy Court. Similarly, Claimants may not enforce any Claims against AWI that arose prior to the Commencement Date unless specifically authorized by the Bankruptcy Court. In addition, as a debtor in possession, AWI has the right, subject to the Bankruptcy Court's approval, to assume or reject any executory contracts and unexpired leases in existence at the Commencement Date. Parties having Claims as a result of any such rejection may file claims with the Bankruptcy Court, which will be addressed as part of the Chapter 11 Case.

The Chapter 11 Case originally was assigned to the Honorable Joseph J. Farnan, Jr., a U.S. District Court Judge for the District of Delaware. During the fourth quarter of 2001, the U.S. Court of Appeals for the Third Circuit assigned U.S. District Court Judge Alfred M. Wolin of New Jersey to preside over the Chapter 11 Case in the District of Delaware. Judge Wolin also presides over other asbestos-related chapter 11 cases pending in the District of Delaware. Judge Wolin retained issues relating to asbestos personal injury claims and referred other asbestos-related issues and bankruptcy-related matters in the Chapter 11 Case to U.S. Bankruptcy Judge Randall J. Newsome.

Since the Commencement Date, AWI, the Unsecured Creditors' Committee, the Asbestos PI Claimants' Committee, and more recently, the Future Claimants' Representative, have been engaged in substantive negotiations regarding the terms of the plan of reorganization. During the course of the Chapter 11 Case, the parties participated in numerous status conferences before Judge Wolin in an effort to resolve their differences with respect to, among other things, the distribution of assets and classification of Claims in connection with the formulation of a viable plan of reorganization. As a result of such status conferences, on November 4, 2002, AWI filed a plan of reorganization with the consent of the Unsecured Creditors' Committee, the Asbestos PI Claimants' Committee, and the Future Claimants' Representative. On March 14, 2003, AWI filed the First Amended Plan of Reorganization. On April 3, 2003, AWI filed the Second Amended Plan of Reorganization. On May 1, 2003, AWI filed the Third Amended Plan of Reorganization, and on May 23, 2003, AWI filed the Plan. The Plan also has the support of the Unsecured Creditors' Committee, the Asbestos PI Claimants' Committee, and the Future Claimants' Representative.

The Plan only relates to AWI; it does not relate to Nitram and Desseaux, the two affiliated debtors in these chapter 11 cases. The Debtors and their Affiliates are NOT being substantively consolidated under the Plan.

B. Professionals Retained in the Chapter 11 Case.

1. AWI's Attorneys and Advisers:

The principal professionals that AWI has retained with respect to chapter 11 matters are as follows:

Attorneys

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
(212) 310-8000
(212) 310-8007 (telecopy)

Richards, Layton & Finger, P.A.
One Rodney Square
P.O. Box 551
Wilmington, Delaware 19899
(302) 651-7700
(302) 651-7701 (telecopy)

Claims Agent

Trumbull Services, LLC
4 Griffin Road North
Windsor, Connecticut 06095
(860) 687-3806
(860) 683-8697 (telecopy)

Financial Advisor

Lazard Frères & Co. LLC ("***Lazard***")
30 Rockefeller Plaza, 61st Floor
New York, New York 10020
(212) 632-6000
(212) 332-1748 (telecopy)

Restructuring Consultants, Auditors and Accountants

KPMG, LLP
99 High Street
Boston, Massachusetts 02110
(617) 988-1000
(617) 988-0800 (telecopy)

Special Ballot Solicitation and Tabulation Agent

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, New York 10022
(877) 750-2689

2. Committees.

On or about December 15, 2000, the United States Trustee for the District of Delaware (the "***U.S. Trustee***"), pursuant to her authority under section 1102 of the Bankruptcy Code, appointed the Unsecured Creditors' Committee and the Asbestos PI Claimants' Committee. On or about July 19, 2001, the U.S. Trustee appointed the Official Committee of Asbestos Property Damage Claimants (the "***Asbestos PD Committee***," and together with the Unsecured Creditors' Committee and the Asbestos PI Claimants' Committee, the "***Committees***"). By order dated on or about March 1, 2002, the Bankruptcy Court approved the appointment of Dean M. Trafelet as the Future Claimants' Representative. The Committees and the Future Claimants' Representative have participated actively in all aspects of the Chapter 11 Case.

(a) Asbestos PI Claimants' Committee.

The Asbestos PI Claimants' Committee currently consists of the following nine members:

- Robert M. Gardner, Sr.
- Norma H. Garrison, Executor of the Estate of Daniel M. Garrison
- Joe Donald Smiley
- Kaye Smith, Executor of the Estate of Willie Hampton
- Roberta Jeffrey, Executor of the Estate of Frank Jeffrey
- John A. Spague
- Frank H. Biele, Jr.
- Susan Wright, Special Administrator of the Estate of Charles Wright
- Miron Fidyk.

The Asbestos PI Claimants' Committee has retained the following professionals:

Attorneys

Caplin & Drysdale, Chartered
399 Park Avenue, 27th Floor
New York, New York 10022
(212) 319-7125
(212) 644-6755 (telecopy)

Campbell & Levine, LLC
800 King Street, Suite 300
Wilmington, Delaware 19801
(302) 426-1900
(302) 426-9947 (telecopy)

Accountants and Financial Advisor

L. Tersigni Consulting PC
201 West Main Street, Suite 220
Stamford, Connecticut 06902
(203) 569-9090
(203) 569-9098 (telecopy)

Asbestos Bodily Injury Consultants

Legal Analysis Research & Planning, Inc.
970 Calle Arroyo
Thousand Oaks, California 91360
(805) 499-3572
(809) 499-7126 (telecopy)

(b) Unsecured Creditors' Committee.

The Unsecured Creditors' Committee currently consists of the following five members:

- Wachovia Bank, N.A.
- Deutsche Bank
- Wells Fargo Bank Minnesota, N.A. as Indenture Trustee
- Bank One, N.A. as Successor Indenture Trustee
- OCM Opportunities Fund, III, L.P.

The Unsecured Creditors' Committee has retained the following professionals:

Attorneys

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019
(212) 373-3000
(212) 757-3990 (telecopy)

Cozen O'Connor
1201 North Market Street
Wilmington, Delaware 19801
(888) 207-2440
(302) 295-2013 (telecopy)

Investment Banker and Financial Advisor

Houlihan Lokey Howard & Zukin Capital
685 Third Avenue
New York, New York 10017
(212) 497-4100
(212) 661-3070 (telecopy)

Asbestos Claims Consultants

Chambers Associates Incorporated
805 15th Street, NW-Suite 500
Washington, D.C. 20005
(202) 371-9770
(202) 371-6601 (telecopy)

(c) Future Claimants' Representative.

The Future Claimants' Representative has retained the following professionals:

Attorneys

Kaye Scholer, LLP
425 Park Avenue
New York, New York 10022
(212) 836-8000
(212) 836-8689 (telecopy)

Young Conaway Stargatt & Taylor, LLP
The Brandywine Building-17th Floor
1000 West Street, 17th Floor
Wilmington, Delaware 19801
(302) 571-6600
(302) 571-1253 (telecopy)

Investment Banker and Financial Advisor

Peter J. Solomon Company
767 Fifth Avenue
New York, New York 10153
(212) 508-1600
(212) 508-1633 (telecopy)

Asbestos Bodily Injury Consultants

Analysis Research Planning Corporation
1900 M Street, N.W.
Suite 410
Washington, D.C. 20036
(202) 797-1111
(202) 797-3619 (telecopy)

(d) Asbestos PD Committee.

The Asbestos PD Committee currently consists of the following three members:

- Christine Wood
- TrizecHahn Office Properties
- Stephen Tancredi

The Asbestos PD Committee has retained Klehr, Harrison, Harvey, Branzburg & Ellers LLP, 919 Market Street, Suite 1000, Wilmington, Delaware 19801, (302) 426-1189, (302) 426-9193 (telecopy), as its counsel.

C. Significant Events During the Chapter 11 Case.

1. Employee Related Matters.

To maintain the continued support, cooperation, and morale of AWI's employees and to minimize any salary, wage, and employee benefit disruptions that might have been occasioned by the commencement of the Chapter 11 Case, AWI obtained orders of the Bankruptcy Court that authorized AWI to (i) pay employees for prepetition wages, salaries, and other compensation and (ii) continue its employee benefit programs, including maintenance of AWI's workers' compensation programs.

In order to (i) ensure that AWI's senior level executives and managers (the "***Key Employees***") continued to provide essential management and other necessary services during the Chapter 11 Case, (ii) minimize Key Employee turnover and (iii) provide incentives to attract new senior level employees to fill critical vacant positions, AWI designed a special retention program (the "***Employee Retention Program***") for the Key Employees and sought Bankruptcy Court approval of the program. The Employee Retention Program is comprised of annual cash retention payments for certain Key Employees, a severance benefit plan, the assumption of certain (and the ability to enter into new) change in control agreements and an employment agreement, and the continued maintenance of customary incentive compensation plans in which the Key Employees participate, including an annual incentive plan for key managers and senior level executives and a long-term cash incentive plan.

In addition, during the course of the Chapter 11 Case, AWI sought and obtained the approval of the Bankruptcy Court to assume AWI's indemnification obligations to its officers and directors, as well as officers and directors of Holdings. In addition, counsel for the board of directors of Holdings is continuing to hold a fund of $1 million to fund any unpaid professional fees of Holdings' board or other obligations to Holdings' directors.

2. Vendor and Customer Issues.

Following the commencement of the Chapter 11 Case, AWI took certain actions in the Bankruptcy Court, including obtaining orders of the Bankruptcy Court, that authorized AWI to (i) pay claims of critical trade vendors (the "***Critical Vendors***") that supply AWI with essential materials and services; (ii) provide postpetition deposits with the Critical Vendors and other suppliers to secure payment for postpetition materials; (iii) pay Claims of prepetition common carriers, warehouses, and holders of mechanics' liens; (iv) pay prepetition Claims held by certain building products distributors through which AWI sells the majority of its vinyl and laminate flooring products, residential ceiling/grid products, and installation/accessory products; (v) honor certain customer warranty programs in accordance with its prepetition practices and honor any postpetition obligations in respect thereof; and (vi) implement global procedures for resolving and paying valid reclamation claims.

3. The DIP Credit Facility.

In order to fund its ongoing business operations during the pendency of the Chapter 11 Case, AWI, Nitram and Desseaux entered into a debtor in possession financing facility (the "***DIP Credit Facility***") with JPMorgan Chase Bank ("***JPMorgan Chase***" or the "***Agent***"), as agent for a syndicate of financial institutions, including JPMorgan Chase (collectively, the "***DIP Lenders***"). The terms of the DIP Credit Facility are memorialized in a Revolving Credit and Guaranty Agreement dated as of December 6, 2000, as amended from time to time (the "***Credit Agreement***").

The following are the major elements of the DIP Credit Facility:

- The DIP Credit Facility originally provided for a total commitment (the "***Commitment***") of $400 million. The Commitment was available for working capital and other general corporate purposes and for the issuance of standby and import documentary letters of credit for purposes satisfactory to the Agent (collectively, the "***Letters of Credit***"). Through subsequent amendments, AWI and the DIP Lenders agreed to reduce the Commitment to $75 million and limit it to Letters of Credit.

- The DIP Credit Facility contemplates that all obligations (i) are secured by a perfected first priority lien on all cash maintained in the Letter of Credit Account (as such term is defined in the Credit Agreement) and (ii) will constitute superpriority obligations over any and all administrative expenses of the kind specified in section 503(b) or 507(b) of the Bankruptcy Code, subject in each case only to (x) in the event of the occurrence of an Event of Default (as such term is defined in the Credit Agreement), the payment of allowed and unpaid professional fees and disbursements incurred by AWI, Nitram, Desseaux or any of the Committees in an aggregate amount not to exceed $5 million, and (y) the payment of bankruptcy filing fees.

- The DIP Credit Facility originally provided that the sum of the aggregate outstanding amount of direct borrowings plus undrawn amount of outstanding Letters of Credit issued for the account of AWI would at no time exceed the borrowing base, which included inventory, receivables and certain other assets of AWI meeting certain eligibility standards determined by the Agent.

- The term of the DIP Credit Facility, as amended, extends through December 6, 2003.

As of December 31, 2002, Armstrong had cash on hand of approximately $380 million. As a result, since the Commencement Date, AWI has not drawn on the DIP Credit Facility. In the ordinary course of its business, however, AWI has requested the DIP Lenders from time to time to issue Letters of Credit. As of December 31,

2002, Letters of Credit in the aggregate face amount of approximately $28.7 million had been issued and remained outstanding under the DIP Credit Facility.

In the fourth quarter of 2002, AWI and the DIP Lenders further amended the DIP Credit Facility. The latest amendment (i) extended the maturity date under the Credit Agreement to December 6, 2003, (ii) terminated all obligations of the DIP Lenders to make loans or advances and limited the Commitment under the DIP Credit Facility to issuances of Letters of Credit, (iii) reduced the total Commitment from $200 million to $75 million and (iv) suspended certain reporting requirements under the Credit Agreement. By order dated October 29, 2002, the Bankruptcy Court authorized and approved such amendment.

4. AWI's Exclusive Right to File and Confirm a Plan.

The Bankruptcy Court has approved five extensions of the periods during which AWI has the exclusive right to file and confirm a chapter 11 plan under section 1121(a) of the Bankruptcy Code (the "***Exclusive Periods***"). The most recent order of the Bankruptcy Court, entered on March 31, 2003, provides that the Exclusive Periods are extended through and including October 3, 2003 (for filing a plan) and December 3, 2003 (for confirmation of a plan).

5. The Bar Date (for Claims other than Asbestos Personal Injury Claims).

On January 30, 2001, AWI filed with the Bankruptcy Court its schedules of assets and liabilities, except for Schedule F (Creditors Holding Unsecured Claims Against the Estate), which was filed on March 21, 2001, pursuant to the Bankruptcy Court's order dated February 21, 2001 extending AWI's time to file such schedule (together, the "***Schedules***"). AWI listed an aggregate of approximately 181,198 Claims on its Schedules.

On March 30, 2001, AWI filed a motion seeking an order fixing a bar date for the filing of proofs of claim against AWI's estate for, essentially, all Claims except those for personal injury based on asbestos exposure. By order dated April 18, 2001 (the "***Bar Date Order***"), the Bankruptcy Court set a bar date of August 31, 2001 (the "***Bar Date***"). AWI mailed notices of the Bar Date and proof of claim forms to all the entities identified in the Schedules, among others (the "***Bar Date Notice***"). Notice of the Bar Date also was published on two occasions in the national editions of *The New York Times*, *The Wall Street Journal*, and *USA Today*, as well as in at least fourteen trade publications and various regional newspapers.

Pursuant to the Bar Date Order, each Creditor holding a prepetition Claim was required, subject to certain limited exceptions, to file a proof of claim on or before the Bar Date. Specifically, as provided in the Bar Date Notice, the following types of creditors were not required to file proofs of claim on or before the Bar Date:

- Creditors holding Claims that already had been properly filed with the clerk of the Bankruptcy Court using a claim form that substantially conforms to Official Form No. 10;

- Creditors holding Claims that (a) are listed on the Schedules, (b) are not described in the Schedules as "disputed," "contingent," or "unliquidated," and (c) are in the same amount and of the same nature as set forth in the Schedules;

- Creditors asserting an Administrative Expense against AWI's chapter 11 estate under section 503(b) or 507(a) of the Bankruptcy Code;

- Creditors holding Claims of AWI or a subsidiary of AWI against another debtor or another subsidiary of a debtor;

- Creditors holding Claims that had been Allowed by an order of the Bankruptcy Court entered on or before the Bar Date;

- Creditors holding asbestos-related personal injury Claims (other than a claim for contribution, indemnity, reimbursement, or subrogation);

- current employees of AWI for prepetition benefits or deferred compensation; and

- creditors holding Claims that had been paid in full by AWI prior to the Bar Date.

As discussed below in Section IV.C.6, entitled "THE CHAPTER 11 CASE — Significant Events During the Chapter 11 Case — Asbestos Property Damage Claims," the Bankruptcy Court subsequently extended the Bar Date for Asbestos Property Damage Claims to March 20, 2002.

2,651 proofs of claim against AWI, not including Asbestos Personal Injury Claims or Asbestos Property Damage Claims, either were received by Trumbull or filed with the clerk of the Bankruptcy Court on or before the Bar Date. In addition, 140 additional proofs of claim, not including Asbestos Personal Injury Claims or Asbestos Property Damage Claims, were filed against AWI after the Bar Date. Thus, excluding Asbestos Personal Injury Claims and Asbestos Property Damage Claims, as of March 10, 2003, a total of 2,792 proofs of claim had been filed against AWI in the Chapter 11 Case. For information regarding the Asbestos Property Damage Claims filed against AWI in the Chapter 11 Case, *see* Section IV.C.6, entitled "THE CHAPTER 11 CASE — Significant Events During the Chapter 11 Case — Asbestos Property Damage Claims."

Since the Bar Date, AWI, together with its professionals, has engaged in an extensive process of reviewing and reconciling the proofs of claim asserted against AWI in the Chapter 11 Case. As of March 31, 2003, the Debtors have filed and prosecuted seven omnibus objections to Claims, as well as several additional objections addressing specific Claims. In addition, the Debtors have engaged in discussions with a wide variety of Claimants regarding, among other things, the withdrawal of Claims where appropriate.

As a result of these efforts, the Debtors have successfully disallowed and expunged a total of 1,240 Claims asserted against AWI, leaving a total of 1,551 proofs of claim outstanding against AWI in the aggregate amount of approximately $1.88 billion, not including Asbestos Personal Injury Claims, Asbestos Property Damage Claims or Claims listed on the Schedules ("***Scheduled Claims***"). In addition, pursuant to three of the seven omnibus objections to claims, AWI has obtained orders from the Bankruptcy Court reclassifying as Unsecured Claims approximately 123 Claims that were initially asserted as priority or filed as secured or administrative expense Claims.

Furthermore, in connection with each of the omnibus objections to Claims filed by AWI, as well as settlements and compromises between AWI and certain of the Claimants, AWI has resolved and agreed to allow a total of 923 Claims in the aggregate amount of approximately $195.9 million.

In addition to the foregoing, of the 7,228 Scheduled Claims that were not scheduled as Asbestos Personal Injury Claims or Asbestos Property Damage Claims, approximately 3,730 Scheduled Claims (in the aggregate scheduled amount of approximately $214.76 million) were listed as contingent, disputed and/or unliquidated, were not superseded by a subsequent timely-filed proof of claim and, therefore, are now deemed null and void. Moreover, 1,353 Scheduled Claims (totaling approximately $1.5 billion) have been superseded by a subsequently filed proof of claim. In addition, on or about March 21, 2003, the Debtors filed an amended Schedule F (Unsecured Claims) with the Bankruptcy Court pursuant to which an additional 435 of these 7,228 Scheduled Claims in the total amount of approximately $20.8 million have been eliminated (amended to $0.00), and 127 of such Scheduled Claims have been reduced by a total amount of approximately $19.3 million. Pursuant to the Bar Date Order, however, the holders of such amended Scheduled Claims had until May 20, 2003 to file a proof of claim if they disagreed with the amended amount of their Scheduled Claims.

AWI expects the total amount of Allowed Unsecured Claims to be treated in Class 6 will be approximately $1.65 billion as a result of AWI's continued claims reconciliation and objection process.

Effective on September 1, 2002, the Bankruptcy Court amended its Local Rules for Bankruptcy Practice and Procedure (the "***Local Rules***") by adding Local Rule 3007-1, which governs omnibus objections to claims. Pursuant to the new Local Rule, among other things, all substantive objections (as defined in Local Rule 3007-1) that apply to

a particular proof of claim must be asserted in a single omnibus objection. With respect to non-substantive objections, however, multiple objections may be filed regarding a particular proof of claim. Due to the volume of Claims filed against AWI in the Chapter 11 Case and the significant amount of time required for AWI and its professionals to analyze and reconcile such Claims, on or about October 29, 2002, AWI and its affiliated Debtors filed a Motion for an Order Granting Relief from Certain Aspects Relating to the Filing of Omnibus Objections to Claims (the "***Omnibus Claims Motion***"), pursuant to which the Debtors requested relief from that portion of Local Rule 3007-1 limiting the Debtors' substantive objections to claims. At a hearing held by the Bankruptcy Court on November 22, 2002, the Bankruptcy Court denied the relief requested by the Debtors in the Omnibus Claims Motion, other than to clarify that the mere attachment of a notice or other pleading to a proof of claim does not constitute "documentation" attached to a proof of claim. As a result of the denial of the Omnibus Claims Motion, the modified claims objection procedures imposed by the Local Rules are likely to add delay to AWI's claims reconciliation process.

Basic information regarding Claims that have been scheduled and filed in the Chapter 11 Case can be accessed using the following website: www.trumbullgroup.com.

6. Asbestos Property Damage Claims.

(a) AWI's Limited Involvement with Asbestos Property Damage Claims.

Prior to the commencement of the Chapter 11 Case, AWI had very limited involvement with Asbestos Property Damage Claims. Unlike Asbestos Personal Injury Claims asserted against AWI, AWI's liability for Asbestos Property Damage Claims generally is not the result of AWI's insulation installation contracting activities. Instead, Asbestos Property Damage Claims that have been actively pursued against AWI have concerned primarily resilient floor covering products manufactured and sold by AWI prior to 1983.

Beginning sometime in the 1950's through 1983, AWI manufactured three types of resilient floor covering products that contained asbestos. First, until 1972, AWI manufactured a low priced asphalt floor tile that contained asbestos. There are few claims involving such asphalt tiles. Any such asphalt tiles are now at least 30 years old in any building where they still exist. Second, after World War II, AWI began to manufacture and market a new line of sheet flooring, called Corlon, made from vinyl plastic. The Corlon sheet flooring contains no asbestos, but AWI also manufactured a Hydrocord felt backing material containing asbestos that could be used to lay the vinyl sheet flooring directly over on-grade concrete. AWI discontinued the use of asbestos in the Hydrocord backing in 1983. Few property damage claims have been asserted with respect to the Hydrocord backing. This product is not subject to any abrasion unless the vinyl surface layer, which does not contain asbestos, has completely worn through. Third, until 1983, AWI manufactured a vinyl tile, called Excelon, that contained asbestos. Most property damage claims that have involved AWI products are related to Excelon. It was a popular product that has held up well over the years and is still present in many buildings.

In contrast to Asbestos Personal Injury Claims, as of the Commencement Date, only five asbestos property damage actions were commenced against AWI from 1993 to the Commencement Date. Moreover, as of the Commencement Date, only six of the 273 asbestos property damage cases brought against AWI since the early 1980's remained unresolved, and of those six only three were actively being pursued. Furthermore, as to the Asbestos Property Damage Claims that were resolved during the more than 20 year period prior to the Commencement Date, the total amount paid by AWI on account of such claims was less than $10 million.

(b) The Asbestos PD Bar Date.

On or about August 3, 2001, the Asbestos PD Committee filed a motion (the "***Motion to Extend***") pursuant to which it sought to (i) extend the Bar Date to enable holders of alleged Asbestos Property Damage Claims to have additional time to file proofs of claim and (ii) compel AWI to engage in an extensive, nationwide noticing program. By order dated August 27, 2001, the Bankruptcy Court extended the Bar Date for Asbestos Property Damage Claims until the disposition of the Motion to Extend.

At a hearing held on March 1, 2002, the Bankruptcy Court ruled that (i) the deadline for certain law firms to file a class proof of claim on behalf of a putative class of holders of alleged Asbestos Property Damage Claims was March 8, 2002, (ii) the deadline for all other holders of Asbestos Property Damage Claims to file proofs of claim in the Chapter 11 Case was March 1, 2002, and (iii) the notice of the Bar Date provided by AWI was consistent and complied with applicable law and satisfied all requirements of due process. The ruling was memorialized in an order of the Bankruptcy Court entered on or about March 18, 2002 (the "***Order Denying the Motion to Extend***"). The Bankruptcy Court subsequently modified its Order Denying the Motion to Extend by order dated May 21, 2002, ruling that the deadline for all holders of Asbestos Property Damage Claims to file proofs of claim in the Chapter 11 Case was March 20, 2002.

As of December 18, 2002, a total of 581 Asbestos Property Damage Claims, totaling approximately $877 million, had been asserted against AWI. As a result of the claims reconciliation efforts expended by the Debtors to date, however, the Debtors have successfully disallowed and expunged, or the Claimant has withdrawn, a total of 124 Asbestos Property Damage Claims (in the aggregate amount of approximately $81.6 million), leaving a total of 457 Asbestos Property Damage Claims outstanding against AWI in the aggregate amount of approximately $795 million.

(c) The Class Action Proceeding.

On August 17, 2001, certain holders of Asbestos Property Damage Claims (the "***Asbestos PD Plaintiffs***") commenced a class action adversary proceeding in the Bankruptcy Court and filed a motion seeking certification of a nationwide class for damages and remediation and a separate nationwide class for testing, in each case consisting of all property owners (residential and otherwise) that have AWI asbestos-containing flooring products in their structures. On October 1, 2001, AWI filed a motion to dismiss the class action proceeding on the grounds that (i) the commencement of the class action proceeding violated the automatic stay imposed by section 362 of the Bankruptcy Code, (ii) the putative class action representatives failed to state claims upon which relief could be granted, and (iii) the putative class action representatives failed to state a claim for class relief. In addition, on April 12, 2002, AWI and the Asbestos PI Claimants' Committee filed separate objections to the motion for class certification.

After a one-day trial on the issue of class certification, by order dated July 2, 2002, the Bankruptcy Court denied the motion for class certification. On or about July 12, 2002, the Asbestos PD Plaintiffs filed a motion for leave to appeal the Bankruptcy Court's denial of their motion for class certification. AWI filed a memorandum of law in opposition to such motion for leave to appeal on July 26, 2002. By order dated October 4, 2002, the District Court denied the motion for leave to appeal.

(d) The *Daubert* Hearing.

On September 26, 2002 and September 27, 2002, the Bankruptcy Court conducted a *Daubert* hearing on the issue of what evidence holders of Asbestos Property Damage Claims should be required to present to demonstrate proof of property damage in their structures as a result of the presence of AWI asbestos-containing floor products in such structures. In the *Daubert* hearing, AWI challenged the use of the "settled dust method" proposed by the claimants as a method for determining proof of property damage in their structures. On October 22, 2002, the Bankruptcy Court granted AWI's requested relief and ruled that the "settled dust method" is not a scientifically valid method for proving asbestos property damage from flooring in a building. The Asbestos PD Committee has filed a motion for leave to appeal from such ruling. AWI has objected to such motion, which is still pending before the District Court. If the holders of Asbestos Property Damage Claims are able to appeal from the *Daubert* ruling and succeed on the merits of such appeal, remaining holders of Asbestos Property Damage Claims will have to meet a lower standard of proof with respect to the issue of property damage in their structures.

(e) Status Conference on Asbestos Property Damage Claims Following the *Daubert* Ruling.

Following the *Daubert* ruling, the Bankruptcy Court conducted a status conference on November 1, 2002, after which the Bankruptcy Court entered an order regarding required product identification proof for Asbestos Property Damage Claims. Thereafter, on December 5, 2002, the Court entered an Amended Order Regarding Required

Product Identification for Asbestos Property Damage Claims, which requires each holder of an Asbestos Property Damage Claim to submit the following information to AWI's counsel no later than February 10, 2003: (i) the name and address of each building (or other discrete location) alleged to contain asbestos-containing products manufactured or sold by AWI for which an Asbestos Property Damage Claim is asserted; (ii) the type of asbestos-containing product for which an Asbestos Property Damage Claim is asserted; and (iii) the basis, including all documentation, upon which the claimant has identified an asbestos-containing product manufactured or sold by AWI (the "***Product I.D. Order***"). Such order further provides that any Asbestos Property Damage Claim for which such information is not provided shall be disallowed in its entirety upon further order of the Bankruptcy Court.

(f) Settlement of Certain Asbestos Property Damage Claims.

On February 10, 2003, AWI and the holders of 360 Asbestos Property Damage Claims (the "***Settled Claims***") entered into a Settlement Agreement and Release (the "***PD Settlement Agreement***"). The Settled Claims represent approximately 78% of the total number of Asbestos Property Damage Claims pending as of February 10, 2003. Pursuant to the Settlement Agreement, AWI has agreed to pay $2 million in cash (the "***PD Settlement Amount***") to Bilzin Sumberg Baena Price & Axelrod LLP, as agent and attorney for the holders of the Settled Claims, in full and final satisfaction, discharge, settlement and compromise, and release of the Settled Claims and any other Asbestos Property Damage Claims that could have been or may be properly asserted by such Claimants. The payment of the Settlement Amount will be made on the Initial Distribution Date. Upon AWI's payment of the PD Settlement Amount, each of the Settled Claims filed by the Claimants shall be deemed immediately withdrawn in its entirety.

On February 10, 2003, AWI filed a motion pursuant to Bankruptcy Rule 9019 seeking an order authorizing and approving the PD Settlement Agreement (the "***PD Settlement Motion***"). AWI also requested pursuant to the PD Settlement Motion that, in the event the Bankruptcy Court refuses to approve the PD Settlement Agreement, the holders of the Settled Claims be granted a two week extension to serve their product identification information on AWI in accordance with the Product I.D. Order. Two objections were filed to the PD Settlement Motion—one by the Asbestos PD Committee and one by the Los Angeles Unified School District. On April 4, 2003, the Bankruptcy Court entered an order approving the PD Settlement Motion. A total of 97 Asbestos Property Damage Claims remain filed against AWI, only 26 of which have responded to the Product I.D. Order.

(g) Product Identification Responses.

Of the remaining Asbestos Property Damage Claims only 26 (three of which relate to the Asbestos PD Contribution Claims of the Celotex Trust) submitted any information to AWI in response to the Product I.D. Order by February 10, 2003. AWI believes that many of the 26 Claimants submitted insufficient or incomplete product identification information. The holders of 71 Asbestos Property Damage Claims did not submit any information in response to the Product I.D. Order. On March 6, 2003, in accordance with the Product I.D. Order, AWI filed an objection seeking the disallowance of such 71 Asbestos Property Damage Claims.

(h) Global Asbestos PD Settlement.

On May 9, 2003, AWI reached an agreement in principle on the general terms of the Global Asbestos PD Settlement. Generally speaking, the Global Asbestos PD Settlement will provide for the payment of $7 million, funded entirely out of insurance proceeds, with respect to pending Asbestos Property Damage Claims. The Global Asbestos PD Settlement contemplates that such amount will be distributed as follows: (i) $1,000 to each of the holders of pending Asbestos Property Damage Claims that did not submit responses to the Product I.D. Order and (ii) the remainder to be allocated among the holders of Asbestos Property Damage Claims that submitted responses to the Product I.D. Order as specified in the Global Asbestos PD Settlement. In exchange, all pending Asbestos Property Damage Claims will be withdrawn with prejudice, all proceedings relating to the appeals from the *Daubert* and class certification rulings will be withdrawn and the appeals dismissed with prejudice, and the Asbestos PD Committee will be disbanded. AWI contemplates that payments will be made under the Global Asbestos PD Settlement within ten days after receipt by AWI of the $7 million payable thereunder from AWI's insurers. In addition, in connection with approval of the Global Asbestos PD Settlement, AWI will request authority from the Court to pay other Asbestos PD Claims that are the subject of existing settlements simultaneously with the payment of Asbestos Property Damage Claims under the Global Asbestos PD Settlements, if the parties to such other settlements so elect.

7. Insurance Coverage Issues.

Throughout the Chapter 11 Case, AWI has been involved in litigation and negotiations concerning the scope of liability insurance coverage available to satisfy the various claims against AWI.

(a) *Maertin* Litigation.

Prior to the Commencement Date, AWI entered into settlement agreements (the "***Maertin Settlement Agreements***") with a group of non-asbestos personal injury plaintiffs (the "***Maertin Plaintiffs***") in respect of the Maertin Plaintiffs' allegations that they had sustained injuries arising from exposure to polychlorinated biphenyls allegedly found on ceiling material purportedly manufactured by AWI. Pursuant to the Settlement Agreements, the Maertin Plaintiffs settled their claims against AWI for an agreed amount (the "***Maertin Settlement Amount***") to be paid by AWI on January 21, 2001.

On September 20, 2000, AWI filed an action (the "***Maertin Coverage Case***") in the United States District Court for the Eastern District of Pennsylvania against certain insurers (collectively, the "***Insurers***") seeking a declaration that certain insurance policies issued by the Insurers in favor of AWI (collectively, the "***Maertin Insurance Policies***") provided coverage amounts to be paid pursuant to the Settlement Agreements. Shortly after the filing of the Maertin Coverage Case, AWI engaged in settlement negotiations with the Insurers to resolve the payment obligations of the Insurers under the Maertin Settlement Agreements. These negotiations were not successful, and on February 2, 2001, the Maertin Coverage Case was stayed until such time as all parties to the Maertin Coverage Case agreed or until ordered by the court overseeing the Chapter 11 Case or the court before which the Maertin Coverage Case was pending.

Due to the commencement of the Chapter 11 Case, AWI was prohibited from paying, and the Maertin Plaintiffs were stayed from collecting, the Maertin Settlement Amount. On March 29, 2001, the Maertin Plaintiffs filed a motion (the "***Maertin Stay Relief Motion***") seeking to modify the automatic stay to permit them to enforce their rights under the Maertin Settlement Agreements and, in particular, to recover the Maertin Settlement Amount from the proceeds of the Maertin Insurance Policies (the "***Maertin Insurance Proceeds***"). On December 10, 2001, the District Court entered an order in connection with the Maertin Stay Relief Motion (the "***Maertin Stay Relief Order***"), pursuant to which the Maertin Plaintiffs were authorized to proceed with their action. On December 18, 2001, AWI filed a notice of appeal of the Maertin Stay Relief Order to the United States Court of Appeals for the Third Circuit (the "***Maertin Appeal***"). On or about July 2, 2002, AWI filed its brief in the Maertin Appeal. The Maertin Plaintiffs filed their response brief on November 1, 2002. The Third Circuit has notified the parties that it intends to decide the merits of the appeal on the pleadings and does not require oral argument.

On December 26, 2001, AWI filed a motion (the "***Maertin Stay Pending Appeal Motion***") requesting that the Bankruptcy Court stay the Maertin Stay Relief Order pending the resolution of the Maertin Appeal. After extensive negotiations with the Maertin Plaintiffs, AWI and the Maertin Plaintiffs entered into a stipulation submitted on March 22, 2002, resolving the Maertin Stay Pending Appeal Motion (the "***Maertin Stay Pending Appeal Stipulation***"). The Maertin Stay Pending Appeal Stipulation provides that the Maertin Plaintiffs are stayed from taking any action to collect any claims, judgment or settlement against AWI or its assets, other than with respect to the Maertin Insurance Policies or the Maertin Insurance Proceeds.

On or about April 12, 2002, International Insurance Co. ("***International***") filed an objection to the Maertin Stay Pending Appeal Stipulation on the grounds that it did not prohibit the Maertin Plaintiffs from seeking recovery from the Maertin Insurance Proceeds. On May 3, 2002, the Bankruptcy Court entered an order approving the Maertin Stay Pending Appeal Stipulation (the "***Maertin Stay Pending Appeal Order***") over International's objections. On May 13, 2002, International filed a motion to reconsider the Maertin Stay Pending Appeal Order, which motion subsequently was denied by the Bankruptcy Court on July 19, 2002.

On or about July 26, 2002, International filed a Notice of Appeal from the Maertin Stay Pending Appeal Order. On or about July 29, 2002, OneBeacon Insurance Company also filed a Notice of Appeal from the Maertin Stay Pending Appeal Order (collectively, with the Notice of Appeal filed by International, the "***Insurers' Appeal***"). On August 26, 2002, AWI filed a motion to dismiss the Insurers' Appeal for lack of subject matter jurisdiction (the "***Motion to Dismiss***") on the grounds that the Maertin Stay Pending Appeal Order was an interlocutory order. On or

about August 29, 2002, AWI and the Insurers entered into a stipulation staying the briefing on the Insurers' Appeal until the resolution of the Motion to Dismiss. On September 27, 2002, the Insurers filed a response to the Motion to Dismiss (the "***Insurers' Response***"). On October 7, 2002, AWI filed a reply to the Insurers' Response. The Motion to Dismiss is *sub judice*.

On or about November 14, 2001, the Maertin Plaintiffs commenced an action styled *Joan Maertin, et al. v. Armstrong World Industries, Inc.*, No. 01-CV-5321 (the "***Postpetition Maertin Action***"), in the United States District Court for the District of New Jersey (the "***New Jersey District Court***"). In the Postpetition Maertin Action, the Maertin Plaintiffs asserted various causes of action against certain insurance companies believed to have issued to AWI insurance that covers the claims of the Maertin Plaintiffs. In addition, in the Postpetition Maertin Action, the Maertin Plaintiffs asserted claims of bad faith and fraud against AWI and certain other defendants, including an employee of AWI (the "***Maertin Fraud Claims***"). AWI filed a motion to dismiss the Postpetition Maertin Action as against AWI and its employee or, in the alternative, a motion for summary judgment. Although the court denied AWI's motion to dismiss the Maertin Fraud Claims, it granted AWI's motion for summary judgment.

AWI and the Maertin Plaintiffs have entered into a settlement agreement, which was approved by the Bankruptcy Court by order dated May 2, 2003. The settlement agreement was approved by the New Jersey District Court on May 9, 2003.

(b) Century Adversary Proceeding.

Prior to the commencement of the Chapter 11 Case, AWI entered into a settlement agreement (the "***Century Settlement Agreement***") with Century Indemnity Company, as successor to Insurance Company of North America ("***Century***"), to settle disputes and coverage issues with respect to asbestos personal injury claims under certain insurance policies (the "***Century Policies***"). The Century Settlement Agreement permits Century to stretch out payments due to a trust established in connection with the Century Settlement Agreement (the "***Century Trust***"). AWI agreed to indemnify Century against certain claims that may be asserted directly against Century and that would have been covered under the Century Policies.

Although Century timely made its first payment to the Century Trust in accordance with the Century Settlement Agreement, Century failed to make a substantial payment that was due on or before January 5, 2001 (the "***2001 Installment Payment***"). On February 12, 2001, Century filed a motion which, among other things, sought to compel AWI to assume the Century Settlement Agreement (the "***Century Motion to Compel***"). On or about February 28, 2001, AWI filed a response objecting to the Century Motion to Compel and requesting that the Bankruptcy Court direct Century to make the outstanding 2001 Installment Payment and continue to make all future payments due to the Century Trust. By order dated June 13, 2001, the Bankruptcy Court denied the Century Motion to Compel without prejudice and ordered Century to make payments due to the Century Trust. The Bankruptcy Court, however, did not rule on the dispute between the parties as to whether the Century Settlement Agreement is an executory contract. On June 21, 2001, Century remitted the 2001 Installment Payment to the Century Trust.

On or about January 3, 2002, Century commenced a proceeding (the "***Century Adversary Proceeding***") against AWI, the CCR (as defined below) and Chase Bank of Texas, N.A., as trustee, pursuant to which Century sought a declaration that (i) Century need not make further payments due under the Century Settlement Agreement, (ii) AWI must indemnify Century for certain claims asserted against Century in an action pending in federal district court, and (iii) Century may offset any indemnification claim against AWI against payments required to be made by Century to the Century Trust (the "***Century Complaint***").

On August 29, 2001, Century filed a proof of claim (the "***Century Proof of Claim***") in the Chapter 11 Case pursuant to which Century asserted that it holds a secured claim against AWI's estate in an unliquidated amount and that its claim is secured by payments under a settlement agreement. On February 6, 2002, AWI filed an objection to the Century Proof of Claim pursuant to section 502(e)(1)(B) of the Bankruptcy Code. On or about March 3, 2002, the Bankruptcy Court entered an order granting Century's motion to consolidate the Century Adversary Proceeding with the objection.

On or about February 6, 2002, AWI filed a Motion to Dismiss (the "***Century Motion to Dismiss***") against Century. Following the Bankruptcy Court's denial of the Century Motion to Dismiss, AWI filed its answer, affirmative

defenses, and counterclaim (the "***Century Answer***") to the Century Complaint on or about June 27, 2002. On or about October 24, 2002, Century filed a Motion to Dismiss the Counterclaim asserted in the Century Answer (the "***Century Motion to Dismiss Counterclaim***"). AWI filed a response to the Century Motion to Dismiss Counterclaim by November 21, 2002.

On or about November 12, 2002, the CCR filed its answer to the Century Complaint. In such answer, the CCR asserted certain cross-claims against AWI. These cross-claims, and AWI's counterclaims against the CCR in the Century Adversary Proceeding, are discussed more fully in Section IV.C.8(c), entitled, "THE CHAPTER 11 CASE – Significant Events During the Chapter 11 Case – Litigation Involving the Center for Claims Resolution – The CCR's Cross-claims, and AWI's Counterclaims, in the Century Adversary Proceeding." The Century Adversary Proceeding has now been consolidated with the CCR Preference Litigation. *See* Section IV.C.8(b), entitled "THE CHAPTER 11 CASE – Significant Events During the Chapter 11 Case – Litigation Involving the Center for Claims Resolution – The CCR Preference Litigation."

(c) Liberty Mutual Arbitration/Litigation.

AWI and Liberty Mutual Insurance Company ("***Liberty Mutual***") are involved in (i) a pending alternative dispute resolution ("***ADR***") proceeding under the Agreement Concerning Asbestos Related Claims dated June 19, 1985 (the "***Wellington Agreement***") and (ii) a pending lawsuit in the United States District Court for the Eastern District of Pennsylvania (the "***Pennsylvania Lawsuit***"). Both proceedings relate to disputes about insurance coverage for Asbestos Personal Injury Claims.

In the ADR, which was initiated in 1996, AWI is seeking a ruling that a substantial majority of the Asbestos Personal Injury Claims that have been asserted against it are "non-products" or general liability claims, which are not within the definition of "products" or "completed operations hazards," as those terms are defined in the insurance policies that Liberty Mutual issued to AWI for the period from 1973 through 1981. The Liberty Mutual policies that were in effect from 1973 through 1976 provide $40 million in coverage, plus defense costs, for settlements and judgments incurred in connection with non-products claims. The Liberty Mutual policies in effect for the period from 1977 through 1981 have no aggregate limit for non-products claims.

On January 29, 2002, a final judgment was issued in AWI's favor at the conclusion of the trial phase of the ADR. Liberty Mutual subsequently appealed from that final judgment to a panel of three appellate arbitrators pursuant to the Wellington Agreement's ADR rules. The ADR appeal has been fully briefed. Oral argument in the ADR appeal was originally scheduled to take place on October 8, 2002, but that date was postponed because one of the appellate arbitrators needed to be replaced. Oral argument was rescheduled to take place on March 11, 2003.

In the Pennsylvania Lawsuit, which was filed on July 1, 2002, AWI is seeking a declaratory judgment with respect to certain issues concerning the Liberty Mutual policies in effect from 1977 through 1981 that were not resolved in the pending ADR. These issues include: (i) Liberty Mutual's relatively recent effort to obtain reformation of the deductible and aggregate limit provisions of its policies in effect from 1977 through 1981 to make them apply to all Asbestos Personal Injury Claims and not, as written, only to products and completed operations hazard claims; (ii) Liberty Mutual's relatively recent assertion that all of the Asbestos Personal Injury Claims constitute a single occurrence for purposes of the per-occurrence limits of its policies; (iii) the manner in which AWI is entitled under the Wellington Agreement to expand its coverage block so as to obtain coverage from Liberty Mutual's 1977 policy; and (iv) disputes about the extent to which, if at all, Liberty Mutual will be entitled to collect additional premiums in the event that it provides coverage for Asbestos Personal Injury Claims under its policies in effect from 1977 through 1981.

On July 18, 2002, Liberty Mutual filed a motion with the Bankruptcy Court requesting that the automatic stay be modified to allow it to file counterclaims against AWI in the Pennsylvania Lawsuit ("***Liberty Mutual's Stay Relief Motion***"). Specifically, Liberty Mutual sought permission to file counterclaims setting forth its position on some of the issues with respect to which AWI is seeking a declaratory judgment in the Pennsylvania Lawsuit. AWI has not objected to Liberty Mutual's request to file these proposed counterclaims. Liberty Mutual also sought permission to file other counterclaims which, in the view of AWI, would allow Liberty Mutual improperly to re-litigate certain issues that have already been resolved against it in the trial phase of the ADR and are now on appeal to the three appellate arbitrators, and AWI has objected to these proposed counterclaims on that basis. On August 1, 2002, the

Bankruptcy Court adjourned the hearing on Liberty Mutual's Stay Relief Motion until January 24, 2003, at which time AWI and Liberty Mutual were to provide a report concerning the status of the ADR appeal. That hearing has since been adjourned to July 30, 2003.

Pursuant to a stipulation between Liberty Mutual and AWI, the Pennsylvania Lawsuit has been temporarily suspended because the Bankruptcy Court has not yet ruled on Liberty Mutual's Stay Relief Motion.

AWI expects that, from and after the Effective Date, the Asbestos PI Trust will pursue the Pennsylvania Lawsuit. Consistent with AWI's obligation to cooperate with the Asbestos PI Trust in connection with, *inter alia*, the Asbestos PI Insurance Asset, AWI may be required, however, to remain as a named plaintiff in the Pennsylvania Lawsuit and pursue recovery from Liberty Mutual at the cost and expense of the Asbestos PI Trust. Pursuant to the Plan, AWI does not seek to modify the right of AWI, Reorganized AWI, the Asbestos PI Trust, or Liberty Mutual to assert claims (including counterclaims) and defenses (including any defenses to counterclaims) in any appropriate forum, including, without limitation, in the Pennsylvania Action.

(d) Insurance Coverage for Asbestos Property Damage Claims.

AWI has approximately $397 million in available insurance coverage to pay Asbestos Property Damage Claims, of which approximately $127 million is available under insurance policies issued prior to January 1, 1982. Of this $127 million, approximately $37 million is available under the property damage coverage of primary policies issued to AWI from 1942 to 1982, although slightly less than $7 million of this coverage was issued by a now-insolvent insurer. There is also approximately $15 million in remaining excess property damage coverage under AWI policies from 1960 to 1966. Of the $30 million in solvent primary coverage and the $15 million in excess coverage from 1960 to 1966, there are no gaps in coverage as a result of insolvencies, exclusions for asbestos or prior settlements or releases of coverage.

Under excess policies issued to AWI from 1977 to 1982, there is also approximately $75 million in available coverage that is subject to combined limits applicable to both bodily injury and property damage claims. Those policies contain exclusions relating to asbestos-related bodily injury claims. This $75 million in excess coverage is exclusive of policies that have been settled and released, of policies that contain exclusions relating to asbestos-related property damage claims, and of policies that were issued by now insolvent insurance companies, but is subject to gaps created as a result of insolvencies, exclusions for asbestos or prior settlements or releases related to other coverage that was issued to AWI for the same period.

AWI also has approximately $270 million in insurance from January 1, 1982 to January 1, 1986 that is potentially available to pay Asbestos Property Damage Claims. This coverage was issued at a variety of layers and, in many instances, is excess of coverage issued by insolvent insurers or coverage that contains exclusions for asbestos-related property damage claims (including exclusions at the primary layer) and, as such, is subject to gaps.

A substantial portion of the coverage available to pay Asbestos Property Damage Claims is subject to a final, non-appealable judgment addressing the coverage available under the policies for asbestos-related property damage claims. *See Armstrong World Industries, Inc. v. Aetna Casualty and Surety Co.*, 52 Cal. Rptr. 2d 690 (Cal. Ct. App. 1996).

In the event that the Global Asbestos PD Settlement is not approved and AWI amends the Plan to provide alternative treatment for Asbestos Property Damage Claims, Travelers Indemnity Company and Travelers Casualty & Surety Company of America (formerly known as The Aetna Casualty & Surety Company) ("***Travelers***") contends that certain provisions of the Plan, if amended as AWI indicates, would violate Travelers' contractual rights and the contractual obligations of AWI, thereby adversely impacting and/or voiding any coverage that might otherwise be available for the payment of Asbestos Property Damage Claims against AWI. Thus, there is a material risk that confirmation of the Plan itself could reduce, or eliminate entirely, AWI's projected availability of insurance proceeds from Travelers for Asbestos Property Damage Claims.

(e) Liberty Mutual's Contentions Regarding the Plan.[2]

Liberty Mutual objects to the proposed Plan to the extent that it is anything other than an insurance neutral plan and to the extent that the Plan or its Exhibits seek to modify or affect the rights of Liberty Mutual under policies issued by Liberty Mutual to AWI (the "***Liberty Mutual Policies***"). Liberty Mutual contends that all of its rights and all of AWI's duties under the Liberty Mutual Policies must be preserved post-confirmation, including, without limitation, Liberty Mutual's asserted right to setoff for premiums, retrospective premiums, deductibles, and other charges. Liberty Mutual contends that it is entitled to the protections of section 524(g) of the Bankruptcy Code irrespective of whether it enters into a settlement.

Liberty Mutual contends that certain provisions of the Plan and Exhibits, if approved and implemented, may adversely affect Liberty Mutual's contractual rights and AWI's contractual obligations and may void any coverage that may exist under the Liberty Mutual Policies.

Liberty Mutual vigorously disputes the legality of AWI's proposed allocation of insurance rights pursuant to the Plan and contends that a partial assignment is invalid, unlawful and violative of Liberty Mutual's contractual rights. No assignment of the Liberty Mutual Policies or rights thereunder can be done without Liberty Mutual's consent. To the extent that AWI seeks to assume and assign the Liberty Mutual Policies or rights thereunder under section 365 of the Bankruptcy Code, Liberty Mutual disputes that AWI can assign the Liberty Mutual Policies or rights thereunder without Liberty Mutual's consent (which has not been given), disputes that AWI can conduct a partial assignment under section 365, disputes AWI's characterization of the cure amounts as zero and contends that AWI must cure, or demonstrate an ability to cure, and an ability to pay, all present and future unpaid premiums, retrospective premiums, deductibles, and other obligations.

Liberty Mutual contends that the Plan and its Exhibits, if implemented and adopted, violate contractual rights and duties under the Liberty Mutual Policies, including, without limitation, AWI's duty to cooperate and Liberty Mutual's right to control the defense, investigation and settlement of asbestos-related claims. Liberty Mutual further contends that the negotiation of the Plan or terms of the Plan and its Exhibits, if approved by the Court, may violate or breach the Liberty Mutual Policies. Liberty Mutual contends that to the extent that the Plan or its Exhibits are intended to, or operate to, establish the amount of Liberty Mutual's legal liability for any claim asserted against AWI or accelerate any coverage obligations of Liberty Mutual, the Plan violates Liberty Mutual's contractual rights to pay covered claims only as they become due.

8. Litigation Involving the Center for Claims Resolution.

The CCR objects to confirmation of the Plan on the ground that its claims have been misclassified in Class 7 and not treated as Unsecured Claims under Class 6; *i.e.*, the CCR objects to the characterization of its claims as Indirect PI Trust Claims. If the CCR's plan confirmation objection is sustained, the Plan may have to be amended. The Plan may only be amended with the consent of the Unsecured Creditors' Committee, the Asbestos PI Claimants' Committee, and the Future Claimants' Representative. In addition, as discussed below, among other claims now in litigation among the CCR, AWI, and other parties is the CCR's claim that it is a secured creditor to the extent of certain insurance proceeds it alleges were assigned to it. To the extent the CCR prevails in its claim as a secured creditor, there will be a concomitant diminishment of insurance proceeds able to be transferred to the Asbestos PI Trust for the purpose of payments to claimants thereto.

(a) Safeco/CCR Litigation.

Prior to the Commencement Date, AWI was a member of The Center for Claims Resolution (the "***CCR***"). The CCR was formed in 1988 by AWI and certain other corporations (the "***CCR Members***") in order to have an agent to administer, settle and manage all asbestos-related personal injury claims asserted against the CCR Members. On or about March 28, 2000, Safeco Insurance Company of America ("***Safeco***") issued a performance bond in favor of the CCR (the "***Safeco Bond***"), which related to certain group settlement agreements to resolve asbestos-related personal

[2] The text in this section represents contentions of Liberty Mutual with respect to the Plan and does not reflect the views of AWI. AWI disputes these contentions by Liberty Mutual.

injury claims that were negotiated by the CCR on AWI's behalf. Concurrently with the execution of the Safeco Bond, AWI executed an indemnity agreement in favor of Safeco through which AWI could become liable to Safeco for all losses and expenses incurred by Safeco arising out of or relating to the Safeco Bond.

On or about October 27, 2000, Safeco notified the CCR and AWI that it intended to cancel the Safeco Bond on February 28, 2001. The CCR issued a written demand on Safeco demanding payment on the Safeco Bond on or about February 6, 2001.

Safeco subsequently commenced an adversary proceeding against the CCR seeking to enjoin the CCR from drawing on the Safeco Bond. By order dated March 8, 2001, the Bankruptcy Court dismissed such adversary proceeding on the grounds that Safeco lacked standing to seek such relief.

On or about April 30, 2001, AWI commenced an adversary proceeding against Safeco and the CCR (the "***Safeco/CCR Adversary Proceeding***") to enjoin Safeco and the CCR from taking any action with respect to the Safeco Bond. The District Court is presiding over the Safeco/CCR Adversary Proceeding. On or about February 27, 2002, the District Court consolidated the Safeco/CCR Adversary Proceeding with similar adversary proceedings commenced by USG Corporation and Federal-Mogul Corporation (the "***Consolidated CCR Proceedings***").

The parties completed discovery in the Consolidated CCR Proceedings in August 2002 and have filed cross-motions for summary judgment with respect to Phase I, which concerns whether the CCR is entitled to draw on the Safeco Bond. On March 28, 2003, the District Court rendered its opinion, denying the consolidated parties' motions for summary judgment and denying in part and granting in part the CCR's motion for summary judgment. Specifically as to AWI, the District Court ordered additional briefing on the issues related to the enforceability and the scope of the Safeco Bond. On April 7, 2003, the CCR filed a Motion to Amend Opinion by Vacating Non-Phase I Analysis and Conclusions. On May 16, 2003, the District Court issued an order denying in part and granting in part the CCR's Motion and permitting the CCR to present further arguments on whether the bonds cover sums under certain settlements consummated with asbestos claimants. The case is now entering Phase II, which concerns the amount, if any, of the Safeco Bond the CCR will be allowed to draw and on what, if anything, the CCR will be entitled to spend the proceeds of the Safeco Bond. To the extent the CCR is permitted to draw on the Safeco Bond, any reimbursement claim by Safeco against AWI will constitute an "Indirect PI Trust Claim" and will be channeled to the Asbestos PI Trust provided that the proceeds of the Safeco Bond are used by the CCR to pay Asbestos Personal Injury Claims. It is AWI's expectation that, if the CCR is permitted to draw on the Safeco Bond, the CCR will be required to use such proceeds to pay Asbestos Personal Injury Claims.

On December 5, 2002, AWI filed a motion for leave to amend its complaint (the "***Motion to Amend***"). The proposed amended complaint adds counts seeking (1) declaratory and injunctive relief establishing that the Safeco Bond, if drawn, may only be used to pay certain Asbestos Personal Injury Claim obligations of AWI authorized by agreements between the parties and the law; (2) a constructive and/or express trust requiring the CCR to use any proceeds from the Safeco Bond that it is able to draw for the benefit of AWI; (3) avoidance of the transfer of the Safeco Bond as a fraudulent transfer under state law and the Bankruptcy Code; and (4) an order requiring the CCR to turn over to AWI any indemnity funds paid by AWI to the CCR that were not paid out to asbestos claimants providing releases of claims against AWI. On May 19, 2003, the District Court granted the Motion to Amend for all AWI's claims with the exception of the fraudulent transfer claim, which claim is before the Bankruptcy Court as part of the consolidated Century Adversary Proceeding.

(b) CCR Preference Litigation.

Between September 7, 2000 and December 6, 2000 (the 90-day period prior to the Commencement Date), AWI transferred and paid to the CCR the aggregate sum of approximately $93.9 million in payment of invoices issued to AWI by the CCR on July 5, 2000, August 3, 2000 and September 5, 2000. On October 8, 2002, AWI commenced an adversary proceeding against the CCR seeking to avoid and recover these payments pursuant to sections 547 and 550 of the Bankruptcy Code (the "***CCR Preference Claim***"). The complaint also seeks to disallow all claims of the CCR against AWI in the event that the Bankruptcy Court finds that the payments are recoverable and the CCR fails to reimburse AWI for the transfers.

On November 15, 2002, the CCR served its Answer and Affirmative Defenses to the CCR Preference Claim. This claim has now been consolidated with the Century Adversary Proceeding for scheduling purposes. The current discovery cut-off is July 1, 2003.

(c) The CCR's Cross-claims, and AWI's Counterclaims, in the Century Adversary Proceeding.

The CCR alleges that AWI assigned to the CCR certain rights to insurance and insurance proceeds related to asbestos-related personal injury claims. Stemming from those alleged assignments, the CCR has asserted four cross-claim counts against AWI in the Century Adversary Proceeding. In its cross-claims, the CCR seeks (1) declaratory and injunctive relief establishing that the CCR has an absolute assignment of past, present and future proceeds of certain AWI insurance policies and the proceeds of the Century Trust and a similar trust established on AWI's behalf by Travelers (the "***Insurance and Trust Proceeds***"); (2) declaratory and injunctive relief establishing that it is the beneficiary of an express trust of the Insurance and Trust Proceeds; (3) declaratory and injunctive relief establishing that it is the beneficiary of a constructive trust of the Insurance Trust and Proceeds; and (4) declaratory relief establishing an equitable lien on the Insurance Trust and Proceeds on the CCR's behalf.

On December 5, 2002, AWI answered the CCR's cross-claims and asserted counterclaims against the CCR in which AWI seeks to avoid the alleged transfer of the Insurance and Trust Proceeds and the Safeco Bond as a fraudulent transfer under state law and the Bankruptcy Code. AWI also seeks avoidance of any transfer of interest in rights to insurance or insurance proceeds. The CCR has filed a motion to dismiss AWI's claims of fraudulent transfer relating to the Safeco Bond. The motion has been fully briefed; however the hearing has been continued per agreement of the parties.

9. Other Litigation.

(a) EMC Adversary Proceeding.

On or about October 16, 2001, AWI filed a complaint against EMC Corporation ("***EMC***"), which sought to avoid, pursuant to sections 549(a) and 550 of the Bankruptcy Code, certain unauthorized transfers of property of AWI's estate made after the Commencement Date (the "***EMC Adversary Proceeding***"). The EMC Adversary Proceeding related to AWI's postpetition payment of a prepetition invoice it had received from EMC for a computer product package. Pursuant to the EMC Adversary Proceeding, AWI sought to recover the postpetition payment from EMC on the grounds that such payment was not authorized by the Bankruptcy Code or the Bankruptcy Court. After engaging in extensive negotiations, AWI and EMC agreed to resolve the EMC Adversary Proceeding pursuant to a settlement agreement (the "***EMC Settlement Agreement***"), which requires EMC to pay to AWI, within ten (10) days after receipt of Bankruptcy Court approval, the aggregate sum of $230,000.00 (Two Hundred Thirty Thousand Dollars and 00/100 Cents) (the "***EMC Settlement Amount***") in full and final satisfaction of all claims that were or could have been asserted by AWI in the EMC Adversary Proceeding. The EMC Settlement Agreement further provides that EMC shall be deemed to have withdrawn any proof of claim it filed in the Chapter 11 Case.

On February 24, 2003, the Bankruptcy Court entered an order approving and authorizing the EMC Settlement Agreement. AWI has received payment in full of the EMC Settlement Amount.

(b) Avoidance Actions.

The two-year period by which AWI must commence avoidance actions under sections 544, 547, and 548 of the Bankruptcy Code expired on December 6, 2002. Throughout the course of the Chapter 11 Case, AWI has continued to investigate prepetition transactions and assess whether such transactions should be avoided as preferences under section 547 of the Bankruptcy Code or as fraudulent transfers in accordance with section 544 or 548 of the Bankruptcy Code. On October 10, 2002, AWI filed a motion with the Bankruptcy Court requesting authorization to enter into tolling agreements with parties alleged to have received prepetition transfers from AWI in order to afford AWI sufficient time to complete its analysis of such prepetition transactions and discuss such analysis with the Committees and the Future Claimants' Representative. By order dated November 1, 2002, the Bankruptcy Court approved the motion and authorized AWI to enter into the tolling agreements.

Thereafter, and prior to December 6, 2002, AWI completed its analysis of the prepetition transfers made by AWI, including payments made by AWI to creditors within the ninety (90) days preceding the Commencement Date. AWI discussed this analysis with counsel for the Unsecured Creditors' Committee, the Asbestos PI Claimants' Committee, and the Future Claimants' Representative. As a result of these discussions, and with the approval of these constituencies, AWI determined not to pursue avoidance actions, other than with respect to the CCR Preference Claim, the fraudulent transfer claims asserted against the CCR in the Century Adversary Proceeding and the Safeco/CCR Litigation (*see* Section IV.C.8, entitled, 'THE CHAPTER 11 CASE – Significant Events During the Chapter 11 Case – Litigation Involving the Center for Claims Resolution"), and one preference action against a former supplier.

(c) The *Barnes* Litigation.

In December of 2002, Herbert Friese, individually, and Diana Biehn and Lisa Barnes Schuyler, as executrixes of the estate of Patricia Barnes (collectively, the "***Barnes Plaintiffs***"), instituted an action against AWI in the New Jersey District Court styled as *Diana Biehn and Lisa Barnes Schuyler, Executrixes of the Estate of Patricia Barnes, and Herbert Friese, Individually v. Armstrong World Industries, Inc.*, No. 1:02cv05109 (the "***Barnes Case***").

In their complaint in the Barnes Case (the "***Barnes Complaint***"), the Barnes Plaintiffs allege that Patricia Barnes ("***Barnes***") was diagnosed with lung cancer on March 9, 2001, and died some unspecified date thereafter. The Barnes Complaint further alleges that, in or about 1970, AWI designed, manufactured, assembled and/or distributed ceiling tiles that were coated with Aroclor 1254, a substance containing polychlorinated biphenyls. The Barnes Complaint further asserts that, as a result of alleged negligence on the part of AWI in the design, manufacture, assembly and/or distribution of such ceiling tiles, Barnes contracted cancer and a variety of injuries and incurred expenses.

Barnes' counsel filed a proof of claim on Barnes' behalf (the "***Barnes Claim***") in the Chapter 11 Case. Although the Barnes Claim was not filed as an administrative expense claim, it alleges that Barnes' claim against AWI arose after the Commencement Date, in March of 2001. Barnes was one of the Maertin Plaintiffs who alleged in a prepetition action before the New Jersey District Court (the "***Prepetition New Jersey Action***") that they had sustained injuries arising from exposure to polychlorinated biphenyls allegedly found on ceiling material purportedly manufactured by AWI. *See* Section IV.C.7(a), entitled, 'THE CHAPTER 11 CASE – Significant Events During the Chapter 11 Case – Insurance Coverage Issues – Maertin Litigation." The allegations Barnes made in the Prepetition New Jersey Action are virtually identical allegations to those asserted in the Barnes Case. Barnes' claim in the Prepetition New Jersey Action, however, was dismissed prior to the time at which the Maertin Plaintiffs entered into the Maertin Settlement Agreements with AWI.

On or about January 31, 2003, AWI filed an objection (the "***Barnes Objection***") to the Barnes Claim, pursuant to which AWI requested that the Bankruptcy Court disallow the Barnes Claim on various grounds, including, but not limited to, the following: (i) the Barnes Claim does not attach sufficient documentation so as to establish its *prima facie* validity under the Bankruptcy Rules, (ii) some or all of the Barnes Claim is barred by applicable statutes of limitations and the doctrine of laches, (iii) AWI did not manufacture or market Aroclor 1254, the chemical product that is alleged to have caused Barnes' injury, and (iv) any damages sustained by Barnes were directly and proximately caused by the acts or omissions of entities other than AWI, not under the control of AWI and for which AWI is not legally responsible. In the Barnes Objection, AWI requests that, to the extent the Barnes Claim is not disallowed, it should be treated as a prepetition, general unsecured claim. In the Barnes Objection, AWI also seeks the entry of an order finding that the commencement of the Barnes Case constituted a violation of the automatic stay provisions of section 362(a)(1) of the Bankruptcy Code and that, accordingly, the Barnes Case is void *ab initio*.

Contemporaneously with the filing of the Barnes Objection, AWI filed a third party complaint (the "***Third Party Complaint***") against Monsanto Company ("***Monsanto***") and Solutia, Inc. ("***Solutia***"), pursuant to which AWI alleges that at all times material to the Barnes Case, Monsanto was in the business of manufacturing, supplying, distributing and/or selling Aroclor 1254 (the product that is alleged to have caused the injuries sustained by Barnes). Consequently, in the Third Party Complaint, AWI avers that, to the extent AWI is held liable for all or a part of any injuries or damages the Barnes Plaintiffs may have sustained, then Monsanto (and/or Solutia, as Monsanto's assignee) is the party primarily liable for such injuries and damages, and is liable to AWI by way of indemnification and/or contribution for such damages.

Contemporaneously with the filing of the Barnes Objection and the Third Party Complaint, AWI also filed a motion in the Barnes Case pursuant to which it seeks to dismiss, transfer to the Bankruptcy Court, or stay the Barnes Case (the "***Barnes Motion to Transfer***"). Out of an abundance of caution, AWI also filed in the Bankruptcy Court a motion to transfer the Barnes Case to the Bankruptcy Court (the "***Bankruptcy Court Motion to Transfer***"). The Motion to Transfer requests that the New Jersey Court dismiss the Barnes Case for failure to state a claim upon which relief can be granted, or, if a dismissal is not granted, to transfer the Barnes Case to the Bankruptcy Court. Alternatively, pursuant to the Motion to Transfer, AWI requests that the New Jersey Court stay the Barnes Case pending resolution of the Barnes Objection by the Bankruptcy Court.

At a hearing conducted by the Bankruptcy Court on May 1, 2003, AWI advised the Bankruptcy Court that it had withdrawn the Barnes Motion to Transfer and the Bankruptcy Court Motion to Transfer to permit the merits of the Barnes Claim to be adjudicated in the New Jersey District Court. In addition, AWI submitted to the Bankruptcy Court an agreed order between AWI and the Barnes Plaintiffs, which provides, *inter alia*, that the Barnes Claim, if allowed, would be treated as a general unsecured claim and not an Administrative Expense.

(d) The *Markley* Litigation.

On or about August 29, 2001 and July 30, 2002, respectively, two class action complaints (the "***Markley Class Complaints***") asserting various federal law claims under ERISA were filed in the United States District Court for the Eastern District of Pennsylvania (the "***Pennsylvania District Court***") by Dean A. Markley, Michael Resetar, and Lori Shearer (collectively, the "***Markley Class Plaintiffs***"), individually and on behalf of a purported class of similarly situated individuals who were participants in the Retirement Savings and Stock Ownership Plan of Armstrong World Industries, Inc. (the "***RSSOP***") and who ceased to be employed by AWI as a result of AWI's sale or divestiture of (i) Armstrong Insulation Products on or about May 31, 2000, or (ii) its Installation Products Group on or about July 31, 2000. The Markley Class Complaints was filed against the Retirement Committee of Armstrong World Industries, Inc. (the "***Retirement Committee***"), the RSSOP, Holdings, and certain individual members of the Retirement Committee (the "***Individual Defendants***," and collectively with the Retirement Committee, the RSSOP, and Holdings, the "***Armstrong/Markley Defendants***"), as well as Mellon Bank, N.A. ("***Mellon***," and collectively with the Armstrong/Markley Defendants, the "***Markley Defendants***"). Each of the Markley Class Plaintiffs is a former participant in AWI's Share In Success Plan (the "***SIS***"). In 1996, the SIS was merged with AWI's Retirement Savings Plan to form the RSSOP.

In addition to seeking class certification, the Markley Class Plaintiffs alleged that the Markley Defendants (i) breached fiduciary duties in the administration and investment of the RSSOP, (ii) breached fiduciary duties in connection with the 1996 merger of the SIS and the Retirement Savings Plan, and (iii) are liable for any breaches by co-fiduciaries. In addition, the Markley Class Plaintiffs alleged that the Armstrong/Markley Defendants failed to pay benefits as required by the RSSOP and failed to follow the terms of the RSSOP.

The Armstrong/Markley Defendants filed answers denying all of the material allegations in the Markley Class Complaints and interposing affirmative defenses to the claims asserted therein. In addition, the Armstrong/Markley Defendants filed a motion to dismiss, pursuant to which the Armstrong/Markley Defendants sought to dismiss the allegations relating to events that occurred in 1996 and denied the allegations in the Markley Class Complaints.

On or about February 28, 2003, the Pennsylvania District Court entered an order consolidating the Markley Class Plaintiffs' cases into a single class action (the "***Markley Class Action***") and certifying a class (the "***Markley Class***") pursuant to Fed. R. Civ. P. 23(a) and 23(b)(2). The Markley Class is defined as "All former participants in the [RSSOP] of [AWI] who were separated from [AWI's] employment as a result of [AWI's] sale or divestiture of (1) Armstrong Insulation Products ('AIP') on or about May 31, 2000, or (2) its Installation Products Group ('IPG') on or about July 31, 2000."

On or about August 31, 2001, an omnibus proof of claim (the "***Markley Class Proof of Claim***") was filed against AWI's estate on behalf of the Markley Class Plaintiffs and the Markley Class (collectively, the "***Markley Class Members***"). The Markley Class Proof of Claim, which was amended on or about October 1, 2002, alleges claims similar to the allegations asserted against the Markley Defendants in the Markley Class Action. The total amount of the claim asserted in the amended Markley Class Proof of Claim is $3,865,324.53. In addition to the Markley Class Proof of Claim, approximately 69 proofs of claim totaling approximately $1,390,919.08 were filed against AWI on

behalf of individual members of the Markley Class (the "***Individual Markley Proofs of Claim***," and collectively with the Markley Class Proof of Claim, the "***Markley Proofs of Claim***").

After engaging in extensive negotiations, the Markley Defendants and the Markley Class Members agreed to resolve the Markley Class Members' claims against the Markley Defendants (the "***Markley Settlement***"). Generally speaking, the Markley Settlement (which is subject to the approval of the Pennsylvania District Court and the Bankruptcy Court) provides, *inter alia*, for the Markley Class Proof of Claim to be deemed to be amended to assert a prepetition, general unsecured claim against AWI's estate in the aggregate amount of $1 million (the "***Amended Markley Class Proof of Claim***"). The Amended Markley Class Proof of Claim will be deemed to consist of individual claims held by the Markley Class Members, each in an amount not to exceed $10,000. Therefore, if the Markley Settlement is approved, the Amended Markley Class Proof of Claim will be treated as an Allowed Convenience Claim in the amount of $1 million in the Chapter 11 Case and, pursuant to Class 3 of the Plan, will be satisfied by payment of $750,000.00, in cash, on the earlier of (a) December 15, 2003, or (b) five Business Days after the Effective Date. Even if AWI amends the Plan to provide for different treatment for Convenience Claims or to change the definition of Convenience Claims, the Markley Settlement obligates AWI to pay $750,000 upon the earlier of (a) December 15, 2003, or (b) five Business Days after the Effective Date, and AWI will have no obligation or ability to modify the amount payable.

The $750,000.00 payment by AWI, together with payments made by or on behalf of the other Markley Defendants, will create settlement funds (the "***Markley Settlement Funds***") in the aggregate amount of $1,465,000.00. The other Markley Settlement Funds will be paid by National Union Fire Insurance Company of Pittsburgh, Pa., which operates as an insurer of the Armstrong/Markley Defendants under AWI's director and officer liability policy, and Mellon. After the deduction of attorneys' fees and/or expenses, incentive awards to the Markley Class Plaintiffs, and payments to certain Markley Class Members in exchange for a release, the Markley Settlement Funds will be allocated on a *pro rata* basis in accordance with a plan of distribution to be approved by the Pennsylvania District Court (the "***Markley Plan of Distribution***") to a "Match Account" established for each member of the Markley Class in the RSSOP. The allocations will be made by the RSSOP and the Retirement Committee in accordance with a schedule of allocation to be provided by counsel to the Markley Class on which the RSSOP and the Retirement Committee may conclusively rely. After such allocations are made, the RSSOP may make lump sum distributions or further transfers of such individual accounts to, or IRA rollover accounts or other pension accounts for the benefit of, Markley Class Members, all in accordance with the terms of the RSSOP and the Markley Plan of Distribution.

Upon approval of the Markley Settlement, counsel to the Markley Class will seek to have the Individual Markley Proofs of Claim withdrawn with prejudice. To the extent that the holders do not voluntarily withdraw such claims, because the Markley Class is a non-opt out class and, accordingly, the Markley Class Members are bound by the terms of the Markley Settlement, AWI will object to the Individual Markley Proofs of Claim as duplicative and having been superseded by the Amended Markley Class Proof of Claim. In addition, the claims asserted by the Markley Class members in the Markley Class Action, whether asserted individually or in a representative capacity, will be dismissed with prejudice.

Pursuant to the Markley Settlement, each member of the Markley Class will receive a Class 3 (Convenience Claim) Ballot in an amount equal to his or her *pro rata* share of the Markley Settlement Amount, based upon information provided to AWI by the Markley Class Counsel. No Ballot sent to a Markley Class Member will have a voting amount in excess of $10,000.

10. Settlement of Claims.

In order to enable AWI to efficiently and economically settle numerous claims against its estate and, thus, limit its potential liability on such claims, the Bankruptcy Court entered an order (the "***Claims Settlement Order***") on June 3, 2002, pursuant to which the Bankruptcy Court approved various guidelines and procedures with respect to the compromise and settlement of disputed claims asserted both by and against AWI. Specifically, the Claims Settlement Order authorizes AWI to settle certain prepetition claims in a manner substantially consistent with its prepetition practice and without the need for obtaining Bankruptcy Court approval of certain settlements on a case-by-case basis.

The claims subject to the Claims Settlement Order include, but are not limited to, (i) Claims that have been asserted against AWI's estate by current or former employees for alleged wrongful termination or other contractual, statutory, and tort-based employment claims allegedly occurring prior to the Commencement Date; (ii) tax refund claims asserted by AWI against taxing authorities; (iii) tax assessment Claims asserted against AWI by taxing authorities, and (iv) general unsecured Claims. Asbestos Personal Injury Claims and claims asserted by or against any of AWI's "insiders" (as such term is defined in section 101(31) of the Bankruptcy Code) are not subject to the Claims Settlement Order.

Pursuant to the Claims Settlement Order, AWI is required to file quarterly reports with the Bankruptcy Court detailing all settlements of claims into which it has entered during such quarter.

11. Settlement and Release of Intercompany Claims.

As of the Commencement Date, Holdings and AWWD asserted certain intercompany claims against AWI, and AWI asserted certain intercompany claims against Holdings or AWWD, as a result of various relationships and transactions arising out of Holdings' establishment in 2001 as a holding company for AWI and their subsequent joint operation. Moreover, since the Commencement Date, additional claims have been or could be asserted as a result of such relationships and transactions by Holdings or AWWD against AWI or by AWI against Holdings or AWWD. In the ordinary course of business, such intercompany claims have been recorded on the books and records of Holdings, AWWD and AWI, and, assuming that all such intercompany claims are valid, the net intercompany claim so recorded is in favor of Holdings in the approximate amount of $12 million. In consideration of, among other things, AWI's agreement under the Plan to fund the reasonable fees and expenses associated with the Holdings Plan of Liquidation, the treatment of Holdings, AWWD, and their respective officers and directors as PI Protected Parties under the Asbestos PI Permanent Channeling Injunction, the simultaneous release by AWI of any claims (known and unknown) AWI has against Holdings and AWWD, and the issuance of the New Warrants to AWWD, and to avoid potentially protracted and complicated proceedings to determine the exact amounts, nature and status under the Plan of all such claims and to facilitate the expeditious consummation of the Plan and the completion of Holdings' winding up, Holdings and AWWD will, effective upon and subject to the occurrence of the Effective Date, release all such intercompany claims (known and unknown) against AWI or any of AWI's subsidiaries.

12. Department of Labor Investigation.

After an audit by the United States Department of Labor (the "***DOL***"), AWI was informed that the DOL is investigating the validity of AWI's use of certain employee salary deferrals from 1996 to 2000, in the approximate aggregate amount of $33.4 million, to fund debt payments as provided for by the Armstrong Employee Stock Ownership Plan (the "***ESOP***"). AWI is cooperating with the DOL to address its questions and concerns about the transactions and has made current and former employees and directors available for interviews. AWI believes that it fully complied with all applicable laws and regulations governing the ESOP and that its current and former directors and employees have fully complied with their obligations. If the DOL asserts a claim with respect to such employee salary deferrals, it may seek to assert such claim against AWI and certain of AWI's current and former directors and employees.

The DOL has not filed a proof of claim in the Chapter 11 Case. AWI signed a tolling agreement with the DOL in which AWI agreed that it would not use any delay in filing a late proof of claim during the period from October 17, 2002 to March 1, 2003 as an argument against any attempt by the DOL to file an untimely proof of claim, but AWI reserved its rights to object to any claim on the basis that it was untimely as of October 17, 2002 or as a result of any delay by the DOL in filing the claim after March 1, 2003. AWI intends to seek Bankruptcy Court approval of any extension of the tolling agreement, if agreed to by AWI.

AWI believes that (i) any claim against AWI is barred as a result of the DOL's failure to file a timely proof of claim in the Chapter 11 Case, and (ii) the DOL's claims are barred in part by applicable statutes of limitation and are otherwise wholly without merit. In connection with the DOL's investigation of possible claims against AWI and its current and former employees and directors, AWI's fiduciary liability insurer is providing a defense (subject to a $250,000 deductible), but has preliminarily reserved its rights with respect to coverage of any such claims, which are currently unspecified. Moreover, any claims against any employee or director of AWI or Holdings that served

as an officer or director at any time after the Commencement Date would be subject to indemnification by AWI pursuant to section 8.6 of the Plan. *See* Section V.I., entitled "THE PLAN OF REORGANIZATION – Indemnification and Reimbursement Obligations."

13. Delisting of Holdings' Common Stock and Certain of AWI's Debt Securities from the New York Stock Exchange.

Following the filing of the Plan, the New York Stock Exchange, Inc. determined to suspend trading and pursue delisting of Holdings' common stock (NYSE: ACK) and of AWI's 9.75% Debentures due April 15, 2008 and 7.45% Senior Quarterly Interest Bonds due October 15, 2038 (NYSE: AKK). The common stock of Holdings is now quoted on the OTC (over-the-counter) Bulletin Board ("***OTCBB***") with the ticker symbol of ACKHQ. The OTCBB is a regulated quotation service that displays real-time quotes, last sale prices, and volume information in OTC equity securities. Information about the OTCBB may be found on the Internet at www.otcbb.com

V. THE PLAN OF REORGANIZATION

AWI believes that (i) through the Plan, Claimants will obtain a substantially greater recovery from its estate than the recovery that would be available if AWI's assets were liquidated under chapter 7 of the Bankruptcy Code, and (ii) the Plan will afford AWI the opportunity and ability to continue in business as a viable going concern and thereby preserve ongoing employment for AWI's employees.

The Plan is annexed hereto as Exhibit "A" and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by the more detailed provisions set forth in the Plan.

A. Classification and Treatment of Claims and Equity Interests in AWI.

The Plan classifies Claims and AWWD's Equity Interests in AWI separately and provides different treatment for different classes of Claims and AWWD's Equity Interests in accordance with the Bankruptcy Code. As described more fully below, the Plan provides, separately for each class, either that Claims are unimpaired or that holders of Claims and AWWD's Equity Interests will receive various types of consideration (*e.g.*, Available Cash, Plan Notes and/or 144A Offering Proceeds, New Warrants and New Common Stock (collectively, the "***Reorganization Consideration***")) or no distribution, thereby giving effect to the different rights of the holders of Claims of each class and AWWD.

1. Administrative Expenses.

"***Administrative Expenses***" are Claims constituting a cost or expense of administration of the Chapter 11 Case allowed under section 503(b) of the Bankruptcy Code. Such Claims include any actual and necessary costs and expenses of preserving the estate of AWI, any expenses of professionals under sections 330 and 331 of the Bankruptcy Code, any actual and necessary costs and expenses of operating the business of AWI, any indebtedness or obligations incurred or assumed by AWI, as debtor in possession, in connection with the conduct of its business, the acquisition or lease of property, the rendition of services, any allowance of compensation and reimbursement of expenses to the extent allowed by a Final Order under section 330 of the Bankruptcy Code, and fees or charges assessed against the estate of AWI under section 1930 of title 28 of the United States Code.

(a) Administrative Expense Bar Date.

By order dated March 21, 2003 (the "***Administrative Expense Bar Date Order***"), the Bankruptcy Court established a deadline for the filing of certain Administrative Expenses against AWI's estate. **The deadline for the filing of Administrative Expenses of the type described below is 5:00 p.m., New York City time, on November 24, 2003 (the "*Administrative Expense Bar Date*"), the date that is five (5) business days after the date scheduled for the commencement of the hearing on confirmation of the Plan. If a holder of an Administrative Expense is required to file a proof of Administrative Expense and fails to file proof of its Administrative Expense so that it is *actually received* at the address specified below before the Administrative Expense Bar Date, then such Administrative Expense will be barred and discharged, and the holder of such Administrative Expense will have no right to assert such Administrative Expense against AWI, AWI's estate, or Reorganized AWI.**

Not all holders of Administrative Expenses are required to file a proof of Administrative Expense. Pursuant to the Administrative Expense Bar Date Order, only an Entity asserting any of the following types of Claims as an Administrative Expense must file proof of such Administrative Expense:

- Any Administrative Expense representing personal injury, property damage, or other tort claims against AWI, *excluding* Asbestos Personal Injury Claims.

- Any Administrative Expense for breach of an obligation – contractual, statutory or otherwise – by AWI, including any environmental liability (other than any environmental liability with respect to property that is currently owned or operated by AWI).

- Any Administrative Expense for amounts incurred by AWI after the Commencement Date in the ordinary course of AWI's business if payment of such amounts is alleged to be overdue by at least sixty (60) days as of the Confirmation Date.

- Any Administrative Expense incurred by AWI outside the ordinary course of its business or on other than ordinary business terms, except to the extent the incurrence of such Administrative Expense was approved by the Bankruptcy Court (such as the DIP Credit Facility Claim or any Claims under any hedging agreement entered into after the Commencement Date) or represents fees and expenses of professionals arising under sections 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code. AWI believes that any obligation arising under a contract entered into after the Commencement Date (other than an indemnification or reimbursement obligation or an obligation arising out of an alleged breach of such contract) or any obligation to pay for goods or services received after the Commencement Date is an obligation arising in the ordinary course of business and pursuant to ordinary business terms, and the holder of any such Administrative Expense does not need to file a proof of Administrative Expense unless such Administrative Expense is alleged to be overdue by at least sixty (60) days as of the Confirmation Date.

- Any Administrative Expense that would not ordinarily be reflected as a payable on AWI's books and records or as a liability on AWI's financial statements.

- Any Administrative Expense representing an employee claim against AWI, *other than* a claim for wages, benefits, pension or retirement benefits or expense reimbursement by an employee who is employed by AWI as of the Administrative Expense Bar Date or a grievance claim under any collective bargaining agreement to which AWI is a party.

If, however, a claim is of the type specified above *and* the holder of such alleged Administrative Expense has asserted such claim in an action commenced against and served on AWI on or before March 21, 2003 in which such holder alleges that AWI's liability is predicated upon the operation of AWI's business after the Commencement Date or otherwise alleges that such liability should be accorded Administrative Expense status, such holder of an alleged Administrative Expense is not required to file a proof of Administrative Expense.

A form of proof of Administrative Expense may be obtained by downloading it from the Internet site maintained by AWI in connection with the Plan (www.armstrongplan.com) or by calling AWI's claims agent, Trumbull, at (877) 866-0655.

All proofs of Administrative Expense must be mailed, hand delivered, or delivered by courier service to AWI's claims agent, Trumbull, at the following address so that they are *actually received* by Trumbull at one of the following addresses by November 24, 2003:

BY HAND DELIVERY OR COURIER:	**BY MAIL:**
4 Griffin Road North	P.O. Box 1117
Windsor, CT 06095	Windsor, CT 06095
(Attn: Armstrong World Industries, Inc.)	(Attn: Armstrong World Industries, Inc.)

Trumbull *will not* accept proofs of Administrative Expense by facsimile or any electronic means.

(b) Allowance of Administrative Expenses.

The method by which an Administrative Expense becomes Allowed under the Plan differs depending upon the type of Administrative Expense that is being asserted.

Pursuant to section 1.11(c)(i) of the Plan, each Administrative Expense that represents an actual or necessary cost or expense of preserving AWI's estate or operating the business of AWI for payment of goods, services, wages, or benefits or for credit extended to AWI, as debtor in possession, will be Allowed to the extent that such postpetition liability is reflected on AWI's books and records as of the Effective Date. Pursuant to section 2.1 of the Plan, these Administrative Expenses (which are intended to represent the day-to-day obligations of AWI to its vendors, employees, and parties to contracts) will be assumed and paid by Reorganized AWI in accordance with the terms and conditions of the particular transactions and any agreements relating thereto.

Also included within the Administrative Expenses Allowed pursuant to section 1.11(c)(i) are the DIP Credit Facility Claims. The "***DIP Credit Facility Claim***" is the Claim of the DIP Lenders arising under the DIP Credit Facility. *See* Section IV.C.3, entitled, "THE CHAPTER 11 CASE — Significant Events During the Chapter 11 Case — The DIP Credit Facility," for a description of the DIP Credit Facility. Section 2.3 of the Plan provides that, on the Effective Date, the DIP Credit Facility Claim will be paid, in full, in cash. Because the DIP Credit Facility has been modified so that the Commitment is only available for the issuance of the Letters of Credit, AWI does not expect any amounts to be due and owing to the DIP Lenders on the Effective Date. AWI does expect, however, that approximately $40.0 million in face amount of Letters of Credit issued on AWI's behalf will be outstanding as of the Effective Date. Section 2.3 of the Plan provides that, unless otherwise agreed to by the DIP Lenders, to the extent that any Letters of Credit issued pursuant to the DIP Credit Facility remain outstanding on the Effective Date, AWI will pay to the Agent Bank, for the ratable benefit of the DIP Lenders, cash in an amount equal to the face amount of such Letters of Credit, which will be held by the Agent Bank for the repayment of all amounts due in respect of such Letters of Credit. On the Effective Date, AWI expects to replace any outstanding Letters of Credit under the DIP Credit Facility with Letters of Credit issued under an exit facility to which Reorganized AWI will be a party. Accordingly, AWI does not expect to make any payments on account of the DIP Credit Facility Claim.

Any Administrative Expense that is timely asserted against AWI but disputed by AWI (whether because AWI disputes that it has liability or because AWI disputes that such Administrative Expense is entitled to administrative expense priority under sections 503(b) and 507(a)(i) of the Bankruptcy Code) will only become Allowed when a court of competent jurisdiction enters an order allowing such Administrative Expense and such order becomes a Final Order. Moreover, if AWI disputes that such Administrative Expense is entitled to Administrative Expense priority, then such Administrative Expense will only become an Allowed Administrative Expense if and to the extent the Bankruptcy Court determines, by a Final Order, that it is entitled to administrative expense priority. The Allowed Amount of any such Administrative Expense will be paid in full, in cash, as soon as practicable after such Administrative Expense becomes Allowed.

The Bankruptcy Court will fix in the Confirmation Order a date for the filing of, and a date to hear and determine, all applications for final allowances of compensation or reimbursement of expenses under section 330 of the Bankruptcy Code or applications for allowance of Administrative Expenses arising under section 503(b)(2)-(6) of the Bankruptcy Code. The Allowed Amount of all Administrative Expenses arising under section 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), 503(b)(5), or 503(b)(6) of the Bankruptcy Code will be paid in full, in cash, (a) upon the later of (i) the Effective Date and (ii) the date upon which any such Administrative Expense becomes Allowed or (b) at such later date or upon such other terms as may be mutually agreed upon between each such Administrative Expense Creditor and Reorganized AWI. ***Administrative Expenses arising under section 330 or 503(b)(2)-(b)(6) of the Bankruptcy Code are not subject to the Administrative Expense Bar Date Order.***

Aside from payables that are recorded on AWI's books and records and paid in the ordinary course of business, AWI estimates that, on the Effective Date, it will have Administrative Expenses that may become Allowed in the following approximate amounts:

Nature of Claims	Estimated Amount
Unpaid fees and expenses of professionals retained in the Chapter 11 Case	$ 18,200,000
Costs relating to post-reorganization financing	3,500,000
DIP Credit Facility Claims	0.00
Cash posted to secure repayment of Letters of Credit	0.00
Miscellaneous administrative expenses	9,200,000
Total	$ 30,900,000

These amounts exclude any underwriting commissions or other costs incurred in connection with any 144A Offering.

2. Priority Tax Claims.

"***Priority Tax Claims***" are those Claims for taxes entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code. On the Commencement Date, the Bankruptcy Court authorized AWI to pay most of the types of tax claims that constitute Priority Tax Claims (with the exception of income taxes). As a result, most of the Priority Tax Claims have been paid and resolved during the Chapter 11 Case. AWI estimates that the amount of remaining Priority Tax Claims that may become Allowed is $30,214.00. The following summarizes the types of Allowed Priority Tax Claims that comprise AWI's estimate:

Income taxes	$30,164.00
Real and personal property taxes	0.00
Employment and other taxes	50.00
Total	$30,214.00

Under the Plan, each holder of an Allowed Priority Tax Claim will be paid the Allowed Amount of its Allowed Priority Tax Claim either (a) in full, in cash, on the latest of (i) the Effective Date, (ii) the date such Allowed Priority Tax Claim becomes Allowed, and (iii) the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law or (b) upon such other terms as may be mutually agreed upon between each holder of a Priority Tax Claim and Reorganized AWI. Although some additional claims have been filed in the Chapter 11 Case asserting an entitlement to treatment as Priority Tax Claims pursuant to section 507(a)(8) of the Bankruptcy Code, AWI believes that most of these claims do not represent valid Priority Tax Claims against AWI's estate, either (i) because AWI is in the process of disputing or settling the asserted tax liability and believes, ultimately, that such claims will be disallowed, or (ii) because such claims were erroneously filed as Priority Tax Claims and are not properly entitled to priority pursuant to section 507(a) of the Bankruptcy Code. Most notably, the Pennsylvania Department of Revenue (the "***PA DOR***") filed a claim in the total estimated amount of $4,264,648.33 for purported sales tax liability, which claim is the subject of a pending audit. AWI, however, has significant tax offsets and refund claims currently filed against the PA DOR that AWI believes will be sufficient to eliminate any liability found as a result of the audit. Therefore, AWI believes that it will have no further liability on account of the PA DOR claim. Indeed, AWI is currently in negotiations with the PA DOR regarding an agreed withdrawal of such claim.

3. Class 1: Priority Claims.

"***Priority Claims***" consist of those Claims that are entitled to priority in accordance with section 507(a) of the Bankruptcy Code, other than an Administrative Expense, DIP Credit Facility Claim or Priority Tax Claim. Such Claims include (i) unsecured claims for accrued employee compensation earned within ninety (90) days prior to the Commencement Date to the extent of $4,650 for each employee and (ii) contributions to employee benefit plans arising from services rendered within one hundred eighty (180) days prior to the Commencement Date, but only for each such plan to the extent of (x) the number of employees covered by such plan multiplied by $4,650, less (y) the aggregate amount paid to such employees from the estate of AWI for wages, salaries, or commissions. Because AWI obtained orders from the Bankruptcy Court that allowed AWI to satisfy its prepetition wage claims and employee benefit obligations during the pendency of its Chapter 11 Case, AWI believes that no unpaid Priority Claims exist.

Although some additional claims have been filed in the Chapter 11 Case asserting an entitlement to treatment as Priority Claims pursuant to section 507(a) of the Bankruptcy Code, AWI believes that most of these claims do not represent valid Priority Claims against AWI's estate, as such Claims either (i) assert Claims for Administrative Expenses, (ii) will be addressed as a result of the assumption of the underlying agreement to which they relate, (iii) have already been paid pursuant to an order of the Bankruptcy Court, or (iv) were erroneously filed as Priority Claims and are not properly entitled to priority pursuant to section 507(a) of the Bankruptcy Code. The only potentially valid Priority Claim that has been filed, and has not been already disallowed or reclassified pursuant to an objection, is that of the U.S. Customs Service, which filed an unliquidated claim pursuant to section 507(a)(8)(F) for any customs duties, fees or other charges that may be due and owing with respect to approximately 1,400 unliquidated prepetition entries (the "***Customs Claim***"). While the validity and amount of the Customs Claim has not yet been determined, AWI does not currently believe that it has any liability on account of the Customs Claim.

Pursuant to the Plan, the holder of an Allowed Priority Claim will be paid the Allowed Amount of its Allowed Priority Claim, in full, in cash, on the later of the Effective Date and as soon as practicable after the date such Priority Claim becomes Allowed.

Priority Claims are unimpaired under the Plan.

4. Class 2: Secured Claims.

"***Secured Claims***" are the Claims against AWI to the extent of the value of any interest in property of the estate of AWI securing such Claim, except for the DIP Credit Facility Claim and the COLI Claims. The class of Secured Claims includes the Secured Claims of governmental taxing authorities for real and personal property, the aggregate amount of which totaled $0.00 as of the Commencement Date. It also includes certain miscellaneous Secured Claims for items such as utilities and mechanic's liens, the aggregate amount of which totaled $41,429.00 as of November 15, 2002. Because AWI received authorization to pay most of its Secured Claims during the course of the Chapter 11 Case, AWI believes that few valid Secured Claims still exist. One such Claim is the Secured Claim relating to financing for certain improvements made in connection with AWI's facility in St. Helens, Oregon. Such Claim, which has an outstanding principal balance of $74,145, will be reinstated on the Effective Date, and AWI will pay to the holder thereof all past due interest (estimated to total $12,975 as of the assumed Effective Date of July 1, 2003).

Although several other entities have filed Claims against AWI alleging an entitlement to treatment as Secured Claims, AWI does not currently believe that any of such Claims are entitled to treatment as Secured Claims pursuant to section 506(a) of the Bankruptcy Code. Indeed, the majority of such Claims were filed by asbestos personal injury litigation co-defendants as Secured Claims on the basis of alleged setoff rights. However, because AWI believes that such Claims are subject to disallowance pursuant to section 502(e)(i)(B) of the Bankruptcy Code (and has objected to such Claims on that basis), AWI does not believe that any such Claims represent valid Secured Claims. Moreover, any asbestos-related personal injury co-defendant claims, whether secured or unsecured, will be channeled to the Asbestos PI Trust and addressed pursuant to the Asbestos PI Trust Distribution Procedures. If any additional Secured Claims are determined to exist, AWI believes that the value of such Secured Claims will be *de minimis*. Although all Secured Claims are placed together in one category for purposes of convenience, each Secured Claim will be treated as though in a separate class for all purposes under the Plan.

In accordance with section 1124 of the Bankruptcy Code, notwithstanding any contractual provision or applicable law that entitles the holder of an Allowed Secured Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim from and after the occurrence of a default under the agreements governing or instruments evidencing such Claim, such Allowed Secured Claim will be reinstated, and AWI will (i) cure all defaults that occurred before or from and after the Commencement Date (other than defaults of a kind specified in section 365(b)(2) of the Bankruptcy Code), (ii) reinstate the maturity of such Claim as such maturity existed prior to the occurrence of such default, (iii) compensate the holder of such Claim for any damages incurred as a consequence of any reasonable reliance by such holder on such contractual provision or such applicable law, and (iv) not otherwise alter the legal, equitable, or contractual rights to which the holder of such Claim is entitled.

The Secured Claims are unimpaired under the Plan.

5. Class 3: Convenience Claims.

Under the Plan, a "***Convenience Claim***" is an Unsecured Claim (other than a Debt Security Claim) in the amount of $10,000 or less or that is reduced to $10,000 at the election of the Claimant. Any Allowed Unsecured Claim in an amount equal to or less than $10,000 automatically will be treated as a Convenience Claim. Pursuant to the Plan, each holder of an Allowed Convenience Claim will be paid 75% of the Allowed Amount of its Allowed Convenience Claim in cash on the later of the Effective Date and as soon as practicable after such Convenience Claim becomes Allowed.

AWI estimates that the 75% payment with respect to Allowed Unsecured Claims of $10,000 or less will total approximately $3.1 million. In addition, AWI expects to finalize a settlement with the Markley Class Plaintiffs, who represent approximately 360 former employees of AWI. *See* Section IV.C.9(d), entitled, "THE CHAPTER 11 CASE – Significant Events During the Chapter 11 Case – Other Litigation – The *Markley* Litigation." Pursuant to the proposed settlement, the Markley Class will have an aggregate claim of $1 million against AWI, which will be deemed to constitute a Convenience Claim consisting of individual claims of the Markley Class Members each in an amount not to exceed $10,000. If such settlement is approved and authorized, AWI will be obligated to pay the Markley Class Counsel, for allocation among the Markley Class Members, the sum of $750,000 in cash upon the earlier of (a) December 15, 2003 or (b) within five (5) Business Days after the Effective Date.

Moreover, AWI estimates that 68 Claimants hold Allowed Unsecured Claims (other than Debt Securities) over $10,000 and less than or equal to $12,500, and 69 Claimants hold Allowed Unsecured Claims (other than Debt Securities) over $12,500 and less than or equal to $16,000. These Claimants may elect to have their Allowed Unsecured Claims treated as Convenience Claims. AWI cannot estimate how many of these Claimants will elect to have their Allowed Unsecured Claims treated as Convenience Claims and has not included any Claims in excess of $16,000 in its estimate (although such Claimants are entitled under the Plan to reduce their Unsecured Claims to $10,000). If all such holders of Unsecured Claims greater than $10,000 and less than or equal to $16,000 elect to be treated as Convenience Claims, AWI will be required to make an additional cash payment of $7,500 per claim for total additional payments of approximately $1 million. Accordingly, AWI has estimated that it will make total cash payments with respect to Allowed Convenience Claims of approximately $4.85 million.

Convenience Claims are impaired under the Plan.

6. Class 4: Asbestos Property Damage Claims.

An "***Asbestos Property Damage Claim***" is any Claim or remedy or liability against AWI, whether or not such Claim, remedy, or liability is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, whether or not the facts of or legal bases therefor are known or unknown, under any theory of law, equity, admiralty, or otherwise, for damages for property damage, including, but not limited to, the cost of inspecting, maintaining, encapsulating, repairing, decontaminating, removing or disposing asbestos or asbestos-containing products in buildings, other structures, or other property arising from the installation in, presence in or removal from buildings or other structures of asbestos or asbestos-containing products that was or were installed, manufactured, sold, supplied, produced, distributed, released or marketed by AWI prior to the Commencement Date, or for which AWI is allegedly liable, including, without express or implied limitation, any such Claims, remedies and liabilities for compensatory damages (such as

proximate, consequential, general, and special damages) and punitive damages, and any Claim, remedy or liability for reimbursement, indemnification, subrogation and contribution, including, without limitation, any Asbestos Property Damage Contribution Claim. Asbestos Property Damage Claims will not include Asbestos Personal Injury Claims.

As discussed above, AWI has reached agreement with the holders of outstanding Asbestos Property Damage Claims and the Asbestos PD Committee on the terms of the Global Asbestos PD Settlement. Because AWI expects that, pursuant to the Global Asbestos PD Settlement, all pending Asbestos Property Damage Claims will be paid and withdrawn prior to confirmation of the Plan, the Plan does not provide separate treatment for Asbestos Property Damage Claims, and such claims are treated as unimpaired under the Plan. If, however, AWI and the representatives of holders of Asbestos Property Damage Claims cannot reach agreement on the specific terms of a settlement agreement or if the Bankruptcy Court refuses to approve the Global Asbestos PD Settlement, then AWI intends to amend the Plan to provide alternative treatment for Asbestos Property Damage Claims. Under those circumstances, AWI would propose that any treatment for Asbestos Property Damage Claims be funded exclusively from the proceeds of insurance. Thus, AWI would propose at that point only to solicit votes on the Plan from holders of Asbestos Property Damage Claims and not to re-solicit votes on the Plan from any other class. The insurers have advised AWI that they reserve all rights with respect to this issue.

Asbestos Property Damage Claims are currently treated as unimpaired under the Plan.

7. Class 5: COLI Claims.

"***COLI Claims***" are all amounts due to Pacific Life Insurance Company for loans made by Pacific Life Insurance Company to AWI against (and collateralized by) certain life insurance policies for which AWI is the holder and beneficiary and for which certain of AWI's employees are insureds. The COLI Claims do not include similar loans that were made to AWI after the Commencement Date, which loans will be paid by AWI and Reorganized AWI in the ordinary course of business.

In accordance with section 1124 of the Bankruptcy Code, notwithstanding any contractual provision or applicable law that entitles the holder of an Allowed COLI Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim from and after the occurrence of a default under the agreements governing or instruments evidencing such Claim, such allowed COLI Claim will be reinstated, and AWI will (i) cure all defaults that occurred before or from and after the Commencement Date (other than defaults of a kind specified in section 365(b)(2) of the Bankruptcy Code), (ii) reinstate the maturity of such Claim as such maturity existed prior to the occurrence of such default, (iii) compensate the holder of such Claim for any damages incurred as a consequence of any reasonable reliance by such holder on such contractual provision or such applicable law, and (iv) not otherwise alter the legal, equitable, or contractual rights to which the holder of such Claim is entitled.

Based upon an assumed Effective Date of July 1, 2003, AWI estimates that the outstanding principal balance on the COLI Claims as of the Effective Date will total approximately $19.2 million.

COLI Claims are unimpaired under the Plan.

8. Class 6: Unsecured Claims other than Convenience Claims.

Class 6 consists of all Allowed Unsecured Claims other than Convenience Claims. AWI estimates that the amount of Allowed Unsecured Claims other than Convenience Claims is approximately $1.651 billion. This estimate does not include any Unsecured Claims filed or scheduled with respect to retiree benefit plans because, as described more fully in Section V.J, entitled, "THE PLAN OF REORGANIZATION – Compensation and Benefit Programs," AWI intends to assume all its obligations under such plans. Accordingly, any Claims with respect to the benefits payable under such plans are treated as Employee Benefit Claims under Class 11 of the Plan. In addition, this estimate does not include any Unsecured Claims under any executory contracts that AWI intends to assume, all of which Unsecured Claims will be paid as part of AWI's cure obligations relating to such executory contracts and will be deducted from AWI's cash on hand in calculating Available Cash. *See* Section V.G, entitled, "THE PLAN OF REORGANIZATION – Executory Contracts and Unexpired Leases." Finally, the above estimate does not include

Unsecured Claims that will be treated as Convenience Claims because they have been filed or scheduled in an amount equal to or less than $10,000 or that AWI estimates will elect to "drop down" to Convenience Claim treatment, as described in Section V.A.5, entitled, "THE PLAN OF REORGANIZATION – Classification and Treatment of Claims and Equity Interests in AWI – Class 3: Convenience Claims."

Each holder of an Allowed Unsecured Claim will receive on each Distribution Date its Pro Rata Share of the following elements of Reorganization Consideration:

- 34.43% of the New Common Stock,
- 34.43% of the first $1.05 billion of (x) up to $300 million of Available Cash and (y) principal amount of each series of the Plan Notes and/or 144A Offering Proceeds,
- 60% of the first $50 million of the amount of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan,
- 60% of the amount of each series of Plan Notes and/or 144A Offering Proceeds equal to the difference (if positive) of $50 million *less* the amount of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan, and
- 34.43% of the remaining Available Cash and each series of Plan Notes and/or 144A Offering Proceeds after making provision for the Distribution provided in sections 3.2(f)(ii)2, 3.2(f)(ii)3, and 3.2(f)(ii)4 of the Plan and the funding of the Asbestos PI Trust in sections 10.1(b)(ii), 10.1(b)(iii), and 10.1(b)(iv) of the Plan.

In any Distribution made to the holder of an Allowed Unsecured Claim, there shall be deducted from such Distribution the amount of each element of the Reorganization Consideration (computed as provided in section 3.2(f)(ii) of the Plan) previously distributed to such holder on account of such Allowed Unsecured Claim in any Distribution made prior thereto.

Based upon AWI's projections, the total value of the Reorganization Consideration being distributed to Class 6 will equal approximately $928 million. Assuming that total Unsecured Claims and Environmental Claims equal approximately $1.651 billion, AWI estimates that each holder of an Allowed Unsecured Claim will receive a combination of New Common Stock, Available Cash, and Plan Notes and/or 144A Offering Proceeds having a value of approximately 59.5% of the amount of such Allowed Unsecured Claim. Based upon AWI's assumptions and estimates, that means, for example, that a holder of an Allowed Unsecured Claim in the amount of $100,000 would receive approximately $59,500 of Reorganization Consideration consisting of approximately $35,300 in value of New Common Stock, $8,000 in cash, and $16,200 in either Plan Notes and/or cash (depending upon whether and the extent to which the 144A Offering is completed).

Unsecured Claims other than Convenience Claims are impaired under the Plan.

9. Class 7: Asbestos Personal Injury Claims.

An "***Asbestos Personal Injury Claim***" is any Claim or remedy, liability, or Demand against AWI now existing or hereafter arising, whether or not such Claim, remedy, liability, or Demand is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, whether or not the facts of or legal bases therefor are known or unknown, under any theory of law, equity, admiralty, or otherwise, for death, bodily injury, sickness, disease, medical monitoring or other personal injuries (whether physical, emotional, or otherwise) to the extent caused or allegedly caused, directly or indirectly, by the presence of or exposure (whether prior to or after the Commencement Date) to asbestos or asbestos-containing products or things that was or were installed, engineered, designed, manufactured, fabricated, constructed, sold, supplied,

produced, specified, selected, distributed, released, marketed, serviced, maintained, repaired, purchased, owned, occupied, used, removed, replaced or disposed by AWI or an Entity for whose products or operations AWI allegedly has liability or for which AWI is otherwise allegedly liable, including, without express or implied limitation, any Claim, remedy, liability, or Demand for compensatory damages (such as loss of consortium, wrongful death, medical monitoring, survivorship, proximate, consequential, general, and special damages) and punitive damages, and any Claim, remedy, liability or Demand for reimbursement, indemnification, subrogation and contribution (including, without limitation, any Indirect PI Trust Claim), and any claim under any settlement entered into by or on behalf of AWI prior to the Commencement Date relating to an Asbestos Personal Injury Claim. An Asbestos Property Damage Claim or a workers' compensation claim brought directly by a past or present employee of AWI under an applicable workers' compensation statute against AWI shall not constitute an Asbestos Personal Injury Claim.

The following types of Claims and Demands are included in the definition of Asbestos Personal Injury Claim:

- Claims and Demands for personal injuries relating to the asbestos-containing insulation installation operations while such operations were conducted as a division of AWI, regardless of when such personal injuries manifest themselves;

- Claims and Demands for personal injuries arising out of asbestos-containing products manufactured by AWI, including asbestos-containing flooring products, asbestos-containing gaskets, Armaspray, and LT Cork Covering, regardless of when exposure to any such products occurs and when such personal injuries manifest themselves;

- Claims and Demands for personal injuries arising from exposure to asbestos-containing products where AWI is alleged to be liable for the conduct of another Entity as a result of AWI's relationship with such Entity at the time of the acts giving rise to the alleged liabilities, including Claims and Demands relating to the activities of ACandS and NCC;

- Claims and Demands relating to asbestos personal injuries under settlement agreements executed by or on behalf of AWI prior to the Commencement Date; and

- Indirect PI Trust Claims, which include the following:

    - Claims and Demands by co-defendants in actions involving asbestos-related personal injuries or wrongful death where the co-defendants allege that AWI is liable for all or a portion of the liabilities incurred by such co-defendants;

    - Claims and Demands by distributors of AWI's products, including AWI's asbestos-containing flooring products, that AWI is obligated to indemnify such distributors (as a contractual matter or otherwise) because the products at issue are allegedly AWI products;

    - Any Claim or Demand by the CCR or any present or former member of the CCR arising from the payment of Asbestos Personal Injury Claims by such Entity;

    - Claims and Demands under contractual indemnifications pursuant to which AWI has agreed to indemnify an Entity against asbestos-related liabilities for which AWI otherwise would have liability or allegedly would have liability as a result of AWI's relationship with another Entity; and

- Any reimbursement claim by Safeco to the extent the Safeco Bond is drawn and the proceeds applied to satisfy Asbestos Personal Injury Claims.

All Asbestos Personal Injury Claims will be determined and paid pursuant to the terms, provisions, and procedures of the Asbestos PI Trust, the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures. The sole recourse of the holder of an Asbestos Personal Injury Claim will be the Asbestos PI Trust, and such holder will have no right whatsoever at any time to assert its Asbestos Personal Injury Claim against Reorganized AWI. Pursuant to the Asbestos PI Permanent Channeling Injunction, on the Effective Date all entities will be permanently and forever stayed, restrained, and enjoined from taking those actions specified in the Plan for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to any Asbestos Personal Injury Claims (other than actions brought to enforce any right or obligation under the Plan, any exhibits to the Plan, or any other agreement or instrument between AWI or Reorganized AWI and the Asbestos PI Trust, which actions will be in conformity and compliance with the provisions of the Plan).

The Asbestos PI Trust will be funded with (i) the Insurance Asset and (ii) (a) 65.57% of the New Common Stock, (b) 65.57% of the first $1.05 billion of (x) up to $300 million of Available Cash and (y) the principal amount of each series of Plan Notes and/or 144A Offering Proceeds, (c) 40% of the first $50 million of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan, (d) 40% of an amount of each series of Plan Notes and/or 144A Offering Proceeds equal to the difference (if positive) of $50 million *less* the amount of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan, and (e) 65.57% of the remaining Available Cash and each series of Plan Notes and/or 144A Offering Proceeds after making provision for the Distribution provided in sections 3.2(f)(ii)2, 3.2(f)(ii)3, and 3.2(f)(ii)4 of the Plan and the funding of the Asbestos PI Trust in sections 10.1(b)(ii), 10.1(b)(iii), and 10.1(b)(iv) of the Plan. AWI estimates that the value of the assets with which the Asbestos PI Trust will be funded, other than the Insurance Asset, will be approximately $1.8 billion as of the Effective Date. If Class 6 votes to reject the Plan, as soon as practicable after the Effective Date, the New Warrants will be issued with respect to Asbestos Personal Injury Claims, but the Plan provides that such claimants have waived on behalf of themselves and the Asbestos PI Trust any right to the New Warrants, and the New Warrants will be issued by Reorganized AWI, without any action by, or any direction by, the Asbestos PI Trust or the Asbestos PI Trustees, to AWWD or, if the Holdings Plan of Liquidation has been approved, to Holdings (as the successor to AWWD under the Holdings Plan of Liquidation).

For a description of the Asbestos PI Trust and the Asbestos PI Trust Distribution Procedures, *see* Section VI, entitled, "THE ASBESTOS PI TRUST."

Asbestos Personal Injury Claims are impaired under the Plan.

10. Class 8: Environmental Claims.

"***Environmental Claims***" are those Claims as to which the treatment thereof is set forth in an agreement by and between AWI and any party asserting a Claim against AWI relating to alleged contamination under federal or state environmental laws or regulations, pursuant to which agreement all or a portion of such Claim (to the extent and subject to the limitations imposed by such agreement) may be asserted by the holder thereof after the Effective Date, to the extent that such agreement is approved and authorized by a Final Order of the Bankruptcy Court or otherwise in accordance with the Claims Settlement Guidelines.

Each holder of an Environmental Claim will be entitled to treatment of its Environmental Claim and will receive such consideration as is provided in the settlement agreement applicable to such Environmental Claim. Without limiting the provisions of such settlement agreement, to the extent any portion of an Environmental Claim becomes Allowed prior to any distribution, such Environmental Claim will be deemed to constitute, and will be treated as, an Allowed Unsecured Claim under Class 6. The sole recourse of the holder of an Environmental Claim will be in accordance with the rights of such holder set forth in such settlement agreement. Nothing contained in the Plan or in any settlement agreement relating to an Environmental Claim will constitute or be deemed a waiver of any claim, right, or cause of action that AWI or Reorganized AWI may have against any entity that is not a party to such

settlement agreement. AWI currently is negotiating an agreement with the Environmental Protection Agency (the "***EPA***") to address AWI's alleged liability under federal environmental laws. If such agreement is finalized and the requisite approvals are obtained, the EPA will have a liquidated, Allowed Claim against AWI with respect to certain offsite liabilities. Such Claim will be treated as an Allowed Unsecured Claim for purposes of Distributions under the Plan. AWI has taken into account its estimate of its potential liability to the EPA and to other entities in calculating the estimated total amount of Allowed Unsecured Claims.

As of the date hereof, AWI has not entered into any settlement agreement with respect to environmental-related claims, and, therefore, no Environmental Claims currently exist.

Environmental Claims are impaired under the Plan.

11. Class 9: Affiliate Claims.

Class 9 consists of all Affiliate Claims held among AWI and its affiliates (other than (a) any Entity in which AWI has less than a fifty percent (50%) direct or indirect interest, (b) AWWD, or (c) Holdings). Neither Nitram nor Desseaux, which are the subject of related chapter 11 cases that are pending in the Bankruptcy Court, has any Affiliate Claims against AWI. The Affiliate Claims consist principally of intercompany book entries, all of which are preserved by the Plan. Accordingly, the Affiliate Claims are unimpaired under the Plan.

12. Class 10: Subsidiary Debt Guarantee Claims.

Class 10 consists of all Subsidiary Debt Guarantee Claims. A "***Subsidiary Debt Guarantee Claim***" is any Claim against AWI arising from the guaranty by AWI of an obligation of one or more Entities that are subsidiaries of AWI as of the date immediately preceding the Effective Date so long as such obligation has not been accelerated or declared in default prior to the Effective Date (and such acceleration has not been rescinded or such default waived), other than any Claim relating to any obligations of Nitram or Desseaux and other than any Claim relating to obligations arising from the sale or disposition of the business, operations, or assets of any Entity. As of the date hereof, the following Subsidiary Debt Guarantee Claims exist:

Beneficiary	Primary Obligor	Type	Estimated Balance as of June 30, 2003
Banc of America Leasing (Robbins)	Armstrong Wood Products ("***AWP***")	Lease	$3,729,501.00
Wachovia Bank	AWP	AWP Somerset Industrial Revenue Bond	$10,000,000.00
Province of Quebec	Armstrong World Industries Canada Ltd.	Canadian Government Loan	$91,423.00 (Canadian dollars – loan is expected to be repaid on June 30, 2003)

In accordance with section 1124 of the Bankruptcy Code, each Subsidiary Debt Guarantee Claim will be reinstated. Accordingly, the Subsidiary Debt Guarantee Claims are unimpaired under the Plan.

13. Class 11: Employee Benefit Claims.

Under the Plan, AWI, except as provided in sections 8.7(b) and 8.7(c) of the Plan, will be assuming all employment and severance policies, workers' compensation programs, and all compensation and benefit plans, policies, and programs. *See* Section V.J, entitled, "THE PLAN OF REORGANIZATION – Compensation and Benefit Programs." In addition, AWI will be assuming any existing prepetition collective bargaining agreements. Accordingly, any claims

or benefits arising under such programs, policies, or agreements will continue to be paid by AWI in the ordinary course of its business. To avoid confusion regarding the treatment of certain "protective" claims filed by present and former employees for such benefits, AWI has created a separate Class under the Plan, Class 11, consisting of Employee Benefit Claims. An "***Employee Benefit Claim***" is any Claim of a current or former employee of AWI, a current or former employee of any current or former subsidiary of AWI, or of the Pension Benefit Guaranty Corporation, for benefits payable or arising under any of the plans being assumed pursuant to section 8.7(a) of the Plan or any collective bargaining agreements being assumed under the Plan; *provided, however*, that any Claim for damages or other relief arising from any termination of any plans pursuant to section 8.7(b) of the Plan, any "rejection" of any plans as to any party that objects to any amendment under section 8.7(c) of the Plan, based upon any alleged breach by AWI of its responsibilities or duties under any plan specified in section 8.7(a) of the Plan (other than any obligation to pay the benefits arising thereunder, as modified), or related to the allegations made by the plaintiffs in the Markley Class Action shall be deemed an Unsecured Claim. In accordance with section 1124 of the Bankruptcy Code, each Employee Benefit Claim will be reinstated. Accordingly, the Employee Benefit Claims are unimpaired under the Plan. The effect of this will be, among other things, that Reorganized AWI will maintain the Armstrong World Industries Retirement Income Plan in accordance with the plan document and the Employee Retirement Income Security Act.

14. Class 12: AWWD's Equity Interests in AWI.

Class 12 consists of the Equity Interests in AWI. AWWD, as the parent company of AWI, is the sole holder of Equity Interests in AWI. AWWD is wholly owned by Holdings, which is expected to dissolve and wind up in connection with the Plan pursuant to the Holdings Plan of Liquidation. *See* Section V.P, entitled, "THE PLAN OF REORGANIZATION – Holdings Plan of Liquidation." Public shareholders of Holdings do not have any direct interest in AWI, and any distribution to Holdings' shareholders in connection with the Plan will be governed by the Holdings Plan of Liquidation. If the Holdings Plan of Liquidation has been approved by the board of directors and shareholders of Holdings as required by the Pennsylvania BCL prior to the issuance of the New Warrants, AWWD's existence will terminate, and the New Warrants will be issued to Holdings in respect of the Equity Interests in AWI. If the Holdings Plan of Liquidation has not been approved by the board of directors and requisite shareholders of Holdings prior to the issuance of the New Warrants, the distribution of the New Warrants will be made to AWWD. If Class 6 votes to reject the Plan, however, no distribution will be made under the Plan from AWI's estate in respect of the Equity Interests in AWI, but, in such event, Reorganized AWI will issue the New Warrants as provided in section 10.1(b) of the Plan in respect of the Asbestos Personal Injury Claims to Holdings (assuming that AWWD's existence has been terminated in accordance with the Holdings Plan of Liquidation or, if not, to AWWD). On the Effective Date, the certificates that previously evidenced ownership of Existing AWI Common Stock will be cancelled and will be null and void, and AWWD, the holder thereof, will have no rights, and such certificates will evidence no rights.

B. Conditions to Confirmation.

The Plan will not be confirmed and the Confirmation Order will not be entered until and unless each of the following conditions to confirmation is either satisfied or waived in writing by each of AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 accepts the Plan, the Unsecured Creditors' Committee:

1. The Bankruptcy Court makes the following findings, each of which shall be contained in the Confirmation Order:

(i) With respect to any Asbestos Personal Injury Claim that is Allowed by the Asbestos PI Trust in accordance with the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, such allowance will establish the amount of legal liability against the Asbestos PI Trust in the amount of the liquidated value of such Claim, as determined in accordance with the Asbestos PI Trust Distribution Procedures.

(ii) The Asbestos PI Permanent Channeling Injunction is to be implemented in connection with the Plan and the Asbestos PI Trust.

(iii) The Plan and its exhibits are a fair, equitable and reasonable resolution of the liabilities of AWI for Asbestos Personal Injury Claims.

(iv) The Plan complies with section 524(g) of the Bankruptcy Code.

(v) In light of the benefits provided, or to be provided, to the Asbestos PI Trust on behalf of each PI Protected Party, the Asbestos PI Permanent Channeling Injunction is fair and equitable with respect to the persons that might subsequently assert Asbestos Personal Injury Claims against any PI Protected Party.

(vi) At the time of the order for relief with respect to AWI, AWI had been named as a defendant in personal injury, wrongful death and property damage actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products.

(vii) The Asbestos PI Trust, as of the Effective Date, will assume the liabilities of AWI with respect to all Asbestos Personal Injury Claims and, upon such assumption, Reorganized AWI will have no liability for any Asbestos Personal Injury Claim.

(viii) The Asbestos PI Trust is to be funded in whole or in part by securities of Reorganized AWI and by the obligation of Reorganized AWI to make future payments, including dividends.

(ix) The Asbestos PI Trust is to own, or by the exercise of rights granted under the Plan would be entitled to own if specified contingencies occur, a majority of the voting shares of AWI.

(x) AWI is likely to be subject to substantial future demands for payment arising out of the same or similar conduct or events that gave rise to the Claims that are addressed by the Asbestos PI Permanent Channeling Injunction.

(xi) The actual amounts, numbers, and timing of the future Demands referenced in section 7.15(a)(x) of the Plan cannot be determined.

(xii) Pursuit of the Demands referenced in section 7.15(a)(x) of the Plan outside the procedures prescribed by the Plan is likely to threaten the Plan's purpose to deal equitably with Claims and future Demands.

(xiii) The terms of the Asbestos PI Permanent Channeling Injunction, including any provisions barring actions against third parties pursuant to section 524(g)(4)(A) of the Bankruptcy Code, are set out in the Plan and in any disclosure statement supporting the Plan.

(xiv) The Plan establishes, in Class 7 (Asbestos Personal Injury Claims), a separate class of the Claimants whose Claims are to be addressed by the Asbestos PI Trust.

(xv) The Future Claimants' Representative was appointed as part of the proceedings leading to the issuance of the Asbestos PI Permanent Channeling Injunction for the purpose of protecting the rights of persons that might subsequently assert Demands of the kind that are addressed in the Asbestos PI Permanent Channeling Injunction and transferred to the Asbestos PI Trust. The Future Claimants' Representative has fulfilled his duties, responsibilities, and obligations as the future representative in accordance with section 524(g) of the Bankruptcy Code.

(xvi) Identifying each PI Protected Party in the Asbestos PI Permanent Channeling Injunction is fair and equitable with respect to persons that might subsequently assert Demands

against each such PI Protected Party, in light of the benefits provided, or to be provided, to the Asbestos PI Trust by or on behalf of any such PI Protected Party.

(xvii) Class 7 (Asbestos Personal Injury Claims) has voted, by at least seventy-five percent (75%) of those voting, in favor of the Plan.

(xviii) Pursuant to court orders or otherwise, the Asbestos PI Trust will operate through mechanisms such as structured, periodic, or supplemental payments, *pro rata* distributions, matrices, or periodic review of estimates of the numbers and values of Asbestos Personal Injury Claims and Demands, or other comparable mechanisms, that provide reasonable assurance that the Asbestos PI Trust will value, and be in a financial position to pay, Asbestos Personal Injury Claims and Demands that involve similar Claims in substantially the same manner.

(xix) If Class 6 votes to reject the Plan, the transfer of the New Warrants to the holder of the Equity Interests will not be subject to prior registration under the Securities Act of 1933, as amended.

2. Class 7 (Asbestos Personal Injury Claims) has voted, by at least 75 percent (75%) of those voting, in favor of the Plan.

3. The Confirmation Order will be, in form and substance, acceptable to the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee.

Travelers and Liberty Mutual contend that certain of the conditions to confirmation of the Plan, including, without limitation, the entry of a Confirmation Order setting forth findings of fact and conclusions of law that may be relevant to rights and obligations under AWI's insurance contracts, cannot be satisfied. Travelers and Liberty Mutual contend that the requested findings of fact and conclusions of law would violate the Bankruptcy Code and are matters for a separate coverage lawsuit in a court of competent jurisdiction. Moreover, Travelers and Liberty Mutual contend that the requested findings of fact and conclusions of law would violate their constitutional rights to trial by jury and due process of law. Accordingly, Travelers and Liberty Mutual contend that the Confirmation Order cannot be entered to the extent it contains such findings of fact and conclusions of law. AWI disputes these contentions.

C. Conditions Precedent to the Effective Date under the Plan.

The "effective date of the plan," as used in section 1129 of the Bankruptcy Code, will not occur, and the Plan will be of no force and effect, until the Effective Date. The occurrence of the Effective Date is subject to satisfaction of the following conditions precedent:

- The Confirmation Order has become a Final Order.
- The Bankruptcy Court and/or the District Court, as required, will have entered the Asbestos PI Permanent Channeling Injunction (which may be included in the Confirmation Order), which will contain terms satisfactory to AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee.
- The Confirmation Order, the Claims Trading Injunction and the Asbestos PI Permanent Channeling Injunction will be in full force and effect.
- No proceedings to estimate any Claims are pending.

- All Asbestos PI Trustees will have been selected and will have executed the Asbestos PI Trust Agreement.

- A favorable ruling will have been obtained from the IRS with respect to the qualification of the Asbestos PI Trust as a "qualified settlement fund" within the meaning of Treasury Regulation section 1.468B-1, or AWI will have received an opinion of counsel with respect to the tax status of the Asbestos PI Trust as a "qualified settlement fund" reasonably satisfactory to AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee.

- Reorganized AWI will have entered into and will have credit availability under a credit facility to provide Reorganized AWI with working capital (including letters of credit) in an amount sufficient to meet the needs of Reorganized AWI, as determined by Reorganized AWI.

- Each of the Exhibits will be in form and substance acceptable to AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee.

Notwithstanding the foregoing, AWI reserves the right in its sole discretion, with the written consent of the Asbestos PI Claimants' Committee, the Future Claimants' Representative and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee, to waive the occurrence of any of the foregoing conditions precedent to the Effective Date or to modify any of such conditions precedent. Any such written waiver of any such condition precedent may be effected at any time, without notice, without leave or order of the Bankruptcy Court or the District Court, and without any formal action other than proceeding to consummate the Plan. Any actions required to be taken on the Effective Date will take place and will be deemed to have occurred simultaneously, and no such action will be deemed to have occurred prior to the taking of any other such action. If AWI decides that one of the foregoing conditions cannot be satisfied, and the occurrence of such condition is not waived in writing by each of AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative and, if required, the Unsecured Creditors' Committee, then AWI will file a notice of the failure of the Effective Date with the Bankruptcy Court, at which time the Plan and the Confirmation Order will be deemed null and void.

D. Description of the Reorganization Consideration.

Under the Plan, AWI will issue New Common Stock, Plan Notes (if the 144A Offering is not completed or does not yield net proceeds at least equal to the Plan Note Amount), and the New Warrants (together, the "***Plan Securities***"), together with Available Cash, as follows:

1. New Common Stock.

On the Effective Date, pursuant to the Plan, Reorganized AWI will authorize approximately 200 million shares of New Common Stock and will issue approximately 56.4 million shares of New Common Stock without any further action necessary under applicable law, regulation, rule or order. Each share of New Common Stock will entitle its holder to one vote. The New Common Stock will be subject to dilution as a result of future issuances, including shares that are or may be issued under the Management Incentive Plan (*see* Section VIII.C, entitled, "MANAGEMENT OF REORGANIZED AWI – Incentive Compensation Plans and New Long-Term Incentive Plan") or that are issued upon the exercise of New Warrants. Holders of New Common Stock will have the right to participate proportionately in any dividends distributed by Reorganized AWI. AWI believes that the Equity Value of New Common Stock as of the Effective Date, based upon the residual value of the equity of Reorganized AWI, will be $30.00 per share, prior to any dilution. *See* Section X, entitled, "REORGANIZATION VALUE." The Equity Value has been agreed upon by Lazard and the financial consultants for the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee.

AWI and the Asbestos PI Trust will enter into a Stockholder and Registration Rights Agreement. *See* Section IX.A., entitled, "EXEMPTIONS FROM SECURITIES ACT REGISTRATION – Stockholder and Registration Rights Agreement," for a description of the registration rights of the Asbestos PI Trust with respect to the New Common Stock.

2. Plan Notes.

As more fully described below in Section V.E, entitled, "THE PLAN OF REORGANIZATION – 144A Offering," AWI will use commercially reasonable efforts to complete a 144A Offering as soon as practicable between the Effective Date and the Initial Distribution Date (the "***144A Offering***"). If one or more 144A Offerings is or are successfully completed, then the aggregate net proceeds from the 144A Offerings up to the Plan Note Amount (the "***144A Offering Proceeds***") will be distributed to the holders of Unsecured Claims in Class 6 and to the Asbestos PI Trust in lieu of notes ("***Plan Notes***") having an aggregate principal amount equal to the amount of the 144A Offering Proceeds. To the extent the 144A Offering Proceeds, if any, are less than the Plan Note Amount, Plan Notes will be issued in an aggregate principal amount equal to the difference between the Plan Note Amount and the amount of the 144A Offering Proceeds.

To the extent Plan Notes are issued, the Plan Notes will be issued by Reorganized AWI pursuant to an indenture (the "***Plan Note Indenture***"), substantially in the form of Exhibit "1.96" to the Plan, by and between AWI, as the issuer, and a trustee selected by AWI prior to the date of the commencement of the hearing on confirmation of the Plan, which indenture will be qualified under the Trust Indenture Act of 1939, as amended. To the extent the Plan Notes are issued, they will be issued on the following terms:

- The aggregate principal amount of the Plan Notes will be equal to the Plan Note Amount *less* the 144A Offering Proceeds. Because AWI estimates that Available Cash will total $350 million, the Plan Note Amount is estimated to be $775 million.

- The Plan Notes will bear interest at a fixed or floating interest rate based upon U.S. Treasury Notes or three-month U.S. dollar LIBOR, respectively, with like maturities plus a spread determined to be the average corporate spread over such Treasury Notes or LIBOR for outstanding issues of comparable maturity and comparably rated U.S. industrial companies over the 30-day period ending on the last day of the month immediately preceding the Effective Date. Interest will be paid semi-annually on the fixed rate Plan Notes and quarterly on the floating rate Plan Notes.

- The maturity of the Plan Notes, as selected by AWI, will be not less than five years and no more than 10 years. No principal payments will be required to be made on the Plan Notes until the maturity date.

- The Plan Notes will be callable at par at the option of AWI, in whole or in part, at any time during the first six months following the Effective Date.

- The Plan Notes will have such other terms, covenants, and conditions substantially similar to those contained in indentures for issues of comparable maturity of comparably rated U.S. industrial companies and, with respect to any floating rate tranche, structured in a manner similar to, and as liquid as, marketable bank debt.

AWI and the Asbestos PI Trust will enter into a Stockholder and Registration Rights Agreement, which will give the Asbestos PI Trust registration rights with respect to the Plan Notes, if they are issued. *See* Section IX.A., entitled, "EXEMPTIONS FROM SECURITIES ACT REGISTRATION – Stockholder and Registration Rights Agreement," for a general description of the registration rights of the Asbestos PI Trust with respect to the Plan Notes, if they are issued.

Based upon these terms and assuming an Effective Date of July 1, 2003, AWI expects that the three series of Plan Notes, if issued, would have the following terms:

- $275 million in Plan Notes having a five-year maturity with a floating interest rate (which AWI has assumed will be an annual interest rate of 2.35%). For purposes of the Projected Financial Information, however, AWI has assumed that this series of Plan Notes will be swapped back to a fixed rate and, accordingly, will bear a fixed annual interest rate of 4.89%.

- $250 million in Plan Notes having a seven-year maturity with a fixed annual interest rate of 5.45%.

- $250 million in Plan Notes having a ten-year maturity with a fixed annual interest rate of 5.65%.

The above interest rates represent AWI's estimate of what the interest rates would be based upon current conditions. The actual interest rates for the Plan Notes, which will be determined on the Effective Date, may vary.

3. Available Cash.

Under the Plan, AWI also will distribute Available Cash. With the exception of proceeds from certain insurance policies received after the Effective Date with respect to Environmental Claims, Available Cash will be calculated on the last day of the month prior to the month in which the Effective Date occurs. "***Available Cash***" will be equal to the sum of the following: (a) all cash on hand of AWI and its subsidiaries as of the last day of the month immediately preceding the Effective Date *less* the sum of the following as of such date: (i) a working capital reserve in the amount of $100 million (or such lesser amount as AWI, in its sole discretion (after consultation with the Asbestos PI Claimants' Committee, Unsecured Creditors' Committee, and the Future Claimants' Representative), determines it requires for working capital purposes), (ii) the Allowed Amount of Allowed Administrative Expenses, (iii) a reasonable estimate by AWI of additional Administrative Expenses (such as professional fees and expenses) that may become Allowed thereafter (other than Administrative Expenses of the type specified in section 1.11(c)(i) of the Plan) and fees and expenses payable in connection with any exit facility referred to in section 7.16(g) of the Plan, (iv) the Allowed Amount of Allowed Priority Tax Claims, (v) a reasonable estimate by AWI of additional Priority Tax Claims that may become Allowed thereafter, (vi) the Allowed Amount of all Priority Claims, (vii) a reasonable estimate of all Priority Claims that may became Allowed thereafter, (viii) the DIP Credit Facility Claim, (ix) the cash required to make the distributions for Class 3 (Convenience Claims) for those that are Allowed and a reasonable estimate by AWI of additional Convenience Claims that may become Allowed thereafter, (x) any other cash required to be paid or distributed by AWI pursuant to the Plan (other than in respect of "Available Cash"), and (xi) the amount reasonably estimated by AWI to be the cost of curing any defaults under the executory contracts and unexpired leases to be assumed by AWI under the Plan, (b) any amounts drawn, in AWI's sole discretion, under the working capital facility referenced in section 7.16(g) of the Plan for the purpose of funding the Distributions under the Plan, *and* (c) any proceeds of insurance received and retained by Reorganized AWI from the Effective Date to the Final Distribution Date on account of an Allowed Environmental Claim that is treated as an Allowed Unsecured Claim in accordance with sections 3.2(f) and 3.2(h) of the Plan. Based upon the assumption that the Effective Date will occur on July 1, 2003 and that AWI will draw $124 million under its working capital facility, AWI, after retaining $90 million for working capital purposes, expects to have approximately $350 million in Available Cash on the Effective Date.

4. New Warrants.

If the Holdings Plan of Liquidation is approved prior to the issuance of the New Warrants, the existence of AWWD (the current holder of the Equity Interests in AWI) will be terminated, and Reorganized AWI will issue to Holdings the New Warrants; otherwise, the New Warrants will be issued to AWWD. The New Warrants will be warrants to purchase the New Common Stock pursuant to a warrant agreement substantially in the form of Exhibit "1.91" to the Plan on terms and conditions determined in a manner agreed to by Lazard and the financial consultants for the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee. The New Warrants (i) will provide the right to purchase an aggregate of 5% of the New Common Stock on a fully

diluted basis determined as of the Effective Date (estimated to be 3.0 million shares), (ii) will have an exercise price equal to 125% of the Equity Value (*i.e.*, $37.50), and (iii) will have a term of seven years from the Effective Date. AWI expects that the New Warrants will have a value of $35-40 million, an amount which, if divided by the number of shares of Holdings outstanding, equals $0.86 to $0.98 per share.

E. 144A Offering.

AWI will use commercially reasonable efforts to complete a 144A Offering as soon as practicable after the Effective Date, but prior to the Initial Distribution Date.

Any 144A Offering Proceeds from a successfully completed 144A Offering, up to the Plan Note Amount, will be distributed by AWI to the holders of Unsecured Claims in Class 6 and to the Asbestos PI Trust pursuant to the Plan. The distribution of any 144A Offering Proceeds to such Claimants and the Asbestos PI Trust will reduce the aggregate principal amount of Plan Notes issuable pursuant to the Plan on a dollar for dollar basis, such that the sum of (x) the aggregate principal amount of Plan Notes issued under the Plan *plus* (y) the amount of 144A Offering Proceeds will be equal to the Plan Note Amount (assumed herein to be $775 million).

Accordingly, if the amount of 144A Offering Proceeds distributed is equal to the Plan Note Amount, AWI will not issue any Plan Notes under the Plan. Similarly, if a 144A Offering is not completed and no 144A Offering Proceeds are distributed, the aggregate principal amount of Plan Notes issued under the Plan will be equal to the Plan Note Amount.

To the extent that 144A Debt Securities are issued in a 144A Offering, such 144A Debt Securities will have such terms and conditions as AWI and the initial purchasers will determine in their sole discretion; *provided, however,* that if the 144A Offering Proceeds are less than the Plan Note Amount such that AWI also will issue Plan Notes under the Plan, then AWI may not issue the 144A Debt Securities without the consent of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee. The 144A Debt Securities, if issued, will not be registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

F. Exit Facility.

The company expects to enter into a $300 million syndicated bank credit facility at the time of emergence to provide for liquidity through short-term borrowings for working capital and other general corporate purposes and to permit the issuance of letters of credit. This credit facility will include covenants and terms and conditions that are expected to be similar to comparably rated industrial companies obtaining similarly structured credit facilities at that time. It is expected that the syndicated credit facility may be secured and will be multi-year in maturity and permit borrowings in both U.S. Dollars and Euros, priced at applicable margins over the lenders' cost of funds. No significant borrowings are expected immediately post-emergence, but AWI will use the facility to replace the Letters of Credit issued under the DIP Credit Facility. In addition, AWI's projections assume that AWI will draw $124 million under the credit facility to increase "Available Cash" so that Available Cash totals $350 million on the Effective Date. AWI estimates that such borrowing will be repaid by the end of 2003.

G. Executory Contracts and Unexpired Leases.

Any executory contracts or unexpired leases listed on Exhibit "8.1" to the Plan will be deemed to have been assumed by Reorganized AWI as of the Effective Date, and the Plan will constitute a motion to assume (and, to the extent necessary, assign) such executory contracts and unexpired leases.

Subject to the occurrence of the Effective Date, entry of the Confirmation Order by the Clerk of the Bankruptcy Court will constitute approval of such assumptions pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of AWI, its estate, and all parties in interest in the Chapter 11 Case. With respect to each such executory contract or unexpired lease assumed by Reorganized AWI, unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties

thereto prior to the Effective Date, the dollar amount required to cure any defaults of AWI existing as of the Confirmation Date will be conclusively presumed to be the amount set forth in Exhibit "8.1" with respect to such executory contract or unexpired lease. Subject to the occurrence of the Effective Date, any such cure amount will be treated as an Allowed Administrative Expense under the Plan, and, upon payment of such Allowed Administrative Expense, all defaults of AWI existing as of the Confirmation Date with respect to such executory contract or unexpired lease will be deemed cured.

Any executory contracts or unexpired leases of AWI that either (x) are set forth on Exhibit "8.2" to the Plan or (y)(i) are not listed on Exhibit "8.1" to the Plan, (ii) have not been assumed by AWI with the approval of the Bankruptcy Court, *and* (iii) are not the subject of pending motions to assume at the Confirmation Date will be deemed to have been rejected by AWI, the Plan will constitute a motion to reject such executory contracts and unexpired leases, and Reorganized AWI will have no liability thereunder except as is specifically provided in the Plan. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court will constitute approval of such rejections pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interest of AWI, its estate, and all parties in interest in the Chapter 11 Case. Without limiting the foregoing, any agreement entered into prior to the Commencement Date by or on behalf of AWI with respect to the settlement of any Asbestos Personal Injury Claim will be deemed rejected as of the Effective Date to the extent such settlement agreement is deemed to be an executory contract within the meaning of section 365(a) of the Bankruptcy Code.

Claims created by the rejection of executory contracts or unexpired leases (including, without limitation, the rejection provided in section 8.2 of the Plan) or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date, other than Asbestos Personal Injury Claims, must be filed with the Bankruptcy Court and served on AWI no later than thirty (30) days after (i) in the case of an executory contract or unexpired lease that was terminated or expired by its terms prior to the Confirmation Date, the Confirmation Date; (ii) in the case of an executory contract or unexpired lease rejected by AWI, the entry of the order of the Bankruptcy Court authorizing such rejection; or (iii) in the case of an executory contract or unexpired lease that is deemed rejected pursuant to section 8.2 of the Plan, the Confirmation Date. Notwithstanding the foregoing, Exhibit "8.2" to the Plan sets forth AWI's value of the rejection claim for each executory contract or unexpired lease set forth thereon, which claim shall be deemed an Allowed Unsecured Claim if no proof of claim is timely filed and served in accordance with the immediately preceding sentence. Any Claims for which a rejection claim is not set forth on Exhibit "8.2" to the Plan and for which a proof of claim is not filed and served within the time provided herein will be forever barred from assertion and shall not be enforceable against AWI, its estate, assets, properties, or interests in property, or Reorganized AWI or its estate, assets, properties, or interests in property. Unless otherwise ordered by the Bankruptcy Court, all such Claims (other than Asbestos Personal Injury Claims) that are timely filed as provided herein will be treated as Unsecured Claims under the Plan and will be subject to the provisions of Article V of the Plan.

Exhibit "8.4" to the Plan sets forth a list of agreements that were listed on the Schedules as executory contracts, but which AWI believes should not be considered executory contracts, either because such agreements were not executory as of the Commencement Date or because such agreements terminated or expired, or are expected to have expired by their terms prior to the Effective Date. If any such agreements are determined to be executory contracts, AWI or Reorganized AWI, as the case may be, reserves the right to seek the assumption or rejection of any such contract, and the time within which AWI or Reorganized AWI, as the case may be, may seek to assume or reject any such agreements shall be tolled until twenty (20) Business Days after the date on which an order determining that any such agreement is an executory contract becomes a Final Order. Set forth on Exhibit "8.4" to the Plan is the amount that AWI intends to treat as an Allowed Unsecured Claim for each such agreement. Such amount and the treatment of each such agreement shall be binding unless, on or before ten (10) days after the Confirmation Date, the other party to any such agreement either (i) files a proof of claim (which proof of claim shall be deemed timely filed) or (ii) files a motion seeking to compel assumption or rejection of such agreement.

H. Insurance Policies and Agreements.

AWI does not believe that the insurance policies issued to, or insurance agreements entered into by, AWI prior to the Commencement Date constitute executory contracts. To the extent that such insurance policies or agreements are considered to be executory contracts, then, notwithstanding anything contained in sections 8.1 or 8.2 of the Plan

to the contrary, the Plan will constitute a motion to assume such insurance policies and agreements, and, subject to the occurrence of the Effective Date, the entry of the Confirmation Order by the clerk of the Bankruptcy Court will constitute approval of such assumption pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of AWI, its estate, and all parties in interest in the Chapter 11 Case. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments are required to cure any defaults of AWI existing as of the Confirmation Date with respect to each such insurance policy or agreement. In accordance with section 10.1 of the Plan, the rights under the insurance policies and agreements constituting the Asbestos PI Insurance Asset will, to the extent necessary, be deemed assigned to the Asbestos PI Trust as of the Effective Date and, pursuant to section 365 of the Bankruptcy Code, AWI will have no further liability thereunder from and after the Effective Date.

Some of the insurance policies issued to, or insurance agreements entered into by, AWI prior to the Commencement Date provide coverage or a source of funding for Asbestos Personal Injury Claims and other types of Claims. The Plan allocates rights under such policies and agreements to the entity that will have liability for such Claims. The Asbestos PI Insurance Asset is being transferred to the Asbestos PI Trust. Reorganized AWI will retain rights under the policies and agreements with respect to other types of claims.

None of the rights retained by Reorganized AWI will have the effect of reducing the amount of the Asbestos PI Insurance Asset because the only coverage that will be available to Reorganized AWI is coverage that does not reduce any limits applicable to Asbestos Personal Injury Claims.

AWI believes that allocation of rights under the insurance policies and agreements in accordance with the provisions of the Plan does not require the consent of its insurers. Many courts have held that rights to proceeds of insurance policies may be transferred without the consent of the insurers after the events that trigger coverage under the policies have already occurred. Such transfers have been approved in the context of the settlement of claims and in the context of corporate transactions such as the sale of assets. Liberty Mutual and Travelers have asserted that any transfers of rights under the insurance policies and/or agreements that are made without their consent are not permitted by the terms of their policies or agreements and may have the effect of voiding coverage and/or breaching the agreements. Other insurers may take the same position.

In the event that a court or arbitrator of competent jurisdiction should later determine that the transfer of insurance rights to the Asbestos PI Trust is invalid, the Plan provides that Reorganized AWI shall, at the request of the Asbestos PI Trust, pursue such rights on behalf the Asbestos PI Trust at the expense of such trust, and assign any proceeds to such Trust.

Nothing contained in the Plan will constitute a waiver of any claim, right, or cause of action that AWI, the Asbestos PI Trust, or Reorganized AWI, as the case may be, may hold against the insurer under any policy of insurance or insurance agreement.

Liberty Mutual contends that the Liberty Mutual Policies are executory contracts. Liberty Mutual disputes that AWI can allocate or partially assign rights under the Liberty Mutual Policies and contends that such allocation or partial assignment would violate the Liberty Mutual Policies. To the extent that the Court treats the Liberty Mutual Policies as executory contracts under section 365 of the Bankruptcy Code, Liberty Mutual disputes AWI's characterization of the cure amounts as zero and contends that AWI must cure, or demonstrate an ability to cure, and an ability to pay, all present and future unpaid premiums, retrospective premiums, deductibles, and other obligations under the Liberty Mutual Policies. Liberty Mutual also asserts that AWI must comply with all other provisions of section 365.

I. Indemnification and Reimbursement Obligations.

For purposes of the Plan, the obligations of AWI to indemnify and reimburse persons who are or were directors, officers, or employees of Holdings, AWWD, or AWI on the Commencement Date or at any time thereafter against and for any obligations (including, without limitation, fees and expenses incurred by the board of directors of Holdings, or the members thereof, in connection with the Chapter 11 Case) pursuant to articles of incorporation, codes of regulations, by-laws, applicable state law, or specific agreement, or any combination of the foregoing, will

survive confirmation of the Plan, remain unaffected thereby, and not be discharged in accordance with section 1141 of the Bankruptcy Code, irrespective of whether indemnification or reimbursement is owed in connection with an event occurring before, on, or after the Commencement Date. In furtherance of the foregoing, Reorganized AWI will maintain insurance for the benefit of such directors, officers, or employees at levels no less favorable than those existing as of the date of entry of the Confirmation Order for a period of no less than four years following the Effective Date.

J. Compensation and Benefit Programs.

Except as set forth in sections 8.7(b) and 8.7(c) of the Plan, all employment and severance policies, workers' compensation programs, and all compensation and benefit plans, policies and programs of AWI applicable to its present and former employees, officers, and directors, including, without express or implied limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit plans, incentive plans, and life, accidental death, and dismemberment insurance plans, will be deemed to be, and will be treated as though they are, executory contracts that are deemed assumed under the Plan, and AWI's obligations under such plans, policies, and programs will be deemed assumed pursuant to section 365(a) of the Bankruptcy Code, survive confirmation of the Plan, remain unaffected thereby, and not be discharged in accordance with section 1141 of the Bankruptcy Code. Any defaults existing under any of such plans, policies, and programs shall be cured promptly after they become known by Reorganized AWI.

Certain employee benefit plans and policies will be terminated or amended on the Effective Date or earlier. These plans and policies are as follows:

- The Employment Protection Plan for Salaried Employees is provided for severance benefits for salaried employees of AWI in certain change-in-control situations. Prior to the Effective Date, such plan will be deemed to have been terminated, cancelled, and of no further force and effect, and the participants thereunder will have no further rights thereunder.

- The 1993 Long-Term Stock Incentive Plan is an equity incentive plan used by AWI to issue stock options and restricted stock to employees. On the Effective Date, such plan will be deemed terminated, cancelled, and of no further force and effect, and the participants thereunder will have no further rights thereunder; *provided* that any and all remaining restrictions on restricted stock awards under the 1993 Long-Term Stock Incentive Plan will lapse on the Effective Date to the extent participants do not elect to waive their right to such awards prior to such date.

- The 1999 Long-Term Incentive Plan is an equity and cash performance incentive plan used by AWI to provide equity and cash bonus incentives to employees. This plan has been used during the Chapter 11 Case to make long-term incentive awards. On the Effective Date, this plan will be deemed terminated, cancelled, and of no further force and effect, and the participants thereunder will have no further rights thereunder; *provided* that any and all remaining restrictions on restricted stock awards under this plan will lapse on the Effective Date to the extent participants do not elect to waive their right to such awards prior to such date. Cash awards granted during the course of the Chapter 11 Case, however, constitute Allowed Administrative Expenses, will not be affected by the termination of this plan, and will be paid out according to their terms.

- The Armstrong Holdings Stock Award Plan is an equity incentive plan under which AWI gave its employees awards of Holdings common stock. On the Effective Date, such plan will be deemed terminated, cancelled, and of no further force and effect, and the participants thereunder will have no further

rights thereunder; *provided* that any and all remaining restrictions on restricted stock awards under the Armstrong Holdings Stock Award Plan will lapse on the Effective Date to the extent participants do not elect to waive their right to such awards prior to such date.

- The Armstrong Deferred Compensation Plan is a plan under which members of Armstrong's management elected to defer compensation due them from Armstrong, generally until after their retirement. No deferrals of compensation have been made under this plan since the Commencement Date. As of the Effective Date, balances under this plan are estimated to total approximately $34 million. The normal form of payment is an annuity paid over 15 years. Plan participants may request full or partial single-sum payments. On the Effective Date, the Armstrong Deferred Compensation Plan will be modified so that Reorganized AWI, and not Holdings, will be the nominal sponsor of such plan and to provide that Reorganized AWI has the right, in its sole discretion, not to honor single-sum withdrawal requests. The Armstrong Deferred Compensation Plan will be assumed, as so amended; *provided, however*, as to any party that objects to such amendment by the deadline for filing objections to confirmation of the Plan, the Armstrong Deferred Compensation Plan will be deemed rejected, and such party will have an Unsecured Claim for any benefits thereunder in accordance with section 8.3 of the Plan. In addition, as of a date immediately prior to the Effective Date, the Armstrong Deferred Compensation Plan will be deemed amended to exclude the occurrence of the Effective Date, the creation of the Asbestos PI Trust, and the issuance of the New Common Stock to the Asbestos PI Trust from triggering a change in control thereunder.

- The Severance Pay Plan for Salaried Employees is a severance plan for salaried employees. On the Effective Date, such plan will be amended to provide that, if the participant is in a position at a grade level of 15 or higher on Reorganized AWI's organizational management system on the date of termination, the participant will be eligible for severance benefits based on two weeks of pay for each year of service, subject to a minimum of eight weeks pay and a maximum of 52 weeks pay. On the Effective Date, the Severance Pay Plan for Salaried Employees will be assumed, as amended.

- The Retirement Income Plan (Pension) is Armstrong's qualified defined benefit retirement plan. Such plan will be amended prior to the Effective Date in the manner described below and, as amended, will be assumed as of the Effective Date:

    - to eliminate the Social Security retirement enhancement that may become payable due to job loss following a Change in Control (as that term is defined in such benefit plan), and

    - to eliminate future accruals of all other retirement enhancements that may become payable due to job loss following a Change in Control to the fullest extent permitted by applicable law.

- The Retirement Benefit Equity Plan is an ERISA excess pension plan that provides participants with benefits that otherwise would be denied by reason of certain Internal Revenue Code limitations applicable to the qualified Retirement Income Plan. As of the Effective Date, accrued liabilities under this plan are expected to total approximately $34 million. The normal form of payment is an annuity. Under the terms of the Retirement Income Plan, which also impact the Retirement Benefit Equity Plan, plan participants are eligible for enhanced pension benefits in the event of (i) a job loss within two years of a change in

control of Holdings or (ii) termination of the Retirement Income Plan within five years of an Extraordinary Event. The Extraordinary Event involves a more narrowly defined change in control of Holdings as defined in the Retirement Income Plan. The Retirement Benefit Equity Plan will be amended as of any date prior to the Effective Date designated by AWI in the manner described below and, as amended, will be assumed as of the Effective Date:

- to exclude in the definition of Change in Control (as defined in the Retirement Benefit Equity Plan) the occurrence of the Effective Date, the creation of the Asbestos PI Trust, and the issuance of the New Common Stock to the Asbestos PI Trust,

- to eliminate the Extraordinary Event provisions as covered under the Retirement Income Plan,

- to eliminate any and all retirement enhancements, related to past and future service, that may become payable due to job loss following a Change in Control as covered under the Retirement Income Plan, and

- to terminate any right or obligation of Reorganized AWI to honor single-sum withdrawal requests;

provided, however, as to any party that objects to such amendments by the deadline for filing objections to confirmation of the Plan, such plan will be deemed rejected, and such party will have an Unsecured Claim for any benefits thereunder in accordance with section 8.3 of the Plan.

On the Effective Date, the assumption, rejection, and amendment of the foregoing plans will be deemed to have occurred as of such date or earlier date specified in section 8.7 of the Plan, will be authorized, and will be deemed approved in all respects, and will be in effect from and after the Effective Date or such other date in each case without requiring further action under applicable law, regulation, order, or rule, including, without express or implied limitation, any action by any party or Entity, including any administrative committee of any plan or the stockholders or directors of AWI or Reorganized AWI. On the Effective Date or as soon thereafter as is practicable, Reorganized AWI will restate the plans amended above as provided in section 8.7(c) of the Plan and will communicate such amendments in such manner and as may be required without any further order of the Bankruptcy Court. Each of the officers of AWI and Reorganized AWI is authorized, in accordance with his or her authority under the resolutions of the Board of Directors, to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the plan amendments set forth in section 8.7 of the Plan.

K. Cancellation of Existing Debt Securities.

As of the Effective Date, all notes, agreements, and securities evidencing Unsecured Claims and the rights of the holders thereof thereunder, will be cancelled and deemed null and void and of no further force and effect, and the holders thereof will have no rights, and such instruments will evidence no rights, except the right to receive the distributions provided for in the Plan.

L. Expiration of the Retention Period

Upon the expiration of the Retention Period, all monies or other property held for distribution by any trustee under any indenture governing any of the Unsecured Claims will be returned to Reorganized AWI by such trustee, free and clear of any claim or interest of any nature whatsoever, including, without express or implied limitation, escheat rights of any governmental unit under applicable law.

M. Compensation of the Applicable Trustees.

Reorganized AWI will pay the Indenture Trustees' Fees and Expenses to the extent that an Indenture Trustee makes a written request for Indenture Trustees' Fees and Expenses within thirty (30) days after the Effective Date. Although it will not be necessary for the Indenture Trustees to apply to the Bankruptcy Court for approval of the Indenture Trustees' Fees and Expenses, any dispute between Reorganized AWI and an Indenture Trustee regarding the reasonableness of any such fees and expenses shall be resolved by the Bankruptcy Court. Each Indenture Trustee shall be compensated by Reorganized AWI for services rendered from and after the Effective Date, including the reasonable compensation, disbursements, and expenses of the agents and legal counsel of such trustee in connection with the performance after the Effective Date of its duties under section 7.19 of the Plan, and shall be indemnified by Reorganized AWI for any loss, liability, or expense incurred by it in connection with the performance of such duties to the same extent and in the same manner as provided in the related indenture.

N. Listing of the New Common Stock.

As soon as practicable after the Effective Date, Reorganized AWI will use its best efforts to obtain, as of or as soon as practicable after the Effective Date, the listing of its common stock for trading on the New York Stock Exchange or for quotation in the NASDAQ Stock Market and, for so long as there are at least 300 holders of shares of its common stock, to continue the listing of its common stock for trading on either of such markets.

O. Corporate Reorganization Actions.

On or as soon as practicable after the Effective Date, Reorganized AWI shall take such actions as may be or become necessary to effectuate the following, all of which shall be authorized and approved in all respects, in each case without further action being required under applicable law, regulation, order, or rule (including, without limitation, any action by the shareholders or directors of AWI or Reorganized AWI or the Asbestos PI Trust or the Asbestos PI Trustees):

- AWI will file the Amended and Restated Articles of Incorporation with the Secretary of State for the Commonwealth of Pennsylvania.

- Certain wholly owned, non-operating subsidiaries of AWI will merge with and into AWI on or as soon as practicable after the Effective Date. Neither Nitram nor Desseaux is one of the entities that will merge with AWI, and neither Nitram nor Desseaux or any of their respective creditors will be affected by the Plan or its confirmation (except to the extent a creditor asserts a claim directly against AWI).

- The Existing AWI Common Stock will be cancelled.

- Subject to section 7.3 of the Plan, the Plan Note Indenture will become effective and, upon such effectiveness, the Plan Notes will be issued and delivered in accordance with sections 3.2(f) and 11.8 of the Plan and sections 3.2(g) and 10.1(b) of the Plan.

- The New Common Stock will be issued and delivered in accordance with sections 3.2(f) and 11.8 of the Plan and sections 3.2(g) and 10.1(b) of the Plan.

- The New Warrants will be issued and delivered as provided in section 7.24 of the Plan (and, if applicable, in accordance with section 10.1(b) of the Plan).

- At AWI's election, AWI will complete the 144A Offering. *See* Section V.E, entitled, "THE PLAN OF REORGANIZATION – 144A Offering."

- If a 144A Offering is completed, AWI will distribute the 144A Offering Proceeds in accordance with the Plan.

- Reorganized AWI will enter into the New Long-Term Incentive Plan. *See* Section VIII.C, entitled "MANAGEMENT OF REORGANIZED AWI – Incentive Compensation Plans and New Long-Term Incentive Plan."

The principal assets of the wholly owned non-operating subsidiaries to be merged with and into Reorganized AWI are equity interests in various foreign operating subsidiaries and intercompany debt obligations of Reorganized AWI (which as a result of this transaction will be extinguished). As these subsidiaries are non-operating, the liabilities of these subsidiaries substantially arise out of the allocation by AWI and its subsidiaries of certain administrative expenses and tax liabilities, which, for financial reporting purposes, are treated on a consolidated basis and which will be offset and extinguished in the mergers, with the exception of certain liabilities of one of the non-operating subsidiaries, Armstrong Enterprises, Inc. ("***AEI***") described below.

In 1995, AEI sold the stock of a wholly-owned operating subsidiary, Thomasville Furniture Industries, Inc. ("***Thomasville***"), to Furniture Brands International, Inc. ("***Furniture Brands***") pursuant to a stock purchase agreement dated as of November 18, 1995 ("***Thomasville Sale Agreement***"). Pursuant to the Thomasville Sale Agreement, AEI agreed to indemnify Furniture Brands against liabilities, if any, arising out of certain tax and environmental matters. AWI guaranteed the performance by AEI of its obligations under the Thomasville Sale Agreement.

Furniture Brands has alleged that it holds a claim against AWI and AWI's estate in an amount of $766,370 with respect to the tax indemnification under the Thomasville Sale Agreement. AWI intends to object to such claim in the Chapter 11 Case. To date, AWI has paid approximately $3,700,000 on account of the environmental indemnification obligation under the Thomasville Sale Agreement, and AWI estimates that the range of future liability with respect to such obligation will be from approximately $750,000 to $2,880,000. As a result of the merger of AEI into Reorganized AWI following the Effective Date, any liabilities of AEI will become liabilities of Reorganized AWI.

P. Holdings Plan of Liquidation.

Holdings' board of directors expects to approve, and recommend to Holdings' shareholders approval of, the Holdings Plan of Liquidation, to be effectuated subject to the Plan being confirmed by the Bankruptcy Court. Approval of Holdings' shareholders of the Holdings Plan of Liquidation will be sought pursuant to a separate proxy statement and proxy, which will be sent to Holdings shareholders and will further describe the Holdings Plan of Liquidation. If the Holdings Plan of Liquidation is approved as required, Holdings will be dissolved and, as soon as practicable, will wind up its business and affairs in accordance with Pennsylvania law and the Holdings Plan of Liquidation. As part of Holdings' winding up, its wholly-owned subsidiary, AWWD, will be merged into Holdings or will dissolve and transfer all of its assets, subject to all of its liabilities, to Holdings, with the result that Holdings will succeed to the interest in AWI now held directly by AWWD. In addition, all intercompany claims among Holdings, AWWD, and AWI will be released. *See* Section IV.C.11., entitled, "THE CHAPTER 11 CASE – Significant Events During the Chapter 11 Case – Settlement and Release of Intercompany Claims."

If the requisite approvals of the board of directors and shareholders of Holdings of the Holdings Plan of Liquidation are received prior to the issuance of the New Warrants, the New Warrants will be issued to Holdings, for distribution pursuant to the Holdings Plan of Liquidation, as soon as is practicable after the Effective Date. If the requisite approvals of the board of directors and shareholders of Holdings of the Holdings Plan of Liquidation have not been received by that time, the New Warrants will be issued to AWWD. From and after the Effective Date, other than as provided in the Plan (including, without limitation, provisions of the Plan relating to the indemnification rights of Holdings' officers, directors, and employees and the requirement to provide insurance for the benefit of such persons), Reorganized AWI will have no ongoing obligations to Holdings or AWWD. Reorganized AWI will, however, bear all costs and expenses related to the preparation and submission to a vote of Holdings' shareholders of the Holdings Plan of Liquidation and all other operating expenses of Holdings and AWWD during the interim period in which such approval is sought (and, if necessary, for a reasonable transition period thereafter) and, if the

requisite approval of the Holdings Plan of Liquidation by Holdings' shareholders is obtained, all expenses of administering the performance and consummation of the Holdings Plan of Liquidation, including any taxes incurred by Holdings in connection therewith. Holdings currently expects, assuming occurrence of the Effective Date and receipt of the required approvals of the Holdings Plan of Liquidation, that the New Warrants will be delivered to Holdings' shareholders as soon as the winding up of Holdings' affairs permits. As further explained in Section V.D.4 of this Disclosure Statement, entitled, "THE PLAN OF REORGANIZATION – Description of the Reorganization Consideration – New Warrants," the New Warrants are expected to have a fair market value of between $40 and $50 million, an amount which, if divided by the number of shares of Holdings outstanding, equals $0.86 to $0.98 per share.

IMPORTANT INFORMATION FOR HOLDERS OF COMMON STOCK OF ARMSTRONG HOLDINGS, INC.

In connection with the proposed Plan, the board of directors of Holdings contemplates proposing the dissolution and winding-up of Holdings. In that regard, Holdings intends to file relevant materials with the SEC, including a proxy solicitation statement with respect to approval by Holdings' shareholders of a plan of dissolution, winding up and distribution for Holdings. Because those documents will contain important information, stockholders of Holdings are urged to read them, if and when they become available. When filed with the SEC, they will be available for free at the SEC's website, www.sec.gov. Holdings stockholders will receive information at an appropriate time on how to obtain documents related to such matters for free from Holdings.

Directors and executive officers of Holdings and its subsidiaries may be deemed to be participants in Holdings' solicitation of proxies or consents from its stockholders in connection with this matter. Information about such directors and executive officers and their respective stock ownership and other interests is set forth in Holdings' Annual Report on Form 10-K for the fiscal year ended December 31, 2002. Participants in Holdings' solicitation may also be deemed to include various directors, executive officers and other persons:

Directors: *H. Jesse Arnelle, Van C. Campbell, Judith R. Haberkorn, John A. Krol, Michael D. Lockhart, James E. Marley, Ruth M. Owades, John J. Roberts, M. Edward Sellers, and Jerre L. Stead*

Officers: *Matthew J. Angello, Leonard A. Campanaro, Chan W. Galbato, Gerard L. Glenn, David E. Gordon, Michael D. Lockhart, John N. Rigas, William C. Rodruan, Stephen J. Senkowski, Barry M. Sullivan, and April L. Thornton*

As of the date of this communication, none of these participants individually beneficially owns more than 1% of Holdings' common stock. Except as disclosed above, to the knowledge of Holdings, none of these persons has any interest, direct or indirect, by security holdings or otherwise, in Holdings. Stockholders of Holdings will be able to obtain additional information regarding the interests of the participants by reading the proxy or consent solicitation statement of Holdings if and when it becomes available.

Q. Distributions Under the Plan.

1. Distribution Date.

Each of the following will constitute a Distribution Date: (a) the Initial Distribution Date, (b) the first Business Day after the end of the months of March, June, September, and December, commencing with the first such date to occur more than 180 days after the Effective Date and until the second anniversary of the Effective Date, (c) after the second anniversary of the Effective Date, the first Business Day after the end of the month of December, and (d) the

Final Distribution Date; *provided, however*, that (i) a Distribution Date (other than the Initial Distribution Date and the Final Distribution Date) shall not occur if the aggregate amount of Plan Notes and Available Cash to be distributed on any Distribution Date is less than one million dollars ($1,000,000), in which case the amount to be distributed shall be retained and added to the amount to be distributed on the next Distribution Date, and (ii) any Unsecured Claim that becomes Allowed less than twenty (20) Business Days prior to a Distribution Date shall be treated as a Disputed Claim for the purposes of the Distribution occurring on such Distribution Date and shall not receive a Distribution until the Distribution Date immediately succeeding such Distribution Date.

2. Disputed Unsecured Claims Reserve.

If the Plan Notes are issued under the Plan, on the Initial Distribution Date, Reorganized AWI will establish the Disputed Unsecured Claims Reserve, pursuant to which Plan Notes not distributed on the Initial Distribution Date or on any subsequent Distribution will be issued but held in trust by the Disbursing Agent pending the resolution of Disputed Claims. In accordance with and subject to the provisions of sections 3.2(f)(ii), 5.3, and 7.8 of the Plan, any Distribution of Plan Notes with respect to a Disputed Claim that becomes Allowed will include interest and other accretions with respect to such Plan Notes, net of the portion of expenses (including, without limitation, taxes payable by the Disputed Unsecured Claims Reserve) attributable to such Plan Notes.

3. Timing of Distributions under the Plan.

Any Distribution to be made by AWI or Reorganized AWI pursuant to the Plan will be deemed to have been timely made if made within ten (10) days after the time therefor specified in the Plan. No interest will accrue or be paid with respect to any Distribution as a consequence of such Distribution not having been made on the Effective Date; *provided, however*, that any Plan Notes distributed from the Disputed Unsecured Claims Reserve after the Initial Distribution Date will include accrued interest and any other accretions thereon (net of the portion of the expenses of the Disputed Unsecured Claims Reserve (including, without limitation, taxes) attributable to such Plan Notes) from and after the Initial Distribution Date in accordance with the terms of the Plan Note Indenture, and New Common Stock issued to holders of Allowed Claims in Classes 6 and 8 after the Effective Date will include all dividends declared and paid and other distributions made in respect thereto after the Effective Date.

(a) Distributions with Respect to Unsecured Claims and Environmental Claims.

Distributions with respect to Classes 6 and 8 will only be made on each Distribution Date; *provided, however,* that, if a Claim in any of Classes 6 or 8 becomes Allowed subsequent to the Initial Distribution Date, AWI may, in its sole discretion, make a Distribution with respect to such Claim prior to a Distribution Date. For purposes of treatment and Distribution under the Plan, except as provided with respect to treatment of Claims in the voting procedures approved by the Voting Procedures Order, all Unsecured Claims held by a Creditor shall be aggregated and treated as a single Claim. At the written request of AWI or the Disbursing Agent, any Creditor holding multiple Unsecured Claims shall provide to AWI or the Disbursing Agent, as the case may be, a single address to which any Distributions shall be sent. At the written request of any Creditor holding multiple Unsecured Claims made to the Disbursing Agent within thirty (30) days prior to a Distribution Date, such Creditor shall receive an itemized statement of the Unsecured Claims for which the Distribution is being made.

(b) Distribution to the Asbestos PI Trust.

The Distribution to the Asbestos PI Trust shall be made on the later of (i) the date the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement and (ii) the Effective Date; *provided, however*, that if Reorganized AWI intends to complete the 144A Offering, then the Distribution of the 144A Offering Proceeds and/or Plan Notes to the Asbestos PI Trust shall occur as soon as practicable after the 144A Offering is completed or Reorganized AWI determines not to complete a 144A Offering, but in no event shall such Distribution occur after the Initial Distribution Date.

4. Fractional Shares.

No fractional shares of New Common Stock will be distributed, no Plan Notes will be issued in an amount less than $1,000, and no cash payments of fractions of cents will be made. Fractional cents will be rounded to the nearest whole cent (with 0.5 cent or less to be rounded down). Fractional shares will be rounded to the nearest whole share (with 0.5 share or less to be rounded down). Plan Notes in denominations of less than $1,000 will be rounded to the nearest $1,000 increment (with Plan Notes in denominations of $500 or less to be rounded down). No cash will be paid in lieu of such fractional shares or Plan Notes in increments of less than $1,000.

5. Provisions for Treatment of Disputed Claims.

Reorganized AWI will object to the allowance of Claims filed with the Bankruptcy Court (other than Asbestos Personal Injury Claims and Asbestos Property Damage Claims) with respect to which Reorganized AWI disputes liability in whole or in part. All objections that are filed and prosecuted by Reorganized AWI as provided in the Plan will be litigated to Final Order by Reorganized AWI or compromised and settled in accordance with the Claims Settlement Guidelines. Unless otherwise provided in the Plan or ordered by the Bankruptcy Court, all objections by Reorganized AWI to Claims will be served and filed no later than ninety (90) days after the Effective Date.

Notwithstanding the above, a Distribution will only be made by Reorganized AWI to the holder of a Disputed Claim when, and to the extent that, such Disputed Claim becomes Allowed. No interest will be paid on account of Disputed Claims that later become Allowed except to the extent that payment of interest is required under section 506(b) of the Bankruptcy Code. No Distribution will be made with respect to all or any portion of any Disputed Claim pending the entire resolution thereof in the manner described above.

6. Amendments to the Claims Settlement Guidelines.

On the Effective Date, the Claims Settlement Guidelines will be amended in the form set forth in Exhibit "1.39" to the Plan. It is expected that such amendment will eliminate the requirement for approval by the committees for certain claims settlements, but add the requirement of the consent of a designated representative of the Unsecured Creditors' Committee. In addition, the threshold for obtaining Bankruptcy Court approval of certain settlements will be increased so that Bankruptcy Court approval will only be required for (i) settlements with Affiliates, (ii) settlements as to which the Unsecured Creditors' Committee representative objects, and (iii) settlements where the difference between AWI's scheduled claim and the allowed claim is greater than $10 million. The Claims Settlement Guidelines do not and will not address the resolution of Asbestos Personal Injury Claims, which will be governed exclusively by the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures.

7. Distribution of Unclaimed Property.

Any Distribution under the Plan that is unclaimed after one hundred eighty (180) days following the date such property is distributed will be deemed not to have been made and will be transferred to Reorganized AWI, free and clear of any claims or interests of any entities, including, without express or implied limitation, any claims or interests of any governmental unit under escheat principles. This will not affect the discharge of the Claim with respect to which such Distribution was made, and the holder of such Claim will be forever barred from enforcing such Claim against Reorganized AWI or Reorganized AWI's assets, estate, properties, or interests in property.

R. Discharge of AWI.

The rights provided by the Plan and the treatment of the Claims and Equity Interests therein will be in exchange for and in complete satisfaction, discharge, and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued thereon from and after the Commencement Date, against AWI or its estate, properties, or interests in property. Except as otherwise provided in the Plan, upon the Effective Date all such Claims and Equity Interests in AWI will be deemed satisfied, discharged, and released in full. Pursuant to the Plan and the Confirmation Order, all parties will be precluded from asserting against Reorganized AWI, its successors, or its or their assets, properties, or interests in property any other or further Claims or Equity Interests based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date. In

addition, the Confirmation Order will contain, *inter alia*, the Asbestos PI Permanent Channeling Injunction. For a description of the Asbestos PI Permanent Channeling Injunction, *see* Section VI.C, entitled "THE ASBESTOS PI TRUST — The Asbestos PI Permanent Channeling Injunction." AWI is not seeking an injunction under section 524(g) of the Bankruptcy Code with respect to Asbestos Property Damage Claims. Instead, AWI will rely upon the general discharge and injunction against the assertion of preconfirmation claims that the Bankruptcy Code makes applicable to all Claims, whatever their nature.

S. Modification of the Plan.

AWI may only, with the written consent of the Future Claimants' Representative, the Asbestos PI Claimants' Committee, and, if Class 6 has not voted to reject the Plan at the time of the requested alteration, amendment, or modification, the Unsecured Creditors' Committee, alter, amend, or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date so long as the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code. After the Confirmation Date and prior to the Effective Date, AWI, with the written consent of the Future Claimants' Representative, the Asbestos PI Claimants' Committee, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee, may only alter, amend, or modify the Plan in accordance with section 1127(b) of the Bankruptcy Code.

T. Revocation or Withdrawal of the Plan.

The Plan may be revoked or withdrawn prior to the Confirmation Date by AWI, with the written consent of the Future Claimants' Representative, the Asbestos PI Claimants' Committee, and, if Class 6 has not voted to reject the Plan at the time of the requested revocation or withdrawal, the Unsecured Creditors' Committee, or, after the Confirmation Deadline, by AWI. If the Plan is revoked or withdrawn prior to the Confirmation Date, then the Plan will be deemed null and void. In such event, nothing contained in the Plan will be deemed to constitute a waiver or release of any claims or defenses or any admission or statement against interest by AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, the Unsecured Creditors' Committee, or any other Entity or to prejudice in any manner the rights of AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, the Unsecured Creditors' Committee, or any Entity in any further proceedings involving AWI.

U. Rights of Action.

Any rights, claims, or causes of action accruing to AWI pursuant to the Bankruptcy Code or pursuant to any statute or legal theory, including, without express or implied limitation, any avoidance or recovery actions under sections 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code and (except as provided in Articles X and XI of the Plan) any rights to, claims, or causes of action for recovery under any policies of insurance issued to or on behalf of AWI will remain assets of AWI's estate and, on the Effective Date, will be transferred to Reorganized AWI. Reorganized AWI will be deemed the appointed representative to, and may, pursue, litigate, and compromise and settle any such rights, claims, or causes of action, as appropriate, in accordance with what is in the best interests of and for the benefit of Reorganized AWI.

On December 6, 2002, the two-year statutory limitations period imposed by section 546(a) of the Bankruptcy Code during which AWI must commence avoidance actions expired. Prior to the expiration of such period, AWI conducted a comprehensive review of its prepetition transactions to determine if AWI should commence any avoidance actions prior to December 6, 2002. As a result of such review, the details of which were discussed with counsel to the Unsecured Creditors' Committee, the Asbestos PI Claimants' Committee, and the Future Claimants' Representative, AWI determined not to bring any avoidance actions other than the action against the CCR (*see* Section IV.C.8(b), entitled, "THE CHAPTER 11 CASE – Significant Events During the Chapter 11 Case – Litigation Involving the Center for Claims Resolution – CCR Preference Litigation) and a preference action brought against one of AWI's former suppliers.

V. Dissolution of the Committees.

On the Effective Date, except for the limited purpose of presenting final applications for fee and expenses, the Future Claimants' Representative, the Asbestos PI Claimants' Committee, the Asbestos PD Committee and the

Unsecured Creditors' Committee will be released and discharged of and from all further authority, duties, responsibilities, and obligations relating to and arising from and in connection with the Chapter 11 Case, and all such committees will be deemed dissolved, and the Future Claimants' Representative's appointment will continue to serve through the termination of the Asbestos PI Trust in order to perform the functions required by the Asbestos PI Trust Agreement; *provided, however*, (i) if the Effective Date occurs before the Confirmation Order becomes a Final Order, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee may continue to exist and to serve for the purposes of pursuing any appeal of the Confirmation Order, and (ii) if any adversary proceeding to which any of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, or, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee is participating is pending as of the Effective Date, any such committee may continue to exist or the Future Claimants' Representative may continue to serve for the limited purpose of litigating such adversary proceeding. The fees and expenses of the Future Claimants' Representative from and after the Effective Date relating to the role of the Future Claimants' Representative in the Asbestos PI Trust, pursuant to the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures (including, without limitation, the fees and expenses of any professionals retained by the Future Claimants' Representative), will be the sole responsibility of the Asbestos PI Trust.

W. Exculpation.

None of Reorganized AWI, any of the members of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, any of the members of the Unsecured Creditors' Committee, any of the members of the Asbestos PD Committee, AWWD, Holdings, or any of their officers, directors, employees, or agents will have or incur any liability to any entity for any act or omission in connection with or arising out of the Chapter 11 Case, including, without limitation, the commencement of the Chapter 11 Case, the negotiation of the Plan, pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for gross negligence or willful misconduct, and in all respects will be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under, or in connection with, the Plan.

X. Supplemental Documents.

Certain Exhibits to the Plan, such as the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, are included in this Disclosure Statement as Exhibits to the Plan. Other Exhibits to the Plan will be contained in a separate exhibit volume and will be filed with the Clerk of the Bankruptcy Court by September 5, 2003, which is not later than the earlier of (i) fifteen (15) days before the deadline for filing objections to confirmation of the Plan and (ii) thirty (30) days prior to the Confirmation Hearing. Such exhibit volume may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours and may also be viewed at AWI's Internet site (www.armstrongplan.com). Claimants and holders of Equity Interests and shareholders of Holdings may also obtain a copy of the exhibit volume, once filed, from AWI upon written request to the following address:

Armstrong World Industries, Inc.
Post Office Box 3666
Lancaster, Pennsylvania 17604-3666

VI. THE ASBESTOS PI TRUST

The following summarizes the terms of the governing documents for the Asbestos PI Trust. These documents consist of the Asbestos PI Trust Agreement (the "***Asbestos PI Trust Agreement***") and The Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust Distribution Procedures (defined in the Plan as the "***Asbestos PI Trust Distribution Procedures***"). The following is intended only to be a summary and is qualified in its entirety by reference to the full text of such documents. In the event of any inconsistency between the provisions of these documents and the summary contained herein, the terms of such documents will control. Interested parties should therefore review the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, copies of which are attached to the Plan as Exhibits "1.23" and "1.24," respectively.

Liberty Mutual contends that the treatment of AWI's insurance contracts and the structure of the Asbestos PI Trust, among other contemplated provisions of the Plan, including, without limitation, the Asbestos PI Trust Distribution Procedures, would violate Liberty Mutual's contractual rights and AWI's contractual obligations and may void any coverage that may exist under the Liberty Mutual Policies. Thus, Liberty Mutual contends that there is a significant risk that coverage for the Asbestos Personal Injury Claims may be vitiated by confirmation of the Plan. AWI disputes these contentions.

A. General Description of the Asbestos PI Trust.

1. Creation and Purposes of the Asbestos PI Trust.

Effective as of the later of (i) the date the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement and (ii) the Effective Date, the Asbestos PI Trust will be created. The Asbestos PI Trust will be established pursuant to the Asbestos PI Trust Agreement. The purposes of the Asbestos PI Trust are (a) to assume all liabilities of AWI, its successors in interest, and its Affiliates with respect to Asbestos Personal Injury Claims; (b) to use its assets and income to pay holders of valid Asbestos Personal Injury Claims in accordance with the Asbestos PI Trust Distribution Procedures in such a way that such holders are treated fairly, equitably and reasonably in light of the limited assets available to satisfy such claims; and (c) to comply in all respects with the requirements for the Asbestos PI Trust that are described in section 524(g)(2)(B)(i) of the Bankruptcy Code.

2. The Asbestos PI Trustees.

On the Confirmation Date, effective as of the Effective Date, the Bankruptcy Court will appoint the individuals selected jointly by the Asbestos PI Claimants' Committee and the Future Claimants' Representative (as identified in Exhibit "7.2" to the Plan), which individuals will be appointed after consultation with AWI, to serve as the Asbestos PI Trustees for the Asbestos PI Trust. The Asbestos PI Trustees will serve staggered initial terms of five (5), four (4), three (3), and two (2) years from the effective date of the Asbestos PI Trust Agreement. Two of the initial Asbestos PI Trustees will each serve two-year terms. At the end of that two-year period, the number of Asbestos PI Trustees will be reduced from five (5) to three (3). The remaining three (3) initial Asbestos PI Trustees, after consultation with the Trustees' Advisory Committee (the "***TAC***") and the Future Claimants' Representative, will then decide who among their number will serve the remainder of the three (3), four (4), and five (5) year terms. Thereafter, each term of service will be five years.

Each Asbestos PI Trustee will serve until the end of the Asbestos PI Trustee's term, his or her death, resignation or removal, or the termination of the Asbestos PI Trust. Any Asbestos PI Trustee may be removed by the unanimous vote of the remaining Asbestos PI Trustees and with the approval of the Bankruptcy Court in the event he or she becomes unable to discharge his or her duties due to accident or physical or mental deterioration, or for good cause, including any substantial failure to comply with the general administration provisions of the Asbestos PI Trust Agreement. In the event of a vacancy in an Asbestos PI Trustee position, the remaining Asbestos PI Trustees will consult with the TAC (*see* below) and the Future Claimants' Representative concerning appointment of a successor Asbestos PI Trustee. The vacancy will be filled by the unanimous vote of the remaining Asbestos PI Trustees unless a majority of the TAC or the Future Claimants' Representative vetoes the appointment. In that event, the Bankruptcy Court will make the appointment.

Each Asbestos PI Trustee will be entitled to receive annual compensation for his or her service, which compensation will be disclosed to the Bankruptcy Court prior to the Confirmation Hearing, plus a *per diem* allowance for meetings attended and out-of-pocket costs and expenses. The Asbestos PI Trustees' annual and *per diem* compensation will be reviewed every three years and appropriately adjusted with the approval of the Bankruptcy Court.

The Asbestos PI Trustees may sit on the Board of Directors of Reorganized AWI, but they will not receive additional compensation for their service on such board over and above the compensation they receive as Trustees. The Asbestos PI Trustees will receive from the Asbestos PI Trust, however, the same *per diem* allowance as Reorganized AWI pays its directors for attendance at meetings. Subject to a number of limitations set forth in the Asbestos PI Trust Agreement, the Asbestos PI Trustees have the power to take any and all actions that are necessary to fulfill the purposes of the Asbestos PI Trust and need not obtain Bankruptcy Court approval to do so.

3. The Trustees' Advisory Committee.

The Asbestos PI Trust Agreement provides for the establishment of the TAC. The initial members of the TAC will be identified, and a complete biography for each such initial member will be provided, to the Bankruptcy Court prior to the Confirmation Hearing.

Each member of the TAC will serve until his or her death, resignation or removal, or the termination of the Asbestos PI Trust. Any TAC member may be removed by the remaining TAC members with the approval of the Bankruptcy Court in the event he or she becomes unable to discharge his or her duties due to accident or physical or mental deterioration, or for good cause, including any substantial failure to comply with the general administration provisions of the Asbestos PI Trust Agreement, or other good cause. In the event of a vacancy caused by the resignation or term expiration of a TAC member, his or her successor will be selected by the TAC member who is resigning or whose term is expiring, unless the remaining members unanimously veto the selection, in which case the successor will be selected by a unanimous vote of the remaining members. If the remaining members cannot unanimously agree, the Bankruptcy Court will appoint the successor. In the event of a vacancy caused by removal or death of a TAC member, or in the event that a resigning member or retiring member does not name his or her successor, the remaining members of the TAC by unanimous vote will name the successor. If the remaining members of the TAC cannot reach unanimous agreement, the Bankruptcy Court will appoint the successor.

The Asbestos PI Trustees are required to consult with the TAC on the appointment of successor Asbestos PI Trustees, the general implementation and administration of the Asbestos PI Trust and the Asbestos PI Trust Distribution Procedures, and on various other matters required by the Asbestos PI Trust Agreement. The Asbestos PI Trustees must also obtain the consent of a majority of TAC members on a variety of matters, including material amendments to the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, merger or participation with other claims resolution facilities, and termination of the Asbestos PI Trust under certain conditions specified in the Asbestos PI Trust Agreement.

The members of the TAC will be entitled to receive compensation from the Asbestos PI Trust for their services as TAC members in the form of a reasonable hourly rate set by the Asbestos PI Trustees for attendance at meetings or other conduct of Asbestos PI Trust business. The members of the TAC will also be reimbursed promptly for all reasonable out-of-pocket costs and expenses incurred in connection with the performance of their duties hereunder. As with the initial Asbestos PI Trustees, the initial members of the TAC will serve staggered terms, with five-year terms thereafter.

4. The Future Claimants' Representative.

The Asbestos PI Trust Agreement provides for the appointment of Dean M. Trafelet, Esq. as the Future Claimants' Representative who will serve in a fiduciary capacity, representing the interests of the holders of Demands against the Asbestos PI Trust for the purposes of protecting the rights of such persons.

The Future Claimants' Representative will serve until his or her death, resignation or removal, or the termination of the Asbestos PI Trust. The Future Claimants' Representative may resign at any time by written notice to the Asbestos PI Trustees and may be removed by the Bankruptcy Court in the event he or she becomes unable to

discharge his or her duties due to accident or physical or mental deterioration, or for good cause, including any substantial failure to comply with the general administration provisions of the Asbestos PI Trust Agreement. A vacancy in the position of Future Claimants' Representative caused by resignation will be filled by an individual nominated prior to the effective date of the resignation by the resigning Future Claimants' Representative. A vacancy caused by death or removal of the Future Claimants' Representative will be filled by an individual nominated by the Asbestos PI Trustees, the TAC, or both. In any case, the nominee will be subject to the approval of the Bankruptcy Court.

The Asbestos PI Trustees are required to consult with the Future Claimants' Representative on the appointment of successor Asbestos PI Trustees, the general implementation and administration of the Asbestos PI Trust and the Asbestos PI Trust Distribution Procedures, and on various other matters required by the Asbestos PI Trust Agreement. The Asbestos PI Trustees must also obtain the consent of the Future Claimants' Representative on a variety of matters, including material amendments to the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, merger or participation with other claims resolution facilities, and termination of the Asbestos PI Trust under certain conditions specified in the Asbestos PI Trust Agreement.

The Future Claimants' Representative will be entitled to receive compensation from the Asbestos PI Trust in the form of payment at the Future Claimants' Representative's normal hourly rate for services performed and will be reimbursed by the Asbestos PI Trust for all reasonable out-of-pocket costs and expenses incurred by the Future Claimants' Representative in connection with the performance of his or her duties hereunder.

5. Transfer of Certain Property to the Asbestos PI Trust.

(a) Transfer of Books and Records.

On the Effective Date or as soon thereafter as is practicable, at the sole cost and expense of the Asbestos PI Trust and in accordance with written instructions provided to Reorganized AWI by the Asbestos PI Trust, Reorganized AWI will transfer and assign, or cause to be transferred and assigned, to the Asbestos PI Trust the books and records of AWI that pertain directly to Asbestos Personal Injury Claims that have been asserted against AWI. AWI will request that the Bankruptcy Court, in the Confirmation Order, rule that such transfer does not result in the destruction or waiver of any applicable privileges pertaining to such books and records. If the Bankruptcy Court does not so rule, at the option of the Asbestos PI Trust, Reorganized AWI will, at the sole cost and expense of the Asbestos PI Trust, retain the books and records and enter into arrangements to permit the Asbestos PI Trust to have access to such books and records. If the Asbestos PI Trust does not issue written instructions for the transfer or retention of such books and records within one hundred eighty (180) days after the later of the Effective Date and the date by which all the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement, or if the Asbestos PI Trust so requests, Reorganized AWI may (and shall, if the Asbestos PI Trust so requests, but at the sole cost and expense of the Asbestos PI Trust) destroy any such books and records, and the order of the District Court entered during the Chapter 11 Case with respect to the retention of books and records shall be deemed superseded by the Plan.

(b) Transfer of Reorganization Consideration.

On the later of the Effective Date and the date by which all the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement, AWI will transfer to the Asbestos PI Trust the Asbestos PI Insurance Asset and the following assets:

- 65.57% of the New Common Stock,
- 65.57% of the first $1.05 billion of (x) up to $300 million of Available Cash and (y) principal amount of each series of the Plan Notes and/or 144A Offering Proceeds,

- 40% of the first $50 million of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan,

- 40% of an amount of each series of Plan Notes and/or 144A Offering Proceeds equal to the difference (if positive) of $50 million *less* the amount of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan, and

- 65.57% of the remaining Available Cash and each series of Plan Notes and/or 144A Offering Proceeds after making provision for the Distribution provided in sections 3.2(f)(ii)2, 3.2(f)(ii)3, and 3.2(f)(ii)4 of the Plan and the funding of the Asbestos PI Trust in sections 10.1(b)(ii), 10.1(b)(iii), and 10.1(b)(iv) of the Plan.

If, however, AWI intends to complete the 144A Offering, then the Distribution of the 144A Offering Proceeds and/or Plan Notes to the Asbestos PI Trust will occur as soon as practicable after the 144A Offering is completed or Reorganized AWI determines not to complete a 144A Offering, but in no event will such Distribution occur after the Initial Distribution Date. AWI estimates that the total value of assets to be distributed by AWI to the Asbestos PI Trust, excluding the Asbestos PI Insurance Asset, will be approximately $1.8 billion as of the Effective Date. *See* Section V.D, entitled, "THE PLAN OF REORGANIZATION – Description of the Reorganization Consideration," for a description of the New Common Stock and the Plan Notes and the definition and estimate of Available Cash.

If Class 6 votes to reject the Plan, as soon as practicable after the Effective Date, the New Warrants will be issued by Reorganized AWI on account of the Asbestos Personal Injury Claims, but the Plan provides that such claimants have waived on behalf of themselves and the Asbestos PI Trust any right to the New Warrants, and the New Warrants will be issued by Reorganized AWI, without any action by, or any direction by, the Asbestos PI Trust or the Asbestos PI Trustees, to AWWD or to Holdings, as the successor to AWWD consistent with the provisions of section 7.24 of the Plan regarding the dissolution and winding up of Holdings.

(c) Asbestos PI Trust Termination Provisions.

The Asbestos PI Trust is irrevocable, but will terminate ninety (90) days after the first to occur of any of the following events:

- the Asbestos PI Trustees decide to terminate the Asbestos PI Trust because (a) they deem it unlikely that new asbestos claims will be filed against the Asbestos PI Trust, (b) all Asbestos Personal Injury Claims duly filed with the Asbestos PI Trust have been liquidated and paid to the extent provided in the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures or disallowed by a final, non-appealable order, to the extent possible based upon the funds available through the Plan, and (c) twelve (12) consecutive months have elapsed during which no new asbestos claim has been filed with the Asbestos PI Trust; or

- if the Asbestos PI Trustees have procured and have in place irrevocable insurance policies and have established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Asbestos PI Trust in a manner consistent with the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements and such order becomes a final order; or

- to the extent that any rule against perpetuities will be deemed applicable to the Asbestos PI Trust, twenty-one (21) years less ninety-one (91) days pass after the death of the last survivor of all of the descendents of the late Joseph P. Kennedy, Sr., father of the late President John F. Kennedy, living on the date of the Asbestos PI Trust Agreement.

On the termination date, after payment of all the Asbestos PI Trust's liabilities have been provided for, all monies remaining in the Asbestos PI Trust estate will be given to such organization(s) exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, which tax-exempt organization(s) will be selected by the Asbestos PI Trustees using their reasonable discretion; *provided, however*, that (i) if practicable, the activities of the selected tax-exempt organization(s) will be related to the treatment of, research on, or the relief of suffering of individuals suffering from asbestos-related lung disorders, and (ii) the tax-exempt organization(s) will not bear any relationship to Reorganized AWI within the meaning of section 468(d)(3) of the Internal Revenue Code. AWI believes that the likelihood of any monies remaining in the Asbestos PI Trust after the Asbestos PI Trust terminates is extremely remote.

6. Ability to Amend Asbestos PI Trust Documents.

The Asbestos PI Trustees, subject to the TAC's and the Future Claimants' Representative's consent, may modify or amend certain provisions of the Asbestos PI Trust Agreement or any document annexed thereto. However, the Asbestos PI Trust provisions may not be modified or amended in any way that could jeopardize, impair, or modify the applicability of section 524(g) of the Bankruptcy Code, the efficacy or enforceability of the injunction entered thereunder, or the Asbestos PI Trust's qualified settlement fund status under section 468B of the Internal Revenue Code.

7. Asbestos PI Trust Distribution Procedures.

(a) Asbestos PI Trust Goals.

The Asbestos PI Trustees will implement and administer the Asbestos PI Trust Distribution Procedures, which are attached to the Plan as Exhibit "1.24." These procedures will have been adopted after lengthy negotiations between and among the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and AWI. Nothing approaching full payment of all Asbestos Personal Injury Claims is possible in light of the value of the Asbestos Personal Injury Claims that could be filed against the Asbestos PI Trust, both currently and in the future, and the value of the Asbestos PI Trust assets.

The goal of the Asbestos PI Trust is to treat all claimants equitably. The Asbestos PI Trust Distribution Procedures further that goal by setting forth procedures for processing and paying claims generally on an impartial, first-in-first-out ("***FIFO***") basis, with the intention of paying all claimants over time as equivalent a share as possible of the value of their claims based on historical values for substantially similar claims in the tort system. To this end, the Asbestos PI Trust Distribution Procedures establish a schedule of eight asbestos-related diseases ("***Disease Levels***"), seven of which have presumptive medical and exposure requirements ("***Medical/Exposure Criteria***"), specific liquidated values ("***Scheduled Values***"), anticipated average values ("***Average Values***"), and caps on their liquidated values ("***Maximum Values***"). The Disease Levels, Medical/Exposure Criteria, Scheduled Values, Average Values and Maximum Values have all been selected and derived with the intention of achieving a fair allocation of the Asbestos PI Trust funds as among claimants suffering from different disease processes in light of the best available information considering the settlement history of AWI and the rights claimants would have in the tort system absent the bankruptcy.

(b) Disease Levels, Scheduled Values and Medical/Exposure Criteria Set Forth in the Asbestos PI Trust Distribution Procedures.

The eight Disease Levels covered by the Asbestos PI Trust Distribution Procedures, together with the Medical/Exposure Criteria for each and the Scheduled Values for the seven Disease Levels eligible for Expedited Review, are set forth below. These Disease Levels, Scheduled Values, and Medical/Exposure Criteria will apply to

all Asbestos PI Trust Voting Claims (as defined in the Asbestos PI Trust Distribution Procedures) filed with the Asbestos PI Trust on or before the Initial Asbestos Personal Injury Claims Filing Date (defined below). Thereafter, with the consent of the TAC and the Future Claimants' Representative, the Asbestos PI Trustees may add to, change, or eliminate Disease Levels, Scheduled Values, or Medical/Exposure Criteria; develop subcategories of Disease Levels, Scheduled Values or Medical/Exposure Criteria; or determine that a novel or exceptional asbestos personal injury claim is compensable even though it does not meet the Medical/Exposure Criteria for any of the then current Disease Levels.

Disease Level	**Scheduled Value**	**Medical/Exposure Criteria**
Mesothelioma (Level VIII)	$110,000	(1) Diagnosis of mesothelioma; and (2) credible evidence of AWI Exposure.[3]
Lung Cancer 1 (Level VII)	$42,500	(1) Diagnosis of a primary lung cancer plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease,[4] (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure[5] to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question.
Lung Cancer 2 (Level VI)	None	(1) Diagnosis of a primary lung cancer; (2) AWI Exposure prior to December 31, 1982; and (3) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question. Lung Cancer 2 (Level VI) claims are claims that do not meet the more stringent medical and/or exposure requirements of Lung Cancer (Level VII) claims. All claims in this Disease Level will be individually evaluated. The estimated likely average of the individual evaluation awards for this category is $15,000, with such awards capped at $50,000 unless the claim qualified for Extraordinary Claim (defined below) treatment. Level VI claims that show no evidence of either an underlying Bilateral Asbestos-Related Non-malignant Disease or Significant Occupational Exposure may be individually evaluated, although it is not expected that such claims will be treated as having any significant value, especially if the claimant is also a smoker.[6] In

[3] As defined in the Asbestos PI Trust Distribution Procedures.

[4] Evidence of "Bilateral Asbestos-Related Nonmalignant Disease" for purposes of meeting the criteria for establishing Disease Levels I, II, III, V, and VII is described in the Asbestos PI Trust Distribution Procedures.

[5] As defined in the Asbestos PI Trust Distribution Procedures.

[6] There is no distinction in the Asbestos PI Trust Distribution Procedures between non-smokers and smokers for either Lung Cancer (Level VII) or Lung Cancer (Level VI), although a claimant who meets the more stringent requirements of Lung Cancer (Level VII) (evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease plus Significant Occupational

...(continued)

Disease Level	Scheduled Value	Medical/Exposure Criteria
		any event, no presumption of validity will be available for any claims in this category.
Other Cancer (Level V)	$21,500	(1) Diagnosis of a primary colo-rectal, laryngeal, esophageal, pharyngeal, or stomach cancer, plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease, (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the other cancer in question.
Severe Asbestosis (Level IV)	$42,500	(1) Diagnosis of asbestosis with ILO of 2/1 or greater, or asbestosis determined by pathological evidence of asbestos, plus (a) TLC less than 65%, or (b) FVC less than 65% and FEV1/FVC ratio greater than 65%, (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.
Asbestos/Pleural Disease (Level III)	$9,700	Diagnosis of Bilateral Asbestos-Related Nonmalignant Disease, plus (a) TLC less than 80%, or (b) FVC less than 80% and FEV1/FVC ratio greater than or equal to 65%, and (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.
Asbestosis/Pleural Disease (Level II)	$3,700	(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease, and (2) six months AWI Exposure prior to December 31, 1982, and (3) five years cumulative occupational exposure to asbestos.
Other Asbestos Disease (Level I – Cash Discount Payment)	$400	(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease or an asbestos-related malignancy other than mesothelioma, and

...(continued)
Exposure), and who is also a Non-Smoker (as such term is defined in the Asbestos PI Trust Distribution Procedures), may wish to have his or her claim individually evaluated by the Asbestos PI Trust. In such a case, absent circumstances that would otherwise reduce the value of the claim, it is anticipated that the liquidated value of the claim might well exceed the $42,500 Scheduled Value for Lung Cancer (Level VII) shown above.

Disease Level	Scheduled Value	Medical/Exposure Criteria
		(2) AWI Exposure prior to December 31, 1982.

(c) Claims Liquidation Procedures.

Asbestos Personal Injury Claims will be processed based on their place in the FIFO Processing Queue (defined below) to be established pursuant to the Asbestos PI Trust Distribution Procedures. The Asbestos PI Trust will liquidate all Asbestos Personal Injury Claims that meet the presumptive Medical/Exposure Criteria of Disease Levels I–V, VII and VIII efficiently and expeditiously under the Expedited Review Process described below. Claims involving Disease Levels I–V, VII and VIII that do not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level may undergo the Asbestos PI Trust's Individual Review Process described below. In such a case, notwithstanding that the claim does not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level, the Asbestos PI Trust can offer the claimant an amount up to the Scheduled Value of that Disease Level if the Asbestos PI Trust is satisfied that the claimant has presented a claim that would be cognizable and valid in the tort system.

Claimants holding claims involving Disease Level II through VIII may in addition or alternatively seek to establish a liquidated value for the claim that is greater than its Scheduled Value by electing the Asbestos PI Trust's Individual Review Process. However, the liquidated value of a claim that undergoes the Asbestos PI Trust's Individual Review Process for valuation purposes may be determined by the Asbestos PI Trust to be less than its Scheduled Value, and in any event may not exceed the Maximum Value for the relevant Disease Level, unless the claim qualifies as an Extraordinary Claim (defined below), in which case its liquidated value cannot exceed the Maximum Value specified in that provision for such claims. Level VI (Lung Cancer 2) claims may be liquidated only pursuant to the Asbestos PI Trust's Individual Review Process.

All unresolved disputes over a claimant's medical condition, exposure history and/or the liquidated value of the claim will be subject to binding or non-binding arbitration at the election of the claimant. Asbestos Personal Injury Claims that are the subject of a dispute with the Asbestos PI Trust that cannot be resolved by non-binding arbitration may enter the tort system. However, if and when a claimant obtains a judgment in the tort system, the judgment will be payable from the Asbestos PI Trust subject to the Payment Percentage (defined below), Maximum Available Payment (defined below), and Claims Payment Ratio (defined below) provisions set forth below.

(d) Payment Percentage.

After the liquidated value of an Asbestos Personal Injury Claim other than a claim involving Other Asbestos Disease (Disease Level I – Cash Discount Payment) is determined by the Asbestos PI Trust, the claimant will receive a *pro rata* share of that value based on a payment percentage (the "***Payment Percentage***").

The initial Payment Percentage has been set at twenty percent (20%) (the "***Initial Payment Percentage***"), and will apply to all Asbestos PI Trust Voting Claims accepted as valid by the Asbestos PI Trust, unless adjusted by the Asbestos PI Trust pursuant to the consent of the TAC and the Future Claimants' Representative. The term "***Asbestos PI Voting Trust Claims***" includes (i) Pre-Petition Liquidated Claims (defined below); (ii) claims filed against AWI in the tort system or actually submitted to AWI pursuant to an administrative settlement agreement prior to the Commencement Date; and (iii) all claims filed against another defendant in the tort system prior to the date (November 4, 2002) the original Plan was filed with the Bankruptcy Court (the "***Plan Filing Date***"); *provided, however*, that the holder of a claim described in subsection (i), (ii), or (iii) above or his or her authorized agent actually voted to accept or reject the Plan pursuant to the voting procedures established by the Bankruptcy Court, and provided further that the claim was subsequently filed with the Asbestos PI Trust by the Asbestos PI Trust's Initial Claims Filing Date (defined below). The Initial Payment Percentage has been calculated on the assumption that the Average Values will be achieved with respect to existing present claims and projected future claims involving Disease Levels II – VIII.

The Payment Percentage may be adjusted upwards or downwards from time to time by the Asbestos PI Trust with the consent of the TAC and the Future Claimants' Representative to reflect then-current estimates of the Asbestos PI Trust's assets and its liabilities, as well as then-estimated value of then-pending and future claims. Because there is uncertainty in the prediction of both the number and severity of future claims, and the amount of the Asbestos PI Trust's assets, no guarantee can be made of any Payment Percentage of an Asbestos Personal Injury Claim's liquidated value. However, in the event of substantial insurance recoveries, the Payment Percentage may be adjusted upwards and supplemental payments may be made to claimants who received payments in prior periods based on a lower Payment Percentage.

(e) Maximum Annual Payment and Maximum Available Payment.

The Asbestos PI Trust will estimate or model the amount of cash flow anticipated to be necessary over its entire life to ensure that funds will be available to treat all present and future claimants as similarly as possible. In each year, the Asbestos PI Trust will be empowered to pay out all of the interest earned during the year, together with a portion of its principal, calculated so that the application of Asbestos PI Trust funds over its life will correspond with the needs created by the anticipated flow of claims (the "***Maximum Annual Payment***"). The Asbestos PI Trust's distributions to all claimants for that year may not exceed the Maximum Annual Payment determined for that year.

In distributing the Maximum Annual Payment, the Asbestos PI Trust will first allocate the amount in question to outstanding Pre-Petition Liquidated Claims (defined below) and to liquidated Asbestos Personal Injury Claims involving Disease Level I (Cash Discount Payment), in proportion to the aggregate value of each group of claims. The remaining portion of the Maximum Annual Payment (the "***Maximum Available Payment***"), if any, will then be allocated and used to satisfy all other liquidated Asbestos Personal Injury Claims, subject to the Claims Payment Ratio (discussed below).

(f) Claims Payment Ratio.

Based upon AWI's claims settlement history and analysis of present and future claims, a Claims Payment Ratio (the "***Claims Payment Ratio***") has been determined which, as of the Effective Date, will be set at 65% for Category A claims, which consist of Asbestos Personal Injury Claims involving severe asbestosis and malignancies (Disease Levels IV – VIII) that were unliquidated as of the Commencement Date, and at 35% for Category B claims, which are Asbestos Personal Injury Claims involving nonmalignant Asbestosis or Pleural Disease (Disease Levels II and III) that were similarly unliquidated as of the Commencement Date. The Claims Payment Ratio will not apply to any Pre-Petition Liquidated Claims or to any claims for Other Asbestos Disease (Disease Level I - Cash Discount Payment). In each year, after the determination of the Maximum Available Payment, 65% of that amount will be available to pay Category A claims and 35% will be available to pay Category B claims.

The 65%/35% Claims Payment Ratio will apply to all Asbestos PI Trust Voting Claims except Pre-Petition Liquidated Claims and Other Asbestos Disease claims (Disease Level I – Cash Discount Payment) and will not be amended until the fifth anniversary of the Effective Date. Thereafter, the Claims Payment Ratio will be continued absent circumstances, such as a significant change in law or medicine, necessitating amendment to avoid a manifest injustice.

In any event, no amendment to the Claims Payment Ratio may be made without the consent of the TAC and the Future Claimants' Representative. However, the Asbestos PI Trustees, with the consent of the TAC and the Future Claimants' Representative, may offer the option of a reduced Payment Percentage to holders of claims in either Category A or Category B in return for prompter payment (the "***Reduced Payment Option***").

(g) Indemnity and Contribution Claims.

Indirect PI Trust Claims for indemnity and contribution (referred to in the Asbestos PI Trust Distribution Procedures as "***Indirect Asbestos Personal Injury Claims***"), if any, will be subject to the same categorization, evaluation, and payment provisions of this Asbestos PI Trust Distribution Procedures as all other Asbestos Personal Injury Claims.

(h) Ordering of Claims.

The Asbestos PI Trust will order claims that are sufficiently complete to be reviewed for processing purposes on a FIFO basis except as otherwise provided herein (the "***FIFO Processing Queue***"). For all claims filed on or before the date six months after the Effective Date (the "***Initial Asbestos Personal Injury Claims Filing Date***"), a claimant's position in the FIFO Processing Queue will be determined as of the earlier of (i) the date prior to the Commencement Date (if any) that the specific claim was either filed against AWI in the tort system or was actually submitted to AWI pursuant to an administrative settlement agreement; (ii) the date before the Commencement Date that a claim was filed against another defendant in the tort system if at the time the claim was subject to a tolling agreement with AWI; (iii) the date after the Commencement Date (if any) but before the Effective Date that the claim was filed against another defendant in the tort system; (iv) the date the claim was filed in the Bankruptcy Court for purposes of voting on the Plan; or (v) the date after the Effective Date but on or before the Initial Asbestos Personal Injury Claims Filing Date that the claim was filed with the Asbestos PI Trust.

Following the Initial Asbestos Personal Injury Claims Filing Date, the claimant's position in the FIFO Processing Queue will be determined by the date the claim was filed with the Asbestos PI Trust.

(i) Effect of Statutes of Limitations and Repose.

To be eligible for a place in the FIFO Processing Queue, a claim must meet either (i) for claims first filed in the tort system against AWI prior to the Commencement Date, the applicable federal, state and foreign statute of limitation and repose that was in effect at the time of the filing of the claim in the tort system, or (ii) for claims not filed against AWI in the tort system prior to the Commencement Date, the applicable federal, state and foreign statute of limitation and repose that was in effect at the time of the filing with the Asbestos PI Trust. However, the running of the relevant statute of limitation will be tolled for purposes of the Asbestos PI Trust as of the earliest of (A) the actual filing of the claim against AWI prior to the Commencement Date, whether in the tort system or by submission of the claim to AWI pursuant to an administrative settlement agreement; (B) the filing of the claim against another defendant in the tort system prior to the Commencement Date if the claim was tolled against AWI at the time by an agreement or otherwise; (C) the filing of a claim after the Commencement Date but prior to the Effective Date against another defendant in the tort system; (D) the filing of the claim for voting purposes in the Chapter 11 Case; or (E) the filing of a proof of claim with the requisite supporting documentation with the Asbestos PI Trust after the Effective Date.

If an Asbestos Personal Injury Claim meets any of the tolling provisions described in the preceding sentence and the claim was not barred by the applicable statute of limitation at the time of the tolling event, it will be treated by the Asbestos PI Trust as timely filed if it is actually filed with the Asbestos PI Trust within three (3) years after the Effective Date. In addition, any claims that were first diagnosed after the Commencement Date, irrespective of the application of any relevant statute of limitation or repose, may be filed with the Asbestos PI Trust within three (3) years after the date of diagnosis or within three (3) years after the Effective Date, whichever occurs later. However, the processing of any Asbestos Personal Injury Claim by the Asbestos PI Trust may be deferred at the election of the claimant.

(j) Payment of Claims.

Asbestos Personal Injury Claims that have been liquidated by the Expedited Review process (described below), by arbitration or by litigation in the tort system, will be paid in FIFO order based on the date their liquidation became final (the "***FIFO Payment Queue***").

(k) Resolution of Pre-Petition Liquidated Asbestos Personal Injury Claims.

As soon as practicable after the Effective Date, the Asbestos PI Trust will pay, upon submission by the claimant of the applicable Asbestos PI Trust proof of claim form (which will be included in Attachment B to the Asbestos PI Trust Distribution Procedures) together with all documentation required thereunder, all Asbestos Personal Injury Claims that were liquidated by (i) a binding settlement agreement for the particular claim entered into prior to the Commencement Date that is judicially enforceable by the claimant; (ii) a jury verdict or non-final judgment in the

tort system obtained prior to the Commencement Date; or (iii) by a judgment that became final and non-appealable prior to the Commencement Date (collectively "***Pre-Petition Liquidated Claims***").

The liquidated value of a Pre-Petition Liquidated Claim will be the unpaid portion of the amount agreed to in the binding settlement agreement, the unpaid portion of the amount awarded by the jury verdict or non-final judgment, or the unpaid portion of the amount of the final judgment, as the case may be, plus interest, if any, that has accrued on that amount in accordance with the terms of the agreement, if any, or under applicable state law for settlements or judgments as of the Commencement Date; however, the liquidated value of a Pre-Petition Liquidated Claim will not include any punitive or exemplary damages. In the absence of a final order of the Bankruptcy Court determining whether a settlement agreement is binding and judicially enforceable, a dispute between the claimant and the Asbestos PI Trust over this issue will be resolved pursuant to the same procedures that are provided in the Asbestos PI Trust Distribution Procedures for resolving the validity and/or liquidated value of an Asbestos Personal Injury Claim.

Pre-Petition Liquidated Claims will be processed and paid by the Asbestos PI Trust in accordance with their order in a separate FIFO queue to be established by the Asbestos PI Trust based on the date the Asbestos PI Trust received a completed proof of claim form with all required documentation for the particular claim; *provided, however*, the amounts payable with respect to such claims will not be subject to or taken into account in consideration of the Claims Payment Ratio, but will be subject to the Maximum Annual Payment and Payment Percentage provisions set forth above.

(l) Resolution of Unliquidated Asbestos Personal Injury Claims.

Within six months after the establishment of the Asbestos PI Trust, the Asbestos PI Trustees, with the consent of the TAC and the Future Claimants' Representative, are required to adopt procedures for reviewing and liquidating all unliquidated Asbestos Personal Injury Claims, which will include deadlines for processing such claims. Such procedures will also require claimants seeking resolution of unliquidated Asbestos Personal Injury Claims to first file a proof of claim form, together with the required supporting documentation. It is anticipated that the Asbestos PI Trust will provide an initial response to the claimant within six months of receiving the proof of claim form.

The proof of claim form will require the claimant to assert his or her claim for the highest Disease Level for which the claim qualifies at the time of filing. Irrespective of the Disease Level alleged on the proof of claim form, all claims will be deemed by the Asbestos PI Trust Distribution Procedures to be a claim for the highest Disease Level for which the claim qualifies at the time of filing, and all lower Disease Levels for which the claim may also qualify at the time of filing or in the future will be treated as subsumed into the higher Disease Level for both processing and payment purposes.

Upon filing of a valid proof of claim form with the required supporting documentation, the claimant will be placed in the FIFO Processing Queue in accordance with the ordering described above, and will advise the Asbestos PI Trust whether the claim should be liquidated under the Asbestos PI Trust's Expedited Review process or, in certain circumstances, the Asbestos PI Trust's Individual Review Process (both of which are described below).

(m) Expedited Review Process.

The Asbestos PI Trust's Expedited Review process ("***Expedited Review***") is designed primarily to provide an expeditious, efficient and inexpensive method for liquidating all claims (except those involving Lung Cancer 2 - Disease Level VI) where the claim can easily be verified by the Asbestos PI Trust as meeting the presumptive Medical/Exposure Criteria for the relevant Disease Level. Expedited Review thus provides claimants with a substantially less burdensome process for pursuing Asbestos Personal Injury Claims than does the Individual Review process. Expedited Review is also intended to provide qualifying claimants a fixed and certain claims payment.

Thus, claims that undergo Expedited Review and meet the presumptive Medical/Exposure Criteria for the relevant Disease Level will be paid the Scheduled Value for such Disease Level. Except for claims involving Other Asbestos Disease (Disease Level I), all claims liquidated by Expedited Review, however, will be subject to the applicable

Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio limitations set forth above. Claimants holding claims that cannot be liquidated by Expedited Review because they do not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level may elect the Asbestos PI Trust's Individual Review Process.

(n) Claims Processing Under Expedited Review.

All claimants seeking liquidation of their claims pursuant to Expedited Review must file the Asbestos PI Trust's proof of claim form provided in Attachment B to the Asbestos PI Trust Distribution Procedures. As a proof of claim form is reached in the FIFO Processing Queue, the Asbestos PI Trust will determine whether the claim described therein meets the Medical/Exposure Criteria for one of the seven Disease Levels eligible for Expedited Review, and will advise the claimant of its determination. If a Disease Level is determined, the Asbestos PI Trust will tender to the claimant an offer of payment of the Scheduled Value for the relevant Disease Level multiplied by the applicable Payment Percentage, together with a form of release approved by the Asbestos PI Trust.

(o) Individual Review Process.

The Asbestos PI Trust's Individual Review process ("***Individual Review***") provides a claimant with an opportunity for individual consideration and evaluation of an Asbestos Personal Injury Claim that fails to meet the presumptive Medical/Exposure Criteria for Disease Levels I – V, VII, and VIII. In such a case, the Asbestos PI Trust will either deny the claim, or, if the Asbestos PI Trust is satisfied that the claimant has presented a claim that would be cognizable and valid in the tort system, the Asbestos PI Trust can offer the claimant a liquidated value amount up to the Scheduled Value for that Disease Level, unless the claim qualifies as an Extraordinary Claim (defined below), in which case its liquidated value cannot exceed the Maximum Value for such a claim.

Claimants holding Asbestos Personal Injury Claims involving Disease Levels II – VIII will also be eligible to seek Individual Review of the liquidated value of their claims, as well as of their medical/exposure evidence. The Individual Review process is intended to result in payments equal to the full liquidated value for each claim multiplied by the Payment Percentage; however, the liquidated value of any Asbestos Personal Injury Claim that undergoes Individual Review may be determined to be less than the Scheduled Value the claimant would have received under Expedited Review. Moreover, the liquidated value for a claim involving Disease Levels II – VIII will not exceed the Maximum Value for the relevant Disease Level, unless the claim meets the requirements of an Extraordinary Claim, in which case its liquidated value cannot exceed the Maximum Value set forth in that provision for such claims. Because the detailed examination and valuation process pursuant to Individual Review requires substantial time and effort, claimants electing to undergo the Individual Review process will necessarily be paid the liquidated value of their Asbestos Personal Injury Claims later than would have been the case had the claimant elected the Expedited Review Process.

(p) Valuation Factors to be Considered in Individual Review.

The Asbestos PI Trust will liquidate the value of each Asbestos Personal Injury Claim that undergoes Individual Review based on the historic liquidated values of other similarly situated claims in the tort system for the same Disease Level. The Asbestos PI Trust will thus take into consideration all of the factors that affect the severity of damages and values within the tort system including, but not limited to (i) the degree to which the characteristics of a claim differ from the presumptive Medical/Exposure Criteria for the Disease Level in question; (ii) factors such as the claimant's age, disability, employment status, disruption of household, family or recreational activities, dependencies, special damages, and pain and suffering; (iii) evidence that the claimant's damages were (or were not) caused by asbestos exposure, including exposure to an asbestos-containing product for which AWI has legal responsibility (for example, alternative causes, and the strength of documentation of injuries); (iv) the industry of exposure; and (v) settlements, verdicts and the claimant's and other law firms' experience in the claimant's jurisdiction for similarly situated claims.

(q) Scheduled, Average, and Maximum Values.

The Scheduled values, Average values, and Maximum Values for claims involving Severe Asbestosis (Disease Level IV) and malignancies (Disease Levels V – VIII) are the following:

Scheduled Disease	Scheduled Value	Average Value	Maximum Value
Mesothelioma (Level VIII)	$110,000	$130,500	$400,000
Lung Cancer 1 (Level VII)	$42,500	$43,800	$150,000
Lung Cancer 2 (Level VI)	None	$15,000	$50,000
Other Cancer (Level V)	$21,500	$21,800	$75,000
Severe Asbestosis (Level IV)	$42,500	$44,300	$140,000
Asbestosis/Pleural Disease (Level III)	$9,700	$10,100	$20,000
Asbestos/Pleural Disease (Level II)	$3,700	$4,200	$10,000
Other Asbestos Disease (Level I)	$ 400	None	None

These Scheduled Values, Average Values, and Maximum Values will apply to all Asbestos PI Trust Voting Claims except Pre-Petition Liquidated Claims filed with the Asbestos PI Trust on or before the Initial Asbestos Personal Injury Claims Filing Date. Thereafter, the Asbestos PI Trust, with the consent of the TAC and the Future Claimants' Representative, may change these valuation amounts for good cause and consistent with other restrictions on the amendment power.

(r) Extraordinary and/or Exigent Hardship Claims.

"***Extraordinary Claim***" means an Asbestos Personal Injury Claim that otherwise satisfies the Medical Criteria for Disease Levels II - VIII, and that is held by a claimant whose exposure to asbestos (1) occurred predominately as the result of working in a manufacturing facility of AWI during a period in which AWI was manufacturing asbestos-containing products at that facility, or (2) was at least 75% the result of exposure to an asbestos-containing product or to conduct for which AWI has legal responsibility, and there is little likelihood of a substantial recovery elsewhere. All such Extraordinary Claims will be presented for Individual Review and, if valid, will be entitled to an award of up to a Maximum Value of five (5) times the Scheduled Value for claims qualifying for Disease Levels II - V, VII and VIII, and five (5) times the Average Value for claims in Disease Level VI, multiplied by the applicable Payment Percentage. An Extraordinary Claim, following its liquidation, will be placed in the FIFO Payment Queue ahead of all other Asbestos Personal Injury Claims except Exigent Hardship Claims, which will be first in said FIFO Payment Queue, based on its date of liquidation, subject to the Maximum Available Payment and Claims Payment Ratio described above.

At any time the Asbestos PI Trust may liquidate and pay certain Asbestos Personal Injury Claims that qualify as Exigent Hardship Claims "***Exigent Hardship Claims***". Such claims may be considered separately by the Asbestos PI Trust no matter what the order of processing otherwise would have been under this Asbestos PI Trust Distribution Procedures. An Exigent Hardship Claim, following its liquidation, will be placed first in the FIFO Payment Queue ahead of all other liquidated Asbestos Personal Injury Claims, subject to the Maximum Available Payment and Claims Payment Ratio described above. An Asbestos Personal Injury Claim will qualify for payment as an Exigent Hardship Claim if the claim meets the Medical/Exposure Criteria for Severe Asbestosis (Disease Level IV) or an

asbestos-related malignancy (Disease Levels V-VIII), and the Asbestos PI Trust, in its sole discretion, determines (a) that the claimant needs financial assistance on an immediate basis based on the claimant's expenses and all sources of available income, and (b) that there is a causal connection between the claimant's dire financial condition and the claimant's asbestos-related disease.

(s) Secondary Exposure Claims.

If a claimant alleges an asbestos-related disease resulting solely from exposure to an occupationally exposed person, such as a family member, the claimant may seek Individual Review of his or her claim. In such a case, the claimant will be required to establish that the occupationally exposed person would have met the exposure requirements under the Asbestos PI Trust Distribution Procedures that would have been applicable had that person filed a direct claim against the Asbestos PI Trust. In addition, the claimant with secondary exposure must establish that he or she is suffering from one of the eight Disease Levels above, that his or her own exposure to the occupationally exposed person occurred within the same time frame as the occupationally exposed person was exposed to an asbestos-containing product or to conduct for which AWI has legal responsibility, and that such secondary exposure was a cause of the claimed disease. The proof of claim form included in Attachment B to the Asbestos PI Trust Distribution Procedures contains an additional section for Secondary Exposure Claims. All other liquidation and payment rights and limitations under the Asbestos PI Trust Distribution Procedures will be applicable to such claims.

(t) Evidentiary Requirements.

(a) **Medical Evidence.**

The Asbestos PI Trust Distribution Procedures require that all diagnoses of a Disease Level presented to the Asbestos PI Trust be accompanied by either (i) a statement by the physician providing the diagnosis that at least ten years have elapsed between the date of first exposure to asbestos or asbestos-containing products and the diagnosis or (ii) a history of the claimant's exposure sufficient to establish a 10-year latency period. A finding by a physician after the Commencement Date[7] that a claimant's disease is "consistent with" or "compatible with" asbestosis will not alone be treated by the Asbestos PI Trust as a diagnosis.

Except for claims filed against AWI or another asbestos defendant in the tort system prior to the Commencement Date, all diagnoses of a nonmalignant asbestos-related disease (Disease Levels IIV) submitted to the Asbestos PI Trust must be based (i) in the case of a claimant who was living at the time the claim was filed, upon (A) a physical examination of the claimant by the physician providing the diagnosis of the asbestos-related disease; (B) for Disease Levels IIII, evidence of Bilateral Asbestos-Related Nonmalignant Disease (as defined in the Asbestos PI Trust Distribution Procedures), or for Disease Level IV, an ILO reading of 2/1 or greater or pathological evidence of asbestosis, and (C) pulmonary function testing if the claim involves Asbestosis/Pleural Disease (Level III) or Severe Asbestosis (Level IV), and (ii) in the case of a claimant who was deceased at the time the claim was filed, upon (A) a physical examination of the claimant by the physician providing the diagnosis of the asbestos-related disease, or (B) pathological evidence of the non-malignant asbestos-related disease, or (C) in the case of Disease Levels I-III, evidence of Bilateral Asbestos-Related Ninmalignant Disease or, for Disease Level IV, pathological evidence of asbestosis.

Except for claims filed against AWI or another asbestos defendant in the tort system prior to the Commencement Date, diagnoses of an asbestos-related malignancy (Disease Levels V – VIII) submitted to the Asbestos PI Trust must be based upon either (i) a physical examination of the claimant by the physician providing the diagnosis of the

[7] Because certain of the claimants obtained their medical evidence years ago in connection with filing Asbestos Personal Injury Claims against AWI and/or other defendants in the tort system before the Commencement Date, and did so to meet then applicable evidentiary requirements that are different from those provided in the Asbestos PI Trust Distribution Procedures, certain minor exceptions are made for them from the medical evidentiary requirements required from all other present and future claimants in order to be more fair to them and not to require that they duplicate existing medical evidence and/or the costs of obtaining such evidence. These exceptions will not cause any significant economic impact upon the allocation of the funds of the Asbestos PI Trust as between present and future claimants.

malignant asbestos-related disease, or (ii) on a diagnosis of such a malignant Disease Level by a board-certified pathologist.

However, if the holder of an Asbestos Personal Injury Claim has available the medical evidence described above, or if the holder has filed such medical evidence with another asbestos-related personal injury settlement trust that requires such evidence, the Asbestos PI Trust Distribution Procedures require that the holder provide such medical evidence to the Asbestos PI Trust notwithstanding any exceptions to the contrary.

(b) **Credibility of Medical Evidence.**

The Asbestos PI Trust must have reasonable confidence that the medical evidence provided in support of the claim is credible and consistent with recognized medical standards before making any payment to a claimant. The Asbestos PI Trust may require the submission of X-rays, CT scans, detailed results of pulmonary function tests, laboratory tests, tissue samples, results of medical examination or reviews of other medical evidence, and may require that medical evidence submitted comply with recognized medical standards regarding equipment, testing methods and procedures to assure that such evidence is reliable. Medical evidence (i) that is of a kind shown to have been received in evidence by a state or federal judge at trial; (ii) that is consistent with evidence submitted to AWI to settle for payment similar disease cases prior to AWI's bankruptcy; or (iii) a diagnosis by a physician shown to have previously qualified as a medical expert with respect to the asbestos-related disease in question before a state or federal judge, is presumed by the Asbestos PI Trust to be reliable, although the Asbestos PI Trust may seek to rebut the presumption.

In addition, claimants who otherwise meet the requirements of the Asbestos PI Trust Distribution Procedures for payment of an Asbestos Personal Injury Claim will be paid by the Asbestos PI Trust irrespective of the results in any litigation at any time between the claimant and any other defendant in the tort system. However, the Asbestos PI Trust Distribution Procedures contemplate that any relevant evidence submitted in a proceeding in the tort system, other than any findings of fact, a verdict, or a judgment, involving another defendant may be introduced by either the claimant or the Asbestos PI Trust in any Individual Review proceeding or any Extraordinary Claim proceeding conducted by the Asbestos PI Trust.

(c) **Exposure Evidence.**

To qualify for any Disease Level the Asbestos PI Trust Distribution Procedures require that the claimant demonstrate some exposure to an asbestos-containing product or to conduct for which AWI has legal responsibility. Claims based on conspiracy theories that involve no such AWI Exposure or conduct are not compensable under the Procedures. To meet the presumptive exposure requirements of Expedited Review, the claimant must show (i) for all Disease Levels, AWI Exposure as defined below prior to December 31, 1982; (ii) for Asbestos/Pleural Disease Level II, six months AWI Exposure prior to December 31, 1982, plus five years cumulative occupational asbestos exposure; and (iii) for Asbestosis/Pleural Disease (Disease Level III), Severe Asbestosis (Disease Level IV), Other Cancer (Disease Level V) or Lung Cancer 1 (Disease Level VII), the claimant must show six months AWI Exposure prior to December 31, 1982, plus Significant Occupational Exposure to asbestos. If the claimant cannot meet the relevant presumptive exposure requirements for a Disease Level eligible for Expedited Review, the claimant may seek Individual Review of his or her claim based on exposure to an asbestos-containing product or to conduct for which AWI has legal responsibility.

To recover from the Asbestos PI Trust, the claimant must demonstrate meaningful and credible exposure to asbestos or asbestos-containing products supplied, specified, manufactured, installed, maintained, or repaired by AWI and/or any entity, including an AWI contracting unit, for which AWI has legal responsibility. The meaningful and credible exposure evidence may be established by an affidavit of the claimant, by an affidavit of a co-worker or the affidavit of a family member in the case of a deceased claimant (providing the Asbestos PI Trust finds such evidence reasonably reliable), by invoices, employment, construction or similar records, or by other credible evidence. The Asbestos PI Trust may also require submission of other or additional evidence of exposure when it deems such to be necessary. The specific exposure information required by the Asbestos PI Trust to process a claim under either Expedited Review or Individual Review is set forth on the proof of claim form to be used by the Asbestos PI Trust, which is attached as Attachment B to the Asbestos PI Trust Distribution Procedures. The Asbestos PI Trust may also require submission of other or additional evidence of exposure when it deems such to be necessary.

(u) Second Disease (Malignancy) Claims.

The Asbestos PI Trust Distribution Procedures allow the holder of an Asbestos Personal Injury Claim involving a non-malignant asbestos-related disease (Disease Levels I through IV) to assert a new Asbestos Personal Injury Claim against the Asbestos PI Trust for a malignant disease (Disease Levels V – VIII) that is subsequently diagnosed. The Asbestos PI Trust will not reduce any additional payments to which such claimant may be entitled with respect to such malignant asbestos-related disease by the amount paid for the non-malignant asbestos-related disease, provided that the malignant disease had not been diagnosed at the time the claimant filed his or her original claim involving the non-malignant disease.

(v) Punitive Damages.

In determining the value of any liquidated or unliquidated Asbestos Personal Injury Claim, punitive or exemplary damages, *i.e.*, damages other than compensatory damages, will not be considered or allowed, notwithstanding their availability in the tort system.

(w) Interest.

Except for an Asbestos Personal Injury Claim involving Other Asbestos Disease (Disease Level I – Cash Discount Payment) and subject to the limitations set forth below, the Asbestos PI Trust Distribution Procedures provide that interest will be paid on all Asbestos Personal Injury Claims with respect to which the claimant has had to wait a year or more for payment; *provided, however*, that no claimant will receive interest for a period in excess of seven (7) years. The initial interest rate is be six percent (6%) simple interest per annum for the first five (5) years after the Effective Date; thereafter, the Asbestos PI Trustees have the discretion to change the annual interest rate with the consent of the TAC and the Future Claimants' Representative.

Interest is payable on the Scheduled Value of any unliquidated Asbestos Personal Injury Claim that meets the requirements of Disease Levels II – V, VII, and VIII, whether the claim is liquidated under Expedited Review, Individual Review, or by arbitration. No interest shall be paid on any claim liquidated in the tort system, as descibed below. Interest on an unliquidated Asbestos Personal Injury Claim that meets the requirements of Disease Level VI will be based on the Average Value of such a claim. Interest on all such unliquidated claims will be measured from the date of payment back to the earliest of the date that is one year after the date on which (a) the claim was filed against AWI prior to the Commencement Date; (b) the claim was filed against another defendant in the tort system on or after the Commencement Date but before the Effective Date; and (c) the claim was filed with the Asbestos PI Trust after the Effective Date.

Interest is also payable on the liquidated value of all Pre-Petition Liquidated Claims. In the case of Pre-Petition Liquidated Claims liquidated by verdict or judgment, interest will be measured from the date of payment back to the date that is one year after the date that the verdict or judgment was entered. In the case of Pre-Petition Liquidated Claims liquidated by a binding, judicially enforceable settlement, interest will be measured from the date of payment back to the date that is one year after the Commencement Date.

(x) Suits in the Tort System.

If the holder of a disputed claim disagrees with the Asbestos PI Trust's determination regarding the Disease Level of the claim, the claimant's exposure history or the liquidated value of the claim, and if the holder has first submitted the claim to non-binding arbitration, the Asbestos PI Trust Distribution Procedures contemplate that the holder may file a lawsuit in the claimant's jurisdiction. All defenses (including, with respect to the Asbestos PI Trust, all defenses which could have been asserted by AWI) will be available to both sides at trial; however, the Asbestos PI Trust may waive any defense and/or concede any issue of fact or law. If the claimant was alive at the time the initial prepetition complaint was filed or on the date the proof of claim was filed, the case will be treated as a personal injury case with all personal injury damages to be considered even if the claimant has died during the pendency of the claim.

If and when a claimant obtains a judgment in the tort system, the claim will be placed in the FIFO Payment Queue based on the date on which the judgment became final. Thereafter, the claimant will receive from the Asbestos PI Trust an initial payment (subject to the applicable Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio provisions set forth above) of an amount equal to one-hundred percent (100%) of the greater of (i) the Asbestos PI Trust's last offer to the claimant or (ii) the award that the claimant declined in non-binding arbitration. The claimant will receive the balance of the judgment, if any, in five equal installments in years six (6) through ten (10) following the year of the initial payment (also subject to the applicable Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio provisions above).

In the case of non-Extraordinary Claims involving Disease Levels II – VIII, the total amounts paid with respect to such claims may not exceed the relevant Maximum Values for such Disease Levels. In the case of Extraordinary Claims, the total amounts paid with respect to such claims similarly may not exceed the Maximum Value for such claims. Under no circumstances will interest be paid on any judgments obtained in the tort system.

B. The Asbestos PI Insurance Asset.

On the later of the Effective Date and the date by which all of the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement, AWI will transfer to the Asbestos PI Trust all rights arising under liability insurance policies issued to AWI with inception dates prior to January 1, 1982 with respect to the liability for Asbestos Personal Injury Claims (with the exception of AWI's claim against Liberty Mutual for costs, expenses, and fees incurred in connection with an Alternative Dispute Resolution Proceeding initiated in 1996 under the Agreement Concerning Asbestos Related Claims of June 19, 1985 and AWI's rights to insurance relating to workers' compensation claims). The foregoing includes, but is not limited to, rights under insurance policies, rights under settlement agreements made with respect to such insurance policies, rights against the estates of insolvent insurers that issued such policies or entered into such settlements, and rights against state insurance guaranty associations arising out of any such insurance policies issued by insolvent insurers. The foregoing also includes the right, on behalf of AWI and its subsidiaries as of the Effective Date, to give a full release of the insurance rights of AWI and its subsidiaries as of the Effective Date under any such policy or settlement agreement with the exception of rights to coverage for Asbestos Property Damage Claims, rights to coverage for the amount that AWI agreed to pay to plaintiffs in the Maertin Litigation in a settlement agreement executed November 22, 2000, and rights to coverage with respect to workers' compensation claims.

C. The Asbestos PI Permanent Channeling Injunction.

The Confirmation Order will contain, *inter alia*, the Asbestos PI Permanent Channeling Injunction. Pursuant to the Asbestos PI Permanent Channeling Injunction, all Entities will be forever stayed, restrained, and enjoined from taking certain actions specified in the Plan against any PI Protected Party for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to any Asbestos Personal Injury Claims, all of which will be channeled to the Asbestos PI Trust for resolution as set forth in the Asbestos PI Trust Distribution Procedures, against any PI Protected Party or its property (other than actions brought to enforce any right or obligation under the Plan, any Exhibits to the Plan, or any other agreement or instrument between AWI or Reorganized AWI and the Asbestos PI Trust, which actions will be in conformity and compliance with the provisions of the Plan). Nothing contained in the Asbestos PI Permanent Channeling Injunction will be deemed a waiver of any claim, right, or cause of action that AWI, Reorganized AWI, or the Asbestos PI Trust may have against any Entity in connection with or arising out of an Asbestos Personal Injury Claim.

It is the intent of the provisions of the Plan relating to treatment of Asbestos Personal Injury Claims to channel all such claims (except workers' compensation claims), regardless of theory of recovery, and regardless of how the claim arises, *i.e.*, directly or indirectly, to the Asbestos PI Trust. For example, regardless of whether a claim arises by virtue of a product liability theory of recovery, a premises liability theory of recovery, a contract theory of recovery or any other theory of recovery, if it relates to a personal injury (including medical monitoring, fear of injury, emotional distress, loss of consortium, or any other injury of or relating to a person) it will be channeled to the Asbestos PI Trust.

In 1994, the Bankruptcy Code was amended to add subsections (g) and (h) to section 524. These subsections confirm the validity of existing injunctions (such as those used in the chapter 11 cases of Johns-Manville Corporation and UNR Corporation) similar to the Asbestos PI Permanent Channeling Injunction and codify a court's authority to issue a permanent injunction in asbestos-related reorganizations under chapter 11 to supplement the injunctive relief afforded by section 524. Section 524(g) provides that, if certain specified conditions are satisfied, a court may issue a supplemental permanent injunction, such as the Asbestos PI Permanent Channeling Injunction, barring claims and demands against the reorganized company and certain identified protected parties and channeling those claims and demands to an independent trust.

Pursuant to the Asbestos PI Permanent Channeling Injunction and the Plan, the following entities will be "***PI Protected Parties***" and, therefore, protected by the scope of the Asbestos PI Permanent Channeling Injunction:

- AWI;
- Reorganized AWI;
- Holdings;
- AWWD;
- any Affiliate of AWI;
- Interface Solutions, Inc. and Armacell, LLC, two prepetition purchasers of assets from AWI, so long as each such entity and its affiliates (if appropriate) enters into appropriate stipulations with AWI releasing any and all indemnification claims against AWI and AWI's estate and agreeing not to make any offset from amounts owed to AWI by such entities on account of any such alleged indemnification claims;
- any Entity that, pursuant to the Plan or after the Effective Date, becomes a direct or indirect transferee of, or successor to, any assets of AWI, Reorganized AWI, or the Asbestos PI Trust (but only to the extent that liability is asserted to exist by reason of it becoming such a transferee or successor);
- any Entity that, pursuant to the Plan or after the Effective Date, makes a loan to Reorganized AWI or the Asbestos PI Trust or to a successor to, or transferee of, any assets of AWI, Reorganized AWI, or the Asbestos PI Trust (but only to the extent that liability is asserted to exist by reason of such Entity becoming such a lender or to the extent any pledge of assets made in connection with such a loan is sought to be upset or impaired); and
- any Entity to the extent he, she, or it is alleged to be directly or indirectly liable for the conduct of, Claims against, or Demands on AWI, Reorganized AWI, or the Asbestos PI Trust on account of Asbestos Personal Injury Claims by reason of one or more of the following:
    - such Entity's ownership of a financial interest in AWI or Reorganized AWI, a past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or predecessor in interest of AWI or Reorganized AWI;
    - such Entity's involvement in the management of AWI, AWWD, Holdings, an Affiliate, Reorganized AWI, or any predecessor in interest of AWI or Reorganized AWI;

- such Entity's service as an officer, director, or employee of AWI, Reorganized AWI, AWWD, Holdings, an Affiliate, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), any predecessor in interest of AWI or Reorganized AWI, or any Entity that owns or at any time has owned a financial interest in AWI or Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or any predecessor in interest of AWI or Reorganized AWI;

- such Entity's provision of insurance to (a) AWI, (b) Reorganized AWI, (c) any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), (d) any predecessor in interest of AWI or Reorganized AWI, or (e) any Entity that owns or at any time has owned a financial interest in AWI or Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or any predecessor in interest of AWI or Reorganized AWI, but only to the extent that AWI, Reorganized AWI, or the Asbestos PI Trust enters into a settlement with such Entity that is approved by the Bankruptcy Court and expressly provides that such Entity shall be entitled to the protection of the Asbestos PI Permanent Channeling Injunction as a Protected Party; or

- such Entity's involvement in a transaction changing the corporate structure, or in a loan or other financial transaction affecting the financial condition, of AWI, AWWD, Holdings, an Affiliate, Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI, any predecessor in interest of AWI or Reorganized AWI, or any Entity that owns or at any time has owned a financial interest in AWI or Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or any predecessor in interest of AWI or Reorganized AWI.

Pursuant to the Asbestos PI Permanent Channeling Injunction, the PI Protected Parties will be protected against any Entity taking any of the following actions for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to any Asbestos Personal Injury Claims, including, but not limited to:

- commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding (including, without express or implied limitation, a judicial, arbitral, administrative, or other proceeding) in any forum against or affecting any PI Protected Party or any property or interests in property of any PI Protected Party;

- enforcing, levying, attaching (including, without express or implied limitation, any prejudgment attachment), collecting, or otherwise recovering by any means or in any manner, whether directly or indirectly, any judgment, award, decree, or other order against any PI Protected Party or any property or interests in property of any PI Protected Party;

- creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Encumbrance against any PI Protected Party or any property or interests in property of any PI Protected Party;

- setting off, seeking reimbursement of, contribution from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability owed to any PI Protected Party or any property or interests in property of any PI Protected Party; and

- proceeding in any manner in any place with regard to any matter that is subject to resolution pursuant to the Asbestos PI Trust, except in conformity and compliance therewith.

AWI will seek the issuance of the Asbestos PI Permanent Channeling Injunction pursuant to section 524(g) and any other applicable provision of the Bankruptcy Code. To qualify under the statute, a trust must meet certain standards that are specified in section 524(g). To ensure that the Asbestos PI Trust meets these standards, AWI has made compliance with them a condition precedent to confirmation of the Plan. *See* Section V.B, entitled, "THE PLAN OF REORGANIZATION — Conditions to Confirmation."

D. Application of the Claims Trading Injunction to Asbestos Personal Injury Claims.

The Confirmation Order will also contain, *inter alia*, the Claims Trading Injunction. **Pursuant to the Claims Trading Injunction, a holder of an Asbestos Personal Injury Claim is stayed, restrained, and enjoined from, directly or indirectly, purchasing, selling, transferring, assigning, conveying, pledging, or otherwise acquiring or disposing of such Asbestos Personal Injury Claim.** The restrictions on transfer of Asbestos Personal Injury Claims, however, will not apply to (i) the transfer of an Asbestos Personal Injury Claim to the holder of an Indirect PI Trust Claim solely as a result of such holder's satisfaction of such Asbestos Personal Injury Claim or (ii) the transfer of an Asbestos Personal Injury Claim by will or under the laws of descent and distribution. The Claims Trading Injunction also will provide that any action taken in violation thereof will be void *ab initio*.

It is a condition precedent to the Effective Date under the Plan that the Claims Trading Injunction be in full force and effect. *See* Section V.C, entitled, "THE PLAN OF REORGANIZATION – Conditions Precedent to the Effective Date under the Plan."

E. Compliance with QSF Regulations.

AWI has requested a private letter ruling from the IRS substantially to the effect that, among other things, the Asbestos PI Trust will be a "qualified settlement fund" within the meaning of section 468B of the Internal Revenue Code and the Treasury Regulations thereunder. As a condition to the occurrence of the Effective Date, AWI must have received either a favorable ruling from the IRS with respect to the qualification of the Asbestos PI Trust as a "qualified settlement fund" or an opinion of counsel with respect to the tax status of the Asbestos PI Trust as a "qualified settlement fund" reasonably satisfactory to AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee.

Within sixty (60) days before or after the funding of the Asbestos PI Trust (but not later than February 14th of the following calendar year), AWI or Reorganized AWI will obtain a Qualified Appraisal of the fair market value of the New Common Stock transferred (or to be transferred) to the Asbestos PI Trust. Following the funding of the Asbestos PI Trust and the receipt of the Qualified Appraisal (and in no event later than February 15th of the calendar year following the funding of the Asbestos PI Trust), Reorganized AWI will provide a "§ 1.468B-3 Statement" to the Asbestos PI Trustees in accordance with Treasury Regulations section 1.468B-3(e).

VII. CONFIRMATION AND CONSUMMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. Solicitation of Votes.

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims in each of Classes 3 (Convenience Claims), 6 (Unsecured Claims other than Convenience Claims), 7 (Asbestos Personal Injury Claims), 8 (Environmental Claims) and AWWD's Equity Interests in AWI (in Class 12) are impaired, and the holders of Claims in each of such classes are entitled to vote to accept or reject the Plan in the manner and to the extent set forth in the Voting Procedures. Pursuant to the Voting Procedures, any Claimant holding a Claim in an impaired class under the Plan may vote on the Plan so long as such Claim has not been disallowed and is not the subject of an objection pending as of the Voting Record Date (the "***Voting Record Date***") (the date that is two (2) Business Days after the date of the order approving this Disclosure Statement by the Bankruptcy Court — June 4, 2003) Nevertheless, if a Claim is the subject of such an objection, the holder thereof may vote if, prior to the Voting Deadline (September 22, 2003), such holder obtains an order of the Bankruptcy Court, or the Bankruptcy Court approves a stipulation between AWI and such holder, fully or partially allowing such Claim, whether for all purposes or for voting purposes only. ***You must file any motion seeking to allow a Claim for voting purposes no later than July 7, 2003 (fifteen (15) days after the deadline for AWI to complete its mailing of solicitation packages).***

Claims in each of Classes 1 (Priority Claims), 2 (Secured Claims), 4 (Asbestos Property Damage Claims), 5 (COLI Claims), 9 (Affiliate Claims), 10 (Subsidiary Debt Guarantee Claims), and 11 (Employee Benefit Claims) are unimpaired. The holders of Allowed Claims in each of such classes are conclusively presumed to have accepted the Plan, and the solicitation of acceptances with respect to each such Class is not required under section 1126(f) of the Bankruptcy Code. If your Claim is in one of these classes, you will not be receiving a Ballot.

The Voting Procedures set forth detailed instructions concerning the voting of Asbestos Personal Injury Claims and impose requirements on attorneys for holders of Asbestos Personal Injury Claims to notify Trumbull if they are not authorized to vote on the Plan on behalf of the holders of Asbestos Personal Injury Claims who they represent. Please refer to the Voting Procedures, which are attached to this Disclosure Statement as Exhibit "D," for more information regarding the voting of Asbestos Personal Injury Claims.

As to classes of claims entitled to vote on a plan, the Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that have timely voted to accept or reject a plan. Please refer to the Voting Procedures for special rules concerning the calculation of the amo unt of Claims voting in a Class of Claims.

Detailed voting instructions are provided with the Ballot accompanying this Disclosure Statement and are set forth in the Voting Procedures annexed to this Disclosure Statement. Claims or Interests in Classes 3 (Convenience Claims), 6 (Unsecured Claims other than Convenience Claims), 7 (Asbestos Personal Injury Claims), 8 (Environmental Claims), and 12 (Equity Interests) are impaired, and are therefore entitled to vote to accept or reject the Plan.

B. The Confirmation Hearing.

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled to commence on November 17, 2003, at 9:30 a.m., at the Martin Luther King, Jr. Federal Building and U.S. Courthouse, 50 Walnut Street, Newark, New Jersey, Courtroom 4609. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing.

Any objection to confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection, and the amount and Class of the Claim or number of shares of Holdings common stock held by the objector. Any such objection must be filed with the Bankruptcy Court and served so that

it is received by the Bankruptcy Court and the persons identified as the Notice Parties in Exhibit "B" to this Disclosure Statement on or before September 22, 2003, at 4:00 p.m., Wilmington, Delaware time. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

C. Confirmation.

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of the Plan are that the Plan is (i) accepted by all impaired classes of claims and equity interests or, if rejected by an impaired class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible, and (iii) in the "best interests" of creditors and stockholders that are impaired under the Plan.

1. Acceptance.

Classes 3, 6, 7, 8, and 12 of the Plan are impaired under the Plan and are entitled to vote to accept or reject the Plan. Classes 1, 2, 5, 9, 10, and 11 are unimpaired and are conclusively deemed to have voted to accept the Plan. AWI reserves the right to seek nonconsensual confirmation of the Plan with respect to any Class of Claims that is entitled to vote to accept or reject the Plan if such class rejects the Plan.

2. Unfair Discrimination and Fair and Equitable Tests.

To obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each impaired, nonaccepting Class. The Bankruptcy Code provides the following non-exclusive definition of the phrase "fair and equitable," as it applies to secured creditors, unsecured creditors, and equity holders:

(a) Secured Creditors.

With respect to any holder of a secured claim that rejects a plan, the Bankruptcy Code requires that either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the "indubitable equivalent" of its allowed secured claim, or (iii) the property securing the claim is sold free and clear of liens with such liens to attach to the proceeds of the sale, and the treatment of such liens on proceeds is provided in clause (i) or (ii) of this subparagraph. Because all Secured Claims are unimpaired under the Plan and, therefore, conclusively are deemed to accept the Plan, this test is inapplicable to the Plan.

(b) Unsecured Creditors.

With respect to any class of unsecured claims that rejects a plan, the Bankruptcy Code requires that either (i) each impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its allowed claim, or (ii) the holders of claims and interests that are junior to the claims of the rejecting class of unsecured creditors will not receive or retain any property under the plan. This test will be applicable if any of Class 3 (Convenience Claims), Class 6 (Unsecured Claims other than Convenience Claims), or Class 8 (Environmental Claims) rejects the Plan.

(c) Equity Holders.

With respect to any class of equity interests that rejects a plan, the Bankruptcy Code requires that either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled, or the value of the interest, or (ii) the holder of an interest that is junior to the non-accepting class will not receive or retain any property under the plan. This test will be applicable if AWWD, the holder of the Equity Interests, rejects the Plan or is deemed to have rejected the Plan if Class 6 rejects the Plan.

AWI believes that the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

3. Feasibility.

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, AWI has analyzed its ability to meet its obligations under the Plan. As part of this analysis, AWI has prepared projections of its financial performance for the six-month period ending December 31, 2003 and each of the years ending December 31, 2004 through 2007 (the "***Projection Period***"). These projections, and the assumptions on which they are based, are included in the Armstrong World Industries, Inc. Projected Financial Information included in the Financial Appendix annexed hereto as Exhibit "C" (the "***Projected Financial Information***"). Based upon the Projected Financial Information, AWI believes that Reorganized AWI will be able to make all payments required pursuant to the Plan, and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization. AWI further believes that Reorganized AWI will be able to repay or refinance any and all of the then-outstanding secured indebtedness under the Plan at or prior to the maturity of such indebtedness.

The Projected Financial Information consists of the following:

- Projected Consolidated Balance Sheets of Reorganized AWI as of July 1, 2003 (which reflects the projected accounting effects of consummation of the Plan and the application of "fresh start" accounting principles) and at December 31 for each of the years from 2004 through 2007

- Projected Consolidated Statements of Income of Reorganized AWI for the six-month period ending December 31, 2003 and each of the years ending December 31, 2004 through 2007

- Projected Consolidated Statements of Cash Flow of Reorganized AWI for the six-month period ending December 31, 2003 and each of the years ending December 31, 2004 through 2007

The Projected Financial Information is based upon the assumption that the Plan will be confirmed and, for projection purposes, that the Effective Date and the initial distributions take place as of July 1, 2003. Although the Projected Financial Information is based upon a July 1, 2003 Effective Date, AWI believes that an actual Effective Date as late as December 31, 2003 would not have any material adverse effect on the projections.

AWI has prepared the Projected Financial Information based upon certain assumptions that it believes to be reasonable under the circumstances. Those assumptions considered to be significant are described in the Projected Financial Information. The Projected Financial Information has not been examined or compiled by independent accountants. Many of the assumptions on which the Projected Financial Information is based are subject to significant uncertainties. Inevitably, some assumptions will not materialize, and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the Projection Period may vary from the projected results, and the variations may be material. All holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Projected Financial Information is based in evaluating the Plan.

4. Best Interests Test.

With respect to each impaired Class of Claims and Equity Interests, confirmation of the Plan requires that each holder of a Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if AWI were liquidated under chapter 7 of the Bankruptcy Code. This requirement is referred to as the "best interests test." To determine what holders of Claims and Equity Interests of each impaired Class would receive if AWI were liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the

liquidation of AWI's assets and properties in the context of a chapter 7 liquidation case. The cash amount that would be available for satisfaction of Claims (other than Secured Claims) and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets of AWI, augmented by the unencumbered cash held by AWI at the time of the commencement of the liquidation case. Such cash amount would be reduced by the amount of the costs and expenses of the liquidation and by such additional administrative and priority claims that may result from the termination of AWI's businesses and the use of chapter 7 for the purposes of liquidation.

AWI's costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those that might be payable to attorneys and other professionals that such a trustee may engage. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by AWI during the pendency of the Chapter 11 Case. The foregoing types of claims and other claims that may arise in a liquidation case or result from the pending Chapter 11 Case, including any unpaid expenses incurred by AWI, as debtor in possession, during the Chapter 11 Case, such as compensation for attorneys, financial advisers, and accountants, would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Claims.

To determine if the Plan is in the best interests of each impaired class, the present value of the distributions from the proceeds of the liquidation of AWI's unencumbered assets and properties, after subtracting the amounts attributable to the foregoing Claims, are then compared with the value of the property offered to such classes of Claims and Equity Interests under the Plan.

After considering the effects that chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Case, including (i) the increased costs and expenses of liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisers to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under a chapter 7 case and the "forced sale" atmosphere that would prevail, and (iii) the substantial increases in Claims that would be satisfied on a priority basis or on a parity with creditors in the Chapter 11 Case, AWI has determined that confirmation of the Plan will provide each holder of an Allowed Claim or Equity Interest with a recovery that is not less than such holder would receive pursuant to a liquidation of AWI under chapter 7 of the Bankruptcy Code.

AWI also believes that the value of any distributions to each class of Allowed Claims in a chapter 7 case, including all Secured Claims, would be less than the value of distributions under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time. It is likely that distribution of the proceeds of the liquidation could be delayed a number of years after the completion of such liquidations in order to resolve claims and prepare for distributions. In the likely event litigation was necessary to resolve claims asserted in the chapter 7 case, the delay could be prolonged.

AWI's Liquidation Analysis is attached hereto as Exhibit "E" (the "***Liquidation Analysis***"). The information set forth in Exhibit "E" provides a summary of the liquidation values of AWI's assets assuming a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of AWI's estate. Reference should be made to the Liquidation Analysis for a complete discussion and presentation of the Liquidation Analysis.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although considered reasonable by AWI's management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of AWI's management. The Liquidation Analysis is also based upon assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected may not be realized if AWI were, in fact, to undergo such a liquidation.

D. Consummation.

The Plan will be consummated on the Effective Date. For a more detailed discussion of the conditions precedent to consummation of the Plan and the impact of the failure to meet such conditions, *see* Section V.C, entitled, "THE PLAN OF REORGANIZATION — Conditions Precedent to the Effective Date under the Plan."

The Plan is to be implemented pursuant to the provisions of the Bankruptcy Code.

VIII. MANAGEMENT OF REORGANIZED AWI

A. Board of Directors and Management.

1. Composition of the Board of Directors.

On the Effective Date, the Board of Directors of Reorganized AWI will consist of either seven or nine individuals, one of whom is expected to be Michael D. Lockhart, AWI's chief executive, who will serve as Chairman of the Board as well as continuing as chief executive. If the Board of Directors consists of seven individuals, four of the remaining members will be designated jointly by the Asbestos PI Claimants' Committee and the Future Claimants' Representative, and two of the remaining members will be designated by the Unsecured Creditors' Committee. If the Board of Directors consists of nine individuals, five of the remaining members will be designated jointly by the Asbestos PI Claimants' Committee and the Future Claimants' Representative, and three of the remaining members will be designated by the Unsecured Creditors' Committee. The identity of the members of the Board of Directors of Reorganized AWI will be set forth on Exhibit "7.21" to the Plan.

Other than Mr. Lockhart, none of the Board members will be members of the management of Reorganized AWI, and at least a majority of the members will qualify as independent directors in accordance with the prevailing standards of the New York Stock Exchange or the NASDAQ Stock Market (depending upon which of such markets the common stock of Reorganized AWI will be listed for trading after the Effective Date). Each of the initial and future members of the Board of Directors of Reorganized AWI will serve as such in accordance with the Amended and Restated Articles of Incorporation and the Amended and Restated by-laws of Reorganized AWI, as amended from time to time, and, while such agreement remains in effect, the Stockholder and Registration Rights Agreement between Reorganized AWI and the Asbestos PI Trust in the form of Exhibit "1.109" to the Plan. Under the organizational documents of Reorganized AWI and the Stockholder and Registration Rights Agreement, the initial Board members will serve a two-year term, and the composition of the Board of Directors will be established to satisfy the corporate governance standards of the stock market on which the common stock of Reorganized AWI is listed and will include at least one individual who is recognized as a "financial expert" in accordance with the rules of the SEC and at least three individuals who qualify as outside directors under section 162(m) of the Internal Revenue Code and are eligible to serve on the committee of the Board responsible for executive compensation matters.

2. Identity of Officers.

Armstrong officers immediately prior to the Effective Date will serve as the officers of Reorganized AWI. Set forth below is the name, age, and position of each of these executive officers, with a description of each officer's employment history:

Matthew J. Angello. Age 43; Senior Vice President, Corporate Human Resources since October 2000. Previously, Mr. Angello was Vice President, Human Resources, of the Floor Products Operations from January 1997 to September 2000; he was Vice President and Senior Director, Human Resources, of The Restaurant Company (food service) from 1992 to January 1997.

Leonard A. Campanaro. Age 54; Senior Vice President and Chief Financial Officer since April 2001. Mr. Campanaro previously was President, Chief Operating Officer and board member of Harsco Corporation (provider of industrial services and products) from January 1998 to July 2000. He served at Harsco for over 20 years in a variety of financial and operations positions, including as Senior Vice President and Chief Financial Officer from 1992 to 1997, before assuming the role of President of Harsco.

Chan W. Galbato. Age 40; President and Chief Executive Officer, Armstrong Floor Products, since July 2001. Previously, Mr. Galbato was President and Chief Executive Officer of ChoiceParts LLC (provider of integrated virtual exchange services for auto parts industry) from June 2000 to June 2001. Mr. Galbato has held senior management positions at various divisions

of General Electric, including most recently President and Chief Executive Officer of Coregis (GE Capital insurance company) from February 1999 to June 2000.

Michael D. Lockhart. Age 53; Chairman of the Board and Chief Executive Officer. He joined Armstrong in August 2000 and has served AWI as Director since November 2000 and Chairman of the Board and President since March 2001. Mr. Lockhart previously served as Chairman and Chief Executive Officer of General Signal (a diversified manufacturer) headquartered in Stamford, Connecticut from September 1995 until it was acquired in October 1998. He joined General Signal as President and Chief Operating Officer in September 1994. From 1981 until 1994, Mr. Lockhart worked for General Electric in various executive capacities in the GE Credit Corporation (now GE Capital), GE Transportation Systems and GE Aircraft Engines. He is a member of the Business Council for the Graduate School of Business at the University of Chicago.

John N. Rigas. Age 53; Senior Vice President, Secretary, and General Counsel and Director of AWI since November 2000. Previously, Mr. Rigas was Deputy General Counsel-Litigation from March 1999 to November 2000. Mr. Rigas worked for Dow Corning Corporation (a specialty chemical company) from October 1982 to March 1999, his last title being Senior Managing Counsel.

Stephen J. Senkowski. Age 51; President and Chief Executive Officer, Armstrong Building Products Operations, since October 2000. Previously, Mr. Senkowski was the Senior Vice President, Americas, of the Building Products Operations from April 2000 to October 2000; he was the President/Chief Executive Officer of the Worthington-Armstrong Venture (joint venture) from July 1997 to April 2000 and Vice President, Innovation Process, of the Building Products Operations from 1994 to July 1997.

April L. Thornton. Age 41; Senior Vice President and Chief Marketing Officer since April 2001. Previously, Ms. Thornton was Vice President, Marketing and Sales for Capitol Wire, Inc. (an online interactive news service) from May 2000 to March 2001; Vice President, Marketing, of Armstrong's Worldwide Building Products Operations from September 1997 to May 2000; and Marketing Director, New Beverage Product Strategy and Development, of the Pepsi Cola Company (snack food, soft drink, and juice) from April 1992 to August 1997.

B. Compensation of Executive Officers.

The following table shows the compensation received by the Chief Executive Officer and the four other highest paid individuals who served as executive officers during 2002.

	ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
				Awards		Payout	
Name	Salary ($)	Bonus ($)[8]	Other Annual Compensation ($)[9]	Holdings Restricted Stock Awards ($)[10]	Holdings Securities Underlying Options/SARs (#)	LTIP Payouts ($)[11]	All Other Compensation ($)[12]
Michael D. Lockhart	860,000	1,055,000	82,477	-----	-----	2,241,000	25,776
C. W. Galbato	450,000	723,400	-----	-----	-----	747,000	24,776
S. J. Senkowski	385,000	634,500	-----	-----	-----	721,000	27,588
J. N. Rigas	330,000	640,875	-----	-----	-----	355,350	25,776
M. J. Angello	340,000	474,700	-----	-----	-----	310,254	27,778

C. Incentive Compensation Plans and New Long-Term Incentive Plan.

AWI and the representatives of its principal constituencies have negotiated the principal terms and conditions of compensation and benefits for executive management of Reorganized AWI. A summary of certain of the principal terms is listed below.

Terms of the New Long-Term Incentive Plan. Awards may be made in the form of grants of shares of stock, restricted stock, stock options, performance shares, and stock appreciation rights, or cash incentives in lieu of stock-based awards, in each case pursuant to a New Long-Term Incentive Plan effective as of the Effective Date. Although the New Long-Term Incentive Plan will become effective on the Effective Date without any further action by the Board of Directors of Reorganized AWI or the shareholders of Reorganized AWI, a majority of the shareholders of

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[8] The amounts disclosed for 2002 include payments under the Management Achievement Plan and, where applicable, cash retention payments.

[9] Except for the income related to Mr. Lockhart during 2002, the aggregate value does not exceed the lesser of $50,000 or 10% of shown salary and bonus. Mr. Lockhart had income of $42,162 related to the personal use of the company aircraft and related tax assistance of $37,053.

[10] The number and value of restricted stock held by each executive as of January 31, 2003 is as follows: M. D. Lockhart – 100,000 ($66,000); S.J. Senkowski – 668 ($441); M. J. Angello – 2,160 ($1,426).

[11] Payout for the 2001 Long-Term Cash Incentive Award

[12] The amounts disclosed for 2002 include:

a) Non-elective contribution by AWI to each individual's Bonus Replacement Retirement Plan account: M. D. Lockhart - $20,000; C. W. Galbato - $20,000; S. J. Senkowski - $20,000; J. N. Rigas - $20,000; M. J. Angello - $20,000.

b) Match Account contributions under the Retirement Savings and Stock Ownership Plan: M.D. Lockhart - $5,500; C.W. Galbato - $4,656; S.J. Senkowski - $5,340; J. N. Rigas - $5,500; M. J. Angello - $5,500.

c) Taxable income related to company-paid life insurance benefits: M. D. Lockhart - $276; C. W. Galbato - $120; J. N. Rigas - $276.

d) Present value costs of AWI's portion of 2002 premiums for split-dollar life insurance: S. J. Senkowski - $2,248 and M. J. Angello - $2,278.

Reorganized AWI must approve the New Long-Term Incentive Plan in order for such plan to qualify under section 162(m) of the Internal Revenue Code. Accordingly, AWI intends to request that the Asbestos PI Trust, as the majority shareholder of Reorganized AWI, approve the New Long-Term Incentive Plan on or immediately after the Effective Date.

Initial Awards. Approximately 565,800 shares of restricted stock and 1,697,400 shares of stock options of Reorganized AWI (assuming issuance of approximately 56.4 million shares of New Common Stock) will be reserved for awards to employees of Reorganized AWI on the Effective Date. On the Effective Date, in accordance with negotiations between AWI and the representatives of its principal constituencies, initial awards of restricted stock and stock options will be made to the senior executive officers and a select group of senior management of Reorganized AWI under the New Long-Term Incentive Plan. Each such initial award shall be comprised of a number of shares of restricted stock determined for such employee and a number of shares of stock options equal to three times the number of shares of restricted stock (*i.e.*, one-to-three ratio). Pursuant to the negotiations, the 43 employees selected to receive initial awards were grouped into six different tiers. Messrs. Lockhart, Galbato, and Senkowski have been designated as Tier 1 employees, and will each receive an initial award consisting of 55,200 shares of restricted stock and 165,600 stock options. Messrs. Angello, Campanaro, and Rigas were grouped in Tier 2, and will each receive an initial award consisting of 27,600 shares of restricted stock and 82,800 stock options. The remaining 37 senior managers will be grouped into four tiers and will receive a total of 317,400 shares of restricted stock and 952,200 stock options. The initial award amounts for each of the 37 senior managers will be established prior to the date of the Confirmation Hearing, and all initial award grants will be approved upon acceptance of the Plan.

Restricted Stock. The initial awards of restricted stock will vest in the ordinary course in one-third increments on the second, third and fourth anniversaries of the Effective Date, subject to continued employment through the relevant vesting date; *provided, however*, that (i) upon retirement or a resignation without "good reason" (as defined in any applicable individual change in control agreement or, if none applies, the New Long-Term Incentive Plan), all then unvested shares of restricted stock will be immediately forfeited, and (ii) upon a change in control of Reorganized AWI (as defined in any applicable individual change in control agreement or, if none applies, the New Long-Term Incentive Plan) or a resignation for "good reason," all then unvested shares of restricted stock shall vest. The compensation committee of the Board of Directors of Reorganized AWI will determine the treatment of unvested restricted stock awards in the event of any other termination. Shares of restricted stock will be held by Reorganized AWI and will be released and delivered to the employee as the shares of restricted stock vest.

Stock Options. The initial awards of stock options will each have a term of ten years and an exercise price per share equal to the fair market value of a share of common stock of Reorganized AWI (as determined for purposes of the Plan – *i.e.*, $30.00 per share) as of the Effective Date. The initial stock options will vest in the ordinary course in one-third increments on the second, third, and fourth anniversaries of the Effective Date, subject to continued employment through the relevant vesting date; *provided, however*, that (i) upon retirement or a resignation without "good reason" (as defined in any applicable employment or individual change in control agreement), all then unvested stock options shall be immediately forfeited, and (ii) upon a change in control of Reorganized AWI (as defined in any applicable individual change in control agreement or, if none applies, the New Long-Term Incentive Plan) or a resignation for good reason, all outstanding stock options will fully vest. The compensation committee of the Board of Directors of Reorganized AWI will determine the treatment of unvested stock options in the event of any other termination unless such treatment is specified in an employment agreement.

Reserve of Common Stock for Potential Issuance in the Future. In addition, the New Long-Term Incentive Plan provides that an additional five percent (5%) of the shares of Reorganized AWI's common stock on a fully diluted basis will be reserved for potential issuance (in the form of restricted stock or stock options) in the future. The issuance of such additional benefits, however, will be at the sole discretion of the Board of Directors of Reorganized AWI and

the compensation committee of the Board of Directors, and nothing in the New Long-Term Incentive Plan requires that the Board of Directors or the compensation committee ever approve such additional benefits.

D. Management Contracts.

On the Effective Date, all employment contracts between AWI and any employee of AWI who was employed by AWI as of the date immediately preceding the Effective Date (including, without limitation, any offer letters issued to any such employees to the extent such offer letters are not superseded by formal employment contracts) will be deemed assumed by Reorganized AWI. The existing employment agreement for Mr. Lockhart, the Chief Executive Officer of Reorganized AWI, previously was assumed by AWI pursuant to an order of the Bankruptcy Court, and such agreement will continue in effect after the Effective Date. In addition, AWI entered into an employment agreement with Mr. Galbato with Bankruptcy Court approval. Also, AWI entered into change in control severance agreements with certain executives pursuant to Bankruptcy Court approval, and such agreements will continue in effect after the Effective Date.

E. Amendment and Restatement of AWI's Articles of Incorporation and By-Laws.

The Articles of Incorporation of AWI will be amended and restated as of the Effective Date in substantially the form of the Amended and Restated Articles of Incorporation attached as Exhibit "1.13" to the Plan, *inter alia*, (a) to prohibit the issuance of nonvoting equity securities as required by section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such Amended and Restated Articles of Incorporation as permitted by applicable law, and (b) to authorize 215 million (215,000,000) shares of capital stock of which (i) 200 million (200,000,000) shares will be shares of common stock, (A) of which approximately 56.4 million (56,400,000) shares will be New Common Stock issued under the Plan, (B) a portion of which will be reserved for issuance upon exercise of the New Warrants, and (C) the remainder of which will be reserved for future issuance, and (ii) 15 million (15,000,000) shares will be preferred stock of Reorganized AWI, with such rights, preferences and privileges as may be determined by the Board of Directors of Reorganized AWI.

The By-Laws of AWI will be amended and restated as of the Effective Date in substantially the form of the Amended and Restated By-Laws attached as Exhibit "1.14" to the Plan.

IX. EXEMPTIONS FROM SECURITIES ACT REGISTRATION

Holders of Allowed Claims in Classes 6 and 8 and AWWD, the holder of the Equity Interests in Class 12, will receive Plan Securities pursuant to the Plan. Section 1145 of the Bankruptcy Code provides that the securities registration requirements of federal and state securities laws do not apply to the offer or sale of stock, warrants, or other securities by a debtor if (i) the offer or sale occurs under a plan of reorganization; (ii) the recipients of securities hold a claim against, an interest in, or claim for administrative expense against the debtor; and (iii) the securities are issued in exchange for a claim against or interest in a debtor or are reissued principally in such exchange and partly for cash and property. In reliance upon this exemption, the issuance of the Plan Securities on the Effective Date as provided in the Plan generally will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "***Securities Act***"). Accordingly, such securities may be resold without registration under the Securities Act or other federal securities laws pursuant to an exemption provided by section 4(1) of the Securities Act, unless the holder is an "underwriter" (*see* discussion below) with respect to such securities, as that term is defined in the Bankruptcy Code. In addition, such securities generally may be resold without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the several states. Recipients of securities issued under the Plan, however, are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

Section 1145(b)(1) of the Bankruptcy Code defines "***underwriter***" for purposes of the Securities Act as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer," (i) purchases a claim against, an interest in, or claim for an administrative expense, with a view to distribution of any security to be received in exchange for the claim or interest; (ii) offers to sell securities issued under a plan to the holders of such securities; (iii) offers to buy securities issued under a plan from the holders of such securities, if the offer to buy is made with a view to distribution of such securities and under an agreement made in connection with the plan, the consummation of the plan, or the offer or sale of securities under the plan; or (iv) is an issuer of the securities within the meaning of section 2(11) of the Securities Act.

The term "***issuer***" is defined in section 2(4) of the Securities Act; however, the reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. "***Control***" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "***control person***" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of the securities of a reorganized debtor may be presumed to be a "control person." AWI does not believe that any entity other than the Asbestos PI Trust will be considered a control person of Reorganized AWI.

To the extent that persons deemed to be "underwriters" receive Plan Securities pursuant to the Plan, resales by such persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Entities deemed to be statutory underwriters for purposes of section 1145 of the Bankruptcy Code may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 and Rule 144A under the Securities Act.

Under certain circumstances, holders of Plan Securities deemed to be "underwriters" may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144. Generally, Rule 144 provides that, if certain conditions are met (*e.g.*, the availability of current public information with respect to the issuer, volume of sale limitations, and notice and manner of sale requirements), specified persons who resell "restricted securities" or who resell securities which are not restricted but such persons are "affiliates" of the issuer of the securities sought to be resold, will not be deemed to be "underwriters" as defined in section 2(11) of the Securities Act.

Pursuant to the Plan, certificates evidencing Plan Securities received by a holder of ten percent (10%) or more of the outstanding New Common Stock will bear a legend substantially in the form below in the event that AWI reasonably believes such holder is an underwriter:

> **THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE, OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.**

Any person or entity that would receive legended securities as provided above may instead receive certificates evidencing Plan Securities without such legend if, prior to the Effective Date, such person or entity delivers to Reorganized AWI (i) an opinion of counsel reasonably satisfactory to Reorganized AWI to the effect that the Plan Securities to be received by such person or entity are not subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act and (ii) a certification that such person or entity is not an "underwriter" within the meaning of section 1145 of the Bankruptcy Code.

Any holder of a certificate evidencing Plan Securities bearing such legend may present such certificate to the transfer agent for the shares of Reorganized AWI for exchange for one or more new certificates not bearing such legend or for transfer to a new holder without such legend at such time as (i) such shares are sold pursuant to an effective registration statement under the Securities Act, or (ii) such holder delivers to Reorganized AWI an opinion of counsel reasonably satisfactory to Reorganized AWI to the effect that such shares are no longer subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act or to the effect that such transfer is exempt from registration under the Securities Act, in which event the certificate issued to the transferee shall not bear such legend, unless otherwise specified in such opinion.

Whether or not any particular person would be deemed to be an "underwriter" of Plan Securities to be issued pursuant to the Plan, or an "affiliate" of Reorganized AWI, would depend upon various facts and circumstances applicable to that person. Accordingly, AWI expresses no view as to whether any such person (other than the Asbestos PI Trust) would be such an "underwriter" or an "affiliate."

In view of the complex, subjective nature of the question of whether a particular person may be an underwriter or an affiliate of Reorganized AWI, AWI makes no representations concerning the right of any person to trade in Plan Securities. Accordingly, AWI recommends that potential recipients of Plan Securities consult their own counsel concerning whether they may freely trade such securities.

A. Stockholder and Registration Rights Agreement.

Reorganized AWI and the Asbestos PI Trust will enter into an agreement substantially in the form of Exhibit "1.109" to the Plan (the "***Stockholder and Registration Rights Agreement***"), which will provide for (i) rights of minority shareholders in connection with certain transactions undertaken by the Asbestos PI Trust; (ii) rights of the Asbestos PI Trust with respect to registrations of the Plan Notes, if they are issued under the Plan; and (iii) rights of the Asbestos PI Trust with respect to registrations of the New Common Stock. The Asbestos PI Claimants' Committee and the Future Claimants' Representative have requested other provisions in the Stockholder and Registration Rights Agreement to protect the rights of the Asbestos PI Trust, which currently are under discussion.

1. Registration Rights of the Asbestos PI Trust with Respect to the Plan Notes.

Pursuant to the Stockholder and Registration Rights Agreement, the Asbestos PI Trust will be granted, among other things, the right to "demand" registrations with respect to the Plan Notes. The Asbestos PI Trust, however, will not be permitted to demand registration of less than $100 million in aggregate principal amount of Plan Notes (or such

lesser amount that the Asbestos PI Trust may hold at such time), and, subject to any obligation of Reorganized AWI to file a shelf registration statement with respect to the Plan Notes, Reorganized AWI will not be required to effect more than one demand registration in any nine-month period.

The Stockholder and Registration Rights Agreement also will provide that Reorganized AWI will have the customary right to refuse a demand registration under certain circumstances and for limited periods of time; that Reorganized AWI will bear the costs and expenses associated with any registration; and will include such other customary terms, provisions, representations, and warranties typically contained in registration rights agreements, including indemnification and contribution rights.

2. Registration Rights of the Asbestos PI Trust with Respect to the New Common Stock.

In addition, pursuant to the Stockholder and Registration Rights Agreement, the Asbestos PI Trust will be granted registration rights with respect to its shares of New Common Stock. These registration rights will include the right to "demand" registrations and unlimited "piggyback" rights with respect to registrations by Reorganized AWI of its common stock.

As with the registration rights relating to the Plan Notes, the Stockholder and Registration Rights Agreement will provide that Reorganized AWI will have the customary right to refuse a demand registration under certain circumstances and for limited periods of time; that Reorganized AWI will bear the costs and expenses associated with any registration; and include such other customary terms, provisions, representations, and warranties typically contained in registration rights agreements, including indemnification and contribution rights.

3. Minority Protections under the Stockholder and Registration Rights Agreement.

Pursuant to the Stockholder and Registration Rights Agreement, under certain circumstances, the holders of the New Common Stock other than the Asbestos PI Trust will have the right to participate in certain transactions with the Asbestos PI Trust. These "tagalong" provisions are intended to ensure that the Asbestos PI Trust does not transfer a substantial block of stock ownership without affording the minority holders the right to participate in such transaction.

B. Issuance of New Warrants.

If Class 6 votes to reject the Plan, the New Warrants will be issued by Reorganized AWI with respect to the Asbestos Personal Injury Claims, but the Plan provides that such claimants have waived on behalf of themselves and the Asbestos PI Trust any right to the New Warrants and that Reorganized AWI will issue the New Warrants, without any action by, or any direction by, the Asbestos PI Trust or the Asbestos PI Trustees, to Holdings (as the successor to AWWD under the Holdings Plan of Liquidation) or to AWWD (if the Holdings Plan of Liquidation has not been approved by the time of the issuance of the New Warrants). AWI will seek a determination in the Confirmation Order that the issuance of the New Warrants by Reorganized AWI to Holdings or AWWD, as applicable, in accordance with the provisions of the Plan will not be subject to registration under the Securities Act, inasmuch as Reorganized AWI will be issuing the New Warrants directly to the holder of AWI's equity under the Plan.

X. REORGANIZATION VALUE

AWI has been advised by Lazard, its financial advisor, with respect to the reorganization value of Reorganized AWI on a going concern basis. Solely for purposes of the Plan, the estimated range of reorganization value of Reorganized AWI was assumed to be approximately $2,400 million to $3,000 million (with a midpoint value of $2,700 million) as of an assumed Effective Date of July 1, 2003. Although the Effective Date is likely to be November 1, 2003 or thereafter, AWI believes that an Effective Date as late as December 31, 2003 will not have a material effect on the projections. This estimated reorganization value includes $300 million associated with a tax net operating loss carryforward that is created as part of the Plan. Lazard's estimate of a range of enterprise values does not constitute an opinion as to fairness from a financial point of view of the consideration to be received under the Plan or of the terms and provisions of the Plan.

THE ASSUMED RANGE OF THE REORGANIZATION VALUE, AS OF AN ASSUMED EFFECTIVE DATE OF JULY 1, 2003, REFLECTS WORK PERFORMED BY LAZARD ON THE BASIS OF INFORMATION IN RESPECT OF THE BUSINESS AND ASSETS OF AWI AVAILABLE TO LAZARD AS OF MAY 9, 2003. IT SHOULD BE UNDERSTOOD THAT, ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY AFFECT LAZARD'S CONCLUSIONS, LAZARD DOES NOT HAVE ANY OBLIGATION TO UPDATE, REVISE OR REAFFIRM ITS ESTIMATE.

Based upon the assumed range of the reorganization value of Reorganized AWI of between $2,400 million and $3,000 million and an assumed total debt of $972 million (including $775 million aggregate principal amount of Plan Notes, $124 million of debt outstanding under the exit facility, and $73 million in other reinstated debt), Lazard has employed an imputed estimate of the range of equity value for Reorganized AWI between $1,429 million and $2,029 million, with a mid-point value of $1,729 million. Equity to be distributed to the Asbestos PI Trust and the holder of Unsecured Claims, net of an estimated $35-40 million value for the New Warrants, will be in a range between $1,391 million and $1,991 million, with a mid-point value of $1,691 million. Assuming a distribution of approximately 56.4 million shares of Reorganized AWI Common Stock pursuant to the Plan, the imputed estimate of the range of Equity Values on a per share basis for Reorganized AWI is between $24.66 and $35.30 per share, with a midpoint value of $30.00 per share. The Equity Value of $30.00 on a per share basis does not give effect to the potentially dilutive impact of any restricted stock or options to be issued or granted pursuant to the New Long-Term Incentive Plan. *See* Section VIII.C, entitled, "MANAGEMENT OF REORGANIZED AWI – Incentive Compensation Plans and the New Long-Term Incentive Plan."

The foregoing estimate of the reorganization value of Reorganized AWI is based on a number of assumptions, including a successful reorganization of AWI's business and finances in a timely manner, the implementation of Reorganized AWI's business plan, the achievement of the forecasts reflected in the Projected Financial Information, access to adequate exit financing, the continuing leadership of the existing management team, market conditions as of December 16, 2002 continuing through the assumed Effective Date of July 1, 2003, and the Plan becoming effective in accordance with the estimates and other assumptions discussed herein.

With respect to the Projected Financial Information prepared by the management of AWI and included in the Financial Appendix that is Exhibit "C" to this Disclosure Statement, Lazard assumed that such Projected Financial Information has been reasonably prepared in good faith and on a basis reflecting the best currently available estimates and judgments of AWI as to the future operating and financial performance of Reorganized AWI. Lazard's estimate of a range of reorganization values assumes that operating results projected by AWI will be achieved by Reorganized AWI in all material respects, including revenue growth and improvements in operating margins, earnings and cash flow. Certain of the results forecast by the management of AWI are materially better than the recent historical results of operations of AWI. As a result, to the extent that the estimate of enterprise values is dependent upon Reorganized AWI performing at the levels set forth in the Projected Financial Information, such analysis must be considered speculative. If the business performs at levels below those set forth in the Projected Financial Information, such performance may have a material impact on the Projected Financial Information and on the estimated range of values derived therefrom.

IN ESTIMATING THE RANGE OF THE REORGANIZATION VALUE AND EQUITY VALUE OF REORGANIZED AWI, LAZARD

- REVIEWED CERTAIN HISTORICAL FINANCIAL INFORMATION OF AWI FOR RECENT YEARS AND INTERIM PERIODS;

- REVIEWED CERTAIN INTERNAL FINANCIAL AND OPERATING DATA OF AWI, INCLUDING THE PROJECTED FINANCIAL INFORMATION, WHICH WAS PREPARED AND PROVIDED TO LAZARD BY AWI'S MANAGEMENT AND WHICH RELATE TO AWI'S BUSINESS AND ITS PROSPECTS;

- MET WITH CERTAIN MEMBERS OF SENIOR MANAGEMENT OF AWI TO DISCUSS AWI'S OPERATIONS AND FUTURE PROSPECTS;

- REVIEWED PUBLICLY AVAILABLE FINANCIAL DATA AND CONSIDERED THE MARKET VALUE OF PUBLIC COMPANIES THAT LAZARD DEEMED GENERALLY COMPARABLE TO THE OPERATING BUSINESS OF AWI;

- CONSIDERED RELEVANT PRECEDENT TRANSACTIONS IN THE BUILDING PRODUCTS INDUSTRY;

- CONSIDERED CERTAIN ECONOMIC AND INDUSTRY INFORMATION RELEVANT TO THE OPERATING BUSINESS; AND

- CONDUCTED SUCH OTHER STUDIES, ANALYSIS, INQUIRIES, AND INVESTIGATIONS AS IT DEEMED APPROPRIATE

ALTHOUGH LAZARD CONDUCTED A REVIEW AND ANALYSIS OF AWI'S BUSINESS, OPERATING ASSETS AND LIABILITIES, AND REORGANIZED AWI'S BUSINESS PLANS, IT ASSUMED AND RELIED ON THE ACCURACY AND COMPLETENESS OF ALL FINANCIAL AND OTHER INFORMATION FURNISHED TO IT BY AWI, AS WELL AS PUBLICLY AVAILABLE INFORMATION. IN ADDITION, LAZARD DID NOT INDEPENDENTLY VERIFY MANAGEMENT'S PROJECTIONS IN CONNECTION WITH SUCH ESTIMATES OF THE REORGANIZATION VALUE AND EQUITY VALUE, AND NO INDEPENDENT VALUATIONS OR APPRAISALS OF AWI WERE SOUGHT OR OBTAINED IN CONNECTION HEREWITH.

ESTIMATES OF THE REORGANIZATION VALUE AND EQUITY VALUE DO NOT PURPORT TO BE APPRAISALS OR NECESSARILY REFLECT THE VALUES THAT MAY BE REALIZED IF ASSETS ARE SOLD AS A GOING CONCERN, IN LIQUIDATION, OR OTHERWISE.

IN THE CASE OF REORGANIZED AWI, THE ESTIMATES OF THE REORGANIZATION VALUE PREPARED BY LAZARD REPRESENT THE HYPOTHETICAL REORGANIZATION VALUE OF REORGANIZED AWI. SUCH ESTIMATES WERE DEVELOPED SOLELY FOR PURPOSES OF THE FORMULATION AND NEGOTIATION OF THE PLAN AND THE ANALYSIS OF IMPLIED RELATIVE RECOVERIES TO CREDITORS THEREUNDER. SUCH ESTIMATES REFLECT COMPUTATIONS OF THE RANGE OF THE ESTIMATED REORGANIZATION ENTERPRISE VALUE OF REORGANIZED AWI THROUGH THE APPLICATION OF VARIOUS VALUATION TECHNIQUES AND DO NOT PURPORT TO REFLECT OR CONSTITUTE APPRAISALS, LIQUIDATION VALUES OR ESTIMATES OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN, WHICH MAY BE SIGNIFICANTLY DIFFERENT THAN THE AMOUNTS SET FORTH HEREIN.

THE VALUE OF AN OPERATING BUSINESS IS SUBJECT TO NUMEROUS UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT TO PREDICT AND WILL FLUCTUATE WITH CHANGES IN FACTORS AFFECTING THE FINANCIAL CONDITION AND PROSPECTS OF SUCH A BUSINESS. AS A RESULT, THE ESTIMATE OF THE RANGE OF THE REORGANIZATION ENTERPRISE VALUE OF REORGANIZED AWI SET FORTH HEREIN IS NOT NECESSARILY INDICATIVE OF ACTUAL OUTCOMES, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE SET FORTH HEREIN. BECAUSE SUCH ESTIMATES ARE INHERENTLY SUBJECT TO UNCERTAINTIES, NEITHER AWI, LAZARD, NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THEIR ACCURACY. IN ADDITION, THE VALUATION OF NEWLY ISSUED SECURITIES IS SUBJECT TO ADDITIONAL UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT. ACTUAL MARKET PRICES OF SUCH SECURITIES AT ISSUANCE WILL DEPEND UPON, AMONG OTHER THINGS, PREVAILING INTEREST RATES, CONDITIONS IN THE FINANCIAL MARKETS, THE ANTICIPATED INITIAL SECURITIES HOLDINGS OF PREPETITION

CREDITORS, SOME OF WHICH MAY PREFER TO LIQUIDATE THEIR INVESTMENT RATHER THAN HOLD IT ON A LONG-TERM BASIS, AND OTHER FACTORS WHICH GENERALLY INFLUENCE THE PRICES OF SECURITIES.

Valuation Methodology Lazard performed a variety of analyses and considered a variety of factors in preparing the valuation of AWI. While several generally accepted valuation techniques for estimating AWI's enterprise value were used, Lazard primarily relied on three methodologies: comparable public company analysis, discounted cash flow analysis, and precedent transactions analysis. Lazard placed different weights on each of these analyses and made judgments as to the relative significance of each analysis in determining AWI's indicated enterprise value range. Lazard's valuation must be considered as a whole, and selecting just one methodology or portions of the analyses, without considering the analyses as a whole, could create a misleading or incomplete conclusion as to AWI's enterprise value.

In preparing its valuation estimate, Lazard performed a variety of analyses and considered a variety of factors, some of which are described herein. The following summary does not purport to be a complete description of the analyses and factors undertaken to support Lazard's conclusions. The preparation of a valuation is a complex process involving various determinations as to the most appropriate analyses and factors to consider, as well as the application of those analyses and factors under the particular circumstances. As a result, the process involved in preparing a valuation is not readily summarized.

Comparable Public Company Analysis. A comparable public company analysis estimates value based on a comparison of the target company's financial statistics with the financial statistics of public companies that are similar to the target company. It establishes a benchmark for asset valuation by deriving the value of "comparable" assets, standardized using a common variable such as revenues, earnings, and cash flows. The analysis includes a detailed multi-year financial comparison of each company's income statement, balance sheet, and cash flow statement. In addition, each company's performance, profitability, margins, leverage, and business trends are also examined. Based on these analyses, a number of financial multiples and ratios are calculated to gauge each company's relative performance and valuation.

A key factor to this approach is the selection of companies with relatively similar business and operational characteristics to the target company. Criteria for selecting comparable companies include, among other relevant characteristics, similar lines of businesses, business risks, target market segments, growth prospects, maturity of businesses, market presence, size, and scale of operations. The selection of truly comparable companies is often difficult and subject to interpretation. However, the underlying concept is to develop a premise for relative value, which, when coupled with other approaches, presents a foundation for determining firm value.

In performing the Comparable Public Company Analysis, the following publicly traded companies deemed generally comparable to AWI in some or all of the factors described above, were selected: American Woodmark, [illegible] Decker, Elkcorp, Interface, [illegible] Mohawk, and NCI Building Systems. Lazard excluded several building products manufacturers that were deemed not comparable because of size, specific product comparability and/or status of comparable companies (*e.g.*, currently in a chapter 11). Lazard analyzed the current trading value for the comparable companies as a multiple of the latest twelve months' revenue, earnings before interest, taxes, depreciation, and amortization ("***EBITDA***"), and earnings before interest and taxes ("***EBIT***"). These multiples were then applied to AWI's fiscal year end 2002 financial results (9 months actual and 3 months forecast) to determine the range of enterprise value.

Discounted Cash Flow Approach. The discounted cash flow ("***DCF***") valuation methodology relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. The DCF methodology is a "forward looking" approach that discounts the expected future cash flows by a theoretical or observed discount rate determined by calculating the average cost of debt and equity for publicly traded companies that are similar to AWI. The expected future cash flows have two components: the present value of the projected unlevered after-tax free cash flows for a determined period and the present value of the terminal value of cash flows (representing firm value beyond the time horizon of the projections). Lazard's

discounted cash flow valuation is based on a five-year projection of AWI's operating results. Lazard discounted the projected cash flows using AWI's estimated weighted average cost of capital and calculated the terminal value of AWI using both EBITDA multiple and perpetual growth methodologies.

This approach relies on the company's ability to project future cash flows with some degree of accuracy. Because AWI's projections reflect significant assumptions made by AWI's management concerning anticipated results, the assumptions and judgments used in the Projected Financial Information may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized. Lazard cannot and does not make any representations or warranties as to the accuracy or completeness of AWI's projections.

Precedent Transactions Analysis. Precedent Transactions Analysis estimates value by examining public merger and acquisition transactions. An analysis of the disclosed purchase price as a multiple of various operating statistics reveals industry acquisition multiples for companies in similar lines of businesses to AWI. These transaction multiples are calculated based on the purchase price (including any debt assumed) paid to acquire companies that are comparable to AWI. Lazard specifically focused on prices paid as a multiple of Revenue, EBITDA, and EBIT in determining a range of values for AWI. These multiples are then applied to AWI's key operating statistics to determine the total enterprise value or value to a potential strategic buyer.

Unlike the comparable Public Company Analysis, the valuation in this methodology includes a "control" premium, representing the purchase of a majority or controlling position in a company's assets. Thus, this methodology generally produces higher valuations than the comparable Public Company Analysis. Other aspects of value that manifest itself in a precedent transaction analysis include the following:

- Circumstances surrounding a merger transaction may introduce "diffusive quantitative results" into the analysis (*e.g.*, an additional premium may be extracted from a buyer in the case of a competitive bidding contest).

- The market environment is not identical for transactions occurring at different periods of time.

- Circumstances pertaining to the financial position of a company may have an impact on the resulting purchase price (*e.g.*, a company in financial distress may receive a lower price due to perceived weakness in its bargaining leverage).

As with the comparable Public Company Analysis, because no acquisition used in any analysis is identical to a target transaction, valuation conclusions cannot be based solely on quantitative results. The reasons for and circumstances surrounding each acquisition transaction are specific to such transaction, and there are inherent differences between the businesses, operations, and prospects of each. Therefore, qualitative judgments must be made concerning the differences between the characteristics of these transactions and other factors and issues that could affect the price an acquirer is willing to pay in an acquisition. The number of completed transactions for which public data is available also limits this analysis. Because the Precedent Transaction Analysis explains other aspects of value besides the inherent value of a company, there are limitations as to its use in AWI's valuation.

THE ESTIMATES OF THE REORGANIZATION VALUE AND EQUITY VALUE DETERMINED BY LAZARD REPRESENT ESTIMATED REORGANIZATION VALUES AND DO NOT REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE IMPUTED ESTIMATE OF THE RANGE OF THE REORGANIZATION EQUITY VALUE OF REORGANIZED AWI ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST-REORGANIZATION MARKET TRADING VALUE. ANY SUCH TRADING VALUE MAY BE MATERIALLY DIFFERENT FROM THE IMPUTED ESTIMATE OF THE REORGANIZATION EQUITY VALUE RANGE FOR REORGANIZED AWI ASSOCIATED WITH LAZARD'S VALUATION ANALYSIS.

XI. RISK FACTORS

HOLDERS OF CLAIMS AGAINST AWI SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR REFERRED TO HEREIN BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION. IN ADDITION, HOLDERS OF CLAIMS AGAINST AWI SHOULD CONSULT AWI'S MOST RECENT ANNUAL REPORT ON FORM 10-K AND QUARTERLY REPORT ON FORM 10-Q FOR GENERAL RISK FACTORS RELATING TO AWI AND THE BUSINESS IN WHICH IT OPERATES.

A. Overall Risks to Recovery by Holders of Claims.

The ultimate recoveries under the Plan to holders of Claims (other than holders whose entire Distribution is paid in cash) depend upon the realizable value of the Plan Notes (if issued) and the New Common Stock, which are subject to a number of material risks, including, but not limited to, those specified below. The factors below assume that the Plan is confirmed and that the Effective Date occurs on or about July 1, 2003. Prior to voting on the Plan, each holder of a Claim should consider carefully the risk factors specified or referred to below, including the exhibits annexed hereto, as well as all of the information contained in the Plan.

1. Ability to Refinance Certain Indebtedness.

Following the Effective Date of the Plan, AWI's working capital borrowings and letters of credit requirements are anticipated to be funded under a new credit facility. *See* Section V.F, entitled, "THE PLAN OF REORGANIZATION – Exit Facility." Obtaining such a credit facility is a condition precedent to the Effective Date. There can be no assurance, however, that Reorganized AWI will be able to obtain financing for such facility to fund future working capital borrowings and letters of credit, or that financing, if obtained, would be on terms as favorable to Reorganized AWI. Furthermore, if the Plan Notes are issued, there can be no assurance that Reorganized AWI will be able to refinance the Plan Notes upon their maturity should such a need arise.

2. Ownership by the Asbestos PI Trust.

The Asbestos PI Trust will beneficially own more than 65% of the shares of the New Common Stock to be issued pursuant to the Plan. Accordingly, the Asbestos PI Trust will be in a position to control the outcome of actions requiring stockholder approval, including the election of the majority of directors. This concentration of ownership could also facilitate or hinder a negotiated change of control of Reorganized AWI, and, consequently, affect the value of the New Common Stock.

3. Dividend Policies.

AWI cannot anticipate whether Reorganized AWI will pay any dividends on the New Common Stock in the foreseeable future. In addition, covenants in certain debt instruments to which Reorganized AWI will be a party may limit the ability of Reorganized AWI to pay dividends.

4. Projected Financial Information.

The Projected Financial Information is dependent upon numerous assumptions, including confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of Reorganized AWI, conditions in the industries in which Reorganized AWI operates, certain assumptions with respect to competitors of Reorganized AWI, general business and economic conditions, and other matters, many of which are beyond the control of AWI. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the Projected Financial Information may affect the actual financial results of Reorganized AWI. Although AWI believes that the projections are reasonable and attainable, some or all of the estimates will vary, and variations between the actual financial results and those projected may be material. The Projected Financial Information also

assumes that Reorganized AWI will be rated "investment grade" (BBB- or better) by the Rating Agencies. If Reorganized AWI is rated BB+ or lower by the Rating Agencies, the interest rate payable on the Plan Notes (if issued) or any other debt incurred by Reorganized AWI will be higher, and AWI's cash flow will be adversely affected.

5. Value of Consideration to Be Distributed under the Plan.

In estimating the value of distributions under the Plan, AWI has assumed that (i) cash has a value equal to its face amount; (ii) the Plan Notes have a value equal to their face amount; (iii) the New Warrants have an aggregate value of $35-40 million, or $11.80 to $13.48 per New Warrant (with a midpoint of $12.64 per warrant); and (iv) the New Common Stock will have an aggregate value of approximately $1.691 billion, or $30.00 a share. There is no assurance that such assumed values can be obtained.

B. The Asbestos PI Permanent Channeling Injunction.

The Asbestos PI Permanent Channeling Injunction, which, *inter alia*, bars the assertion of "future" Asbestos Personal Injury Claims against AWI and the other PI Protected Parties, is the cornerstone of the Plan. As described in Section VI.C, entitled, "THE ASBESTOS PI TRUST — The Asbestos PI Permanent Channeling Injunction," in 1994 the United States Congress added subsections (g) and (h) to section 524 of the Bankruptcy Code in order to confirm the authority of the Bankruptcy Court, subject to the conditions specified therein, to issue injunctions such as the Asbestos PI Permanent Channeling Injunction with respect to present and future asbestos-related personal injury claims and demands. Although the Plan, the Asbestos PI Trust Agreement, and the Asbestos PI Trust Distribution Procedures all have been drafted with the intention of complying with section 524(g)-(h) of the Bankruptcy Code, and satisfaction of the conditions imposed by section 524(g)-(h) is a condition precedent to confirmation of the Plan, there is no guarantee that the validity and enforceability of the Asbestos PI Permanent Channeling Injunction or section 524(g)-(h) or the application of the Asbestos PI Permanent Channeling Injunction to Asbestos Personal Injury Claims will not be challenged, either before or after confirmation of the Plan. Although AWI believes adequate bases exist for the courts to uphold section 524(g)-(h) and the Asbestos PI Permanent Channeling Injunction, there can be no assurance that, in the future, courts might not invalidate all or a portion of section 524(g)-(h) or the Asbestos PI Permanent Channeling Injunction.

C. Absence of Public Market for the Plan Notes, New Common Stock, and New Warrants.

There can be no assurance that the Plan Notes, New Common Stock and/or New Warrants will be listed or traded on an established trading market. As a result, there can be no assurance that the secondary markets for the Plan Notes, New Common Stock, and New Warrants will be liquid.

D. Certain Provisions of AWI's Amended and Restated Articles of Incorporation, By-Laws and the Pennsylvania Business Corporation Law.

AWI's Amended and Restated Articles of Incorporation and By-Laws, as well as the Pennsylvania BCL, contain provisions that may have the effect of delaying, deterring, or preventing a change in control of AWI.

XII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to AWI and to certain holders of Claims. The following summary does not discuss the federal income tax consequences to (i) holders whose Claims are entitled to reinstatement or payment in full in cash or are otherwise unimpaired under the Plan (such as an Administrative Expense Creditor and holders of Priority Claims, Secured Claims, COLI Claims, Affiliate Claims, and Subsidiary Debt Guarantee Claims); (ii) holders of Environmental Claims (the distributions to which will be governed by their respective settlement agreements); or (iii) holders of Equity Interests.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "***Internal Revenue Code***"), Treasury Regulations promulgated thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service ("***IRS***") as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. AWI has not requested an opinion of counsel with respect to any of the tax aspects of the Plan and, other than as involves the Asbestos PI Trust, does not currently intend to seek a ruling from the IRS concerning any of the tax aspects of the Plan. There is no assurance, however, that a ruling, even though requested, will be obtained. In addition, this summary does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, and investors in pass-through entities).

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE TO THEM UNDER THE PLAN.

A. Consequences to AWI.

For federal income tax purposes, AWI is a member of an affiliated group of corporations of which Holdings is the common parent (the "***Holdings Group***") and joins in the filing of a consolidated federal income tax return. The Holdings Group does not currently have a consolidated net operating loss ("***NOL***") carryforward. However, as discussed below, AWI expects to incur a substantial NOL (a portion of which would be carried back to obtain a refund of taxes paid in prior years) for the taxable year that includes the Effective Date as a result of the funding of the Asbestos PI Trust on the Effective Date. *See* Exhibit "C," Financial Appendix, which assumes that the Asbestos PI Trust is funded on the Effective Date in accordance with sections 7.8(b) and 7.16(e) of the Plan. Although the Plan provides that the execution of the Asbestos PI Trust Agreement is an express condition to the effectiveness of the Plan, this condition (like all Effective Date conditions) can be waived by AWI with the written consent of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and if Class 6 accepts the Plan, the Unsecured Creditors' Committee. If waived, the funding of the Asbestos PI Trust would not occur until after the Effective Date in a subsequent taxable year, with the result that the amount of the tax refund obtainable by AWI would be significantly reduced. Accordingly, the following discussion assumes that AWI does not waive this condition.

AWI also has substantial tax basis in its assets. As discussed below, any NOLs of AWI will be reduced as a result of the implementation of the Plan, and the tax basis of AWI's depreciable assets also may be reduced.

1. Cancellation of Debt.

The Internal Revenue Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes – such as NOLs, excess tax credits, and tax basis in assets – by the amount of any cancellation of debt ("***COD***"). COD

is the amount by which the indebtedness discharged exceeds any consideration given in exchange therefor, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD (such as where the payment of the cancelled debt would have given rise to a tax deduction). Where a debtor joins in the filing of a consolidated federal income tax return, it is unclear whether the reduction in NOLs and other consolidated tax attributes occurs on a group basis or instead on a separate company basis (although, in the present case, only AWI is expected to have any NOLs to reduce). To the extent the amount of COD exceeds the tax attributes available for reduction, the excess COD is simply forgiven. If advantageous, a debtor can elect to reduce the basis of depreciable property prior to any reduction in its NOLs or other tax attributes.

As a result of the discharge of Claims pursuant to the Plan, AWI likely will realize substantial COD. The extent of such COD and the resulting tax attribute reduction will depend, in part, on the value of the New Common Stock. Based on the estimated reorganization value of Reorganized AWI (*see* Section X, entitled, "REORGANIZATION VALUE," above), AWI expects to incur approximately $668 million of COD with a corresponding reduction in its NOL for the taxable year (or, at Reorganized AWI's election, the tax basis of its depreciable assets).

2. Limitation on NOL Carryforwards and Other Tax Attributes.

Following the implementation of the Plan, the availability of the remaining portion of any NOLs and possibly certain other tax attributes of AWI allocable to periods prior to the Effective Date to offset future taxable income will be subject to the limitations imposed by section 382 of the Internal Revenue Code.

(a) General Limitation.

Under section 382, if a corporation undergoes an "ownership change," the amount of its pre-change losses that may be utilized to offset future taxable income is, in general, subject to an annual limitation. Such limitation also may apply to certain losses or deductions which are "built-in" (*i.e.*, economically accrued but unrecognized) as of the date of the ownership change that are subsequently recognized. The issuance of the New Common Stock pursuant to the Plan will constitute an ownership change of AWI.

In general, the amount of the annual limitation to which a corporation would be subject is equal to the product of (i) the fair market value of the stock of the corporation immediately before the ownership change (with certain adjustments) multiplied by (ii) the "long-term tax-exempt rate" in effect for the month in which the ownership change occurs (4.58% for ownership changes occurring in May 2003). For a corporation in bankruptcy that undergoes the ownership change pursuant to a confirmed plan, the stock value generally is determined immediately *after* (rather than before) the ownership change, and certain adjustments that ordinarily would apply do not apply.

Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. If the corporation, however, does not continue its historic business or use a significant portion of its assets in a new business for two years after the ownership change, the annual limitation resulting from the ownership change is zero.

If a loss corporation has a "net unrealized built-in loss" at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then any built-in losses recognized during the following five years (up to the amount of the original net built-in loss) generally will be treated as pre-change losses and similarly will be subject to the annual limitation. Conversely, if the loss corporation has a "net unrealized built-in gain" at the time of an ownership change, any built-in gains recognized during the following five years (up to the amount of the original net built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation would be permitted to use its pre-change losses (including recognized built-in losses) against such built-in gain income in addition to its regular annual allowance. In general, a loss corporation's net unrealized built-in gain or loss will be deemed to be zero unless it is greater than the lesser of (i) $10 million and (ii) 15% of the fair market value of its assets (with certain adjustments) before the ownership change. In a consolidated return context, the determination of whether a loss corporation is in a net unrealized built-in gain or built-in loss position is sometimes made on a consolidated group (or subgroup) basis. Subject to certain interpretational issues, AWI anticipates that it will be in a net unrealized built-in gain position on the Effective Date.

(b) Special Bankruptcy Exception.

An exception to the foregoing annual limitation rules generally applies where the shareholders and/or qualified (so-called "old and cold") creditors of a debtor receive or retain, in respect of their claims or equity interests, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in bankruptcy) pursuant to a confirmed chapter 11 plan. Under this exception, a debtor's pre-change losses are not limited on an annual basis but, instead, are reduced by the amount of any interest deductions claimed during the three taxable years preceding the date of the reorganization, in respect of the debt converted into stock in the reorganization. Moreover, if this exception applies, any further ownership change of the debtor within a two-year period after the consummation of the chapter 11 plan will preclude the debtor's utilization of any NOLs and other losses existing at the time of the subsequent ownership change against future taxable income.

AWI anticipates that the receipt of New Common Stock by the holders of Allowed Unsecured Claims and the Asbestos PI Trust will qualify for this exception. Reorganized AWI may, if it so desires, elect not to have this exception apply and instead remain subject to the annual limitation described above. Such election would have to be made in Reorganized AWI's federal income tax return for the taxable year in which the Effective Date occurs. Because the Asbestos PI Trust will hold a majority of the New Common Stock and may choose to dispose of all or a significant portion of such stock within two years of the Effective Date, the projections in the Financial Appendix (Exhibit "C") conservatively assume that AWI will elect *not* to have this exception apply due to the possibility of another ownership change occurring within two years.

3. Alternative Minimum Tax.

In general, an alternative minimum tax ("***AMT***") is imposed on a corporation's alternative minimum taxable income at a 20% rate to the extent that such tax exceeds the corporation's regular federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. For example, a corporation is generally not allowed to offset more than 90% of its taxable income for AMT purposes by available NOL carryforwards. Recent legislation, however, provides for a temporary waiver of this limitation for AMT NOL carrybacks originating in years ending in 2001 or 2002, or NOL carryforwards to the 2001 and 2002 tax years.

In addition, if a corporation undergoes an "ownership change" within the meaning of section 382 and is in a net unrealized built-in loss position on the date of the ownership change, the corporation's aggregate tax basis in its assets would be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date. Although not entirely clear, it appears that the application of this provision would be unaffected by whether AWI qualifies for the special bankruptcy exception to the annual limitation (and built-in gain and loss) rules of section 382 discussed in the preceding section. As indicated above, AWI anticipates that it will be in a net unrealized built-in gain position on the Effective Date.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

4. Treatment of the Asbestos PI Trust.

The Asbestos PI Trust is intended to be a "qualified settlement fund" within the meaning of Treasury Regulation section 1.468B-1 *et seq.* In accordance with the Plan, AWI has requested a ruling from the IRS confirming such treatment with respect to the Asbestos PI Trust. Moreover, it is a condition to the effectiveness of the Plan (waivable by AWI, with appropriate consents) that a favorable ruling be obtained from the IRS with respect to the qualification of the Asbestos PI Trust as a "qualified settlement fund" or that AWI have received an opinion of counsel with respect to the tax status of the trust reasonably satisfactory to AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and if Class 6 approves the Plan, the Unsecured Creditors' Committee.

Assuming the Asbestos PI Trust is treated as a qualified settlement fund, AWI generally would be entitled to a current federal income tax deduction for all transfers of cash, stock, and other property (other than notes) to the

Asbestos PI Trust to the same extent it would have been entitled to a deduction if such amounts had been paid directly to the holder of an Asbestos Personal Injury Claim. AWI expects to transfer to the Asbestos PI Trust its share of the cash (other than any 144A Offering Proceeds) and the New Common Stock components of the Reorganization Consideration on the Effective Date. Accordingly, AWI expects to obtain a substantial tax deduction upon the funding of the Asbestos PI Trust on the Effective Date and, consequently, to have a substantial NOL for such taxable year (which, as discussed above, would be reduced by reason of the discharge of debt under the Plan and would be subject to limitation under Internal Revenue Code section 382). Reorganized AWI would only be entitled to a deduction with respect to any Plan Notes contributed to the Asbestos PI Trust as and when payments are made on such notes and, with respect to the Asbestos PI Trust's share of any 144A Offering Proceeds distributable in lieu of Plan Notes, at the time such proceeds are actually transferred to the Asbestos PI Trust. In addition, AWI generally will not be entitled to a deduction to the extent that the Asbestos PI Trust is funded through insurance proceeds or the transfer of AWI's rights under various insurance policies.

As a qualified settlement fund, the Asbestos PI Trust will be subject to a separate entity level tax at the maximum rate applicable to trusts and estates (currently 38.6%). In determining the taxable income of each trust, (a) any amounts transferred by AWI or Reorganized AWI to the trust (other than with respect to the accrual of interest on the Plan Notes or distributions with respect to the New Common Stock) will be excluded from the trust's income; (b) any sale, exchange, or distribution of property by the trust generally will result in the recognition of gain or loss in an amount equal to the difference between the fair market value of the property on the date of disposition and the adjusted tax basis of the trust in such property; and (c) administrative costs (including state and local taxes) incurred by the trust will be deductible. In general, the adjusted tax basis of property received by the Asbestos PI Trust pursuant to the Plan will be its fair market value at the time of such receipt.

B. Consequences to Holders of Unsecured Claims and Convenience Claims.

Pursuant to the Plan, in satisfaction and discharge of their Allowed Claims, holders of Allowed Unsecured Claims (other than Convenience Claims) will receive a combination of cash, New Common Stock, and Plan Notes (if issued), and holders of Convenience Claims will receive solely cash. In addition to their initial distribution on or about the Effective Date, holders of Allowed Unsecured Claims (other than Convenience Claims) may receive an additional distribution in the event (i) there is additional cash available for distribution as a result of subsequent insurance recoveries received by AWI with respect to Allowed Environmental Claims or (ii) any Disputed Unsecured Claim (other than a Convenience Claim) is subsequently disallowed or allowed in a lesser amount than the Disputed Claim Amount.

The federal income tax consequences of the Plan to a holder of an Unsecured Claim (other than a Convenience Claim) depend, in part, on whether such Claim and all or part of any Plan Notes issued under the Plan received by a holder of an Unsecured Claim constitute "securities" for federal income tax purposes. The term "security" is not defined in the Internal Revenue Code or the Treasury Regulations promulgated thereunder and has not been clearly defined by judicial decisions. The determination of whether a particular debt constitutes a "security" depends on an overall evaluation of the nature of the debt. One of the most significant factors considered in determining whether a particular debt is a security is its original term. In general, debt obligations issued with a maturity at issuance of five years or less (*e.g.*, trade debt and revolving credit obligations) do not constitute securities, whereas debt obligations with a maturity at issuance of ten years or more constitute securities. The maturity of the Plan Notes, if issued, has not yet been established, but will be at least five years and no more than ten years. Each holder of a Claim is urged to consult its tax advisor regarding the status of its Claim and the Plan Notes as "securities" for federal income tax purposes.

1. Gain or Loss – Generally.

In general, each holder of an Allowed Unsecured Claim (including a Convenience Claim) that is not a "security" for federal income tax purposes will recognize gain or loss in an amount equal to the difference between (i) the sum of the amount of any cash, the "issue price" of any Plan Notes (which is intended to be their face amount) and the fair market value of any New Common Stock received in satisfaction of its Claim (other than in respect of any Claim for accrued but unpaid interest and excluding any portion required to be treated as imputed interest due to the post-Effective Date distribution of such consideration) and (ii) the holder's adjusted tax basis in its Claim (other than any

Claim for accrued but unpaid interest). For a discussion of the federal income tax consequences of any Claim for accrued interest, *see* "Distributions in Discharge of Accrued but Unpaid Interest" below. For a discussion of the potential tax consequences to holders of Unsecured Claims (other than Convenience Claims) that constitute "securities" for federal income tax purposes, *see* "Treatment of Unsecured Claims that Constitute Securities" below.

Due to the possibility that a holder of an Allowed Claim may receive additional distributions subsequent to the Effective Date, the imputed interest provisions of the Internal Revenue Code may apply to treat a portion of such later distributions to such holders as imputed interest. In addition, it is possible that any loss realized, and a portion of any gain realized, by a holder in satisfaction of an Allowed Unsecured Claim may be deferred until all subsequent distributions with respect to such Claim are determinable. Holders are urged to consult their tax advisors regarding the possibility of deferral and the ability to elect out of the installment method of reporting any gain realized in respect of their Claims.

Where gain or loss is recognized by a holder in respect of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount, and whether and to what extent the holder had previously claimed a bad debt deduction. A holder that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the Internal Revenue Code. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

In general, a holder's tax basis in any Plan Notes received will equal the issue price of such notes, a holder's tax basis in any New Common Stock received will equal the fair market value of such stock, and the holding period for such notes and stock generally will begin the day following the Effective Date.

2. Treatment of Unsecured Claims that Constitute Securities.

In the event that a holder's Allowed Unsecured Claim constitutes a "security" for federal income tax purposes, the exchange of such Claim partially for New Common Stock will be treated as a "recapitalization" for federal income tax purposes. Accordingly, the holder of such Claim generally (i) will *not* be entitled to recognize any loss upon the exchange of such Claim, but (ii) will be required to recognize gain (computed as described in the preceding section), if any, to the extent of any consideration received other than stock or "securities" (excluding any consideration received in respect of any Claim for accrued but unpaid interest or required to be treated as imputed interest due to the post-Effective Date distribution of such consideration). As discussed above, holders are urged to consult their tax advisor regarding the possible characterization of the Plan Notes as "securities" for federal income tax purposes.

The character and timing of such gain, and the potential applicability of the imputed interest rules, would be determined in accordance with the principles discussed in the preceding section. For a discussion of the U.S. federal income tax consequences of any Claim for accrued interest, *see* "Distributions in Discharge of Accrued but Unpaid Interest" below.

In general, a holder's aggregate tax basis in any New Common Stock and, if treated as securities, any Plan Notes received in satisfaction of an Unsecured Claim that constitutes a security for federal income tax purposes will equal the holder's aggregate tax basis in such Claim (including any Claim for accrued but unpaid interest), increased by any gain recognized or interest income received in respect of such Claim and decreased by any consideration received other than stock or securities and any deductions claimed in respect of any previously accrued interest. Such tax basis will be allocable among such stock and notes based on their relative fair market value. In general, the holder's holding period for such stock and notes will include the holder's holding period for its Claim, except to the extent such stock or notes were received in respect of a Claim for accrued but unpaid interest.

In general, the holder's tax basis in any Plan Notes received that do not constitute securities will equal the issue price of such notes, and the holding period for such notes generally will begin the day following the Effective Date.

3. Distributions in Discharge of Accrued but Unpaid Interest.

Pursuant to the Plan, distributions to any holder of an Allowed Unsecured Claim will be allocated first to the original principal portion of such Claim as determined for federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the portion of such Claim representing accrued but unpaid interest. There is no assurance, however, that the IRS would respect such allocation for federal income tax purposes.

In general, to the extent that an amount received (cash, stock, or notes) by a holder of debt is received in satisfaction of interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed or amortized original issue discount ("***OID***") was previously included in its gross income and is not paid in full. The IRS, however, has privately ruled that a holder of a security, in an otherwise tax-free exchange, could not claim a current deduction with respect to any unpaid OID. Accordingly, it is also unclear whether, by analogy, a holder of a Claim with previously included OID that is not paid in full would be required to recognize a capital loss, rather than an ordinary loss. Each holder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for federal income tax purposes.

4. Ownership and Disposition of the Plan Notes.

(a) Interest and Original Issue Discount on the Plan Notes.

If they are issued, the Plan Notes will bear interest at a fixed or floating rate and provide for at least the annual payment of all stated interest. Such stated interest generally will be includable in income by a holder in accordance with the holder's regular method of accounting.

In addition, under certain circumstances, the Plan Notes may be treated as issued with OID. In general, a debt instrument is treated as having OID to the extent its "stated redemption price at maturity" (in this case, the stated principal amount of the Plan Notes) exceeds its "issue price" by more than a *de minimis* amount.

The "issue price" of the Plan Notes will depend upon whether they are traded on an "established securities market" during the sixty (60) day period ending thirty (30) days after the Effective Date. Pursuant to Treasury Regulations, an "established securities market" need not be a formal market. It is sufficient that the notes appear on a system of general circulation (including a computer listing disseminated to subscribing brokers, dealers, or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations or actual prices of recent sales transactions, or that price quotations for such notes are readily available from dealers, brokers, or traders.

It is anticipated that the Plan Notes will be traded on an established securities market, and that the "issue price" of such Plan Notes will be their fair market value. Because the interest rate on the Plan Notes will be fixed at a rate that is intended to be a rate at which the Plan Notes will trade at par, AWI expects that the fair market value will equal (or be very close to) their stated principal amount. If the Plan Notes are not traded on an established securities market, the issue price of the Plan Notes automatically will be their stated principal amount if, as is also expected, the stated interest rate is greater than the applicable federal rate for obligations of similar maturity in effect on the Confirmation Date. Accordingly, in either case, AWI does not expect the Plan Notes to be issued with significant OID, if any.

If the Plan Notes are issued with OID, each holder generally will be required to accrue the OID in respect of the Plan Notes received and include such amount in gross income as interest over the term of such notes based on the constant yield method. Accordingly, each holder generally will be required to include amounts in gross income in advance of the payment of cash in respect of such income. A holder's tax basis in a New Note will be increased by the amount of any OID included in income and reduced by any cash received (other than payments of stated interest) made with respect to such note.

With respect to holders of Disputed Claims allowed after the Effective Date, any New Note received will have been outstanding since the Effective Date. Such holders should consider their federal income tax consequences accordingly.

(b) Acquisition and Bond Premium.

If a holder of an Unsecured Claim has a tax basis in any of the Plan Notes received that *exceeds* the issue price (or the "adjusted issue price" in the case of a Disputed Claim allowed subsequent to the Effective Date) of such note, but *is less than or equal to* the unpaid principal amount of such notes, the amount of OID includable in the holder's gross income generally is reduced in each period in proportion to the percentage of the OID represented by the excess basis. Alternatively, if a holder treats all stated interest as OID, such holder may elect to recompute the OID accruals by treating its acquisition as a purchase at original issue and applying the constant yield method. Such an election may not be revoked without the consent of the IRS.

If a holder has a tax basis in any of the Plan Notes received that exceeds the unpaid principal amount of such notes (*i.e.*, a "bond premium"), the holder will not include any of the OID in income. Moreover, a holder may elect to deduct any bond premium over the period from its acquisition of such note to the maturity date of such note (or, if it results in a smaller amount of amortizable bond premium, until an earlier call date), but not in excess of the stated interest. If such bond premium is amortized, the amount of stated interest on any New Note that must be included in the holder's gross income for each period ending on an interest payment date or at the maturity date, as the case may be, will (except as Treasury Regulations may otherwise provide) be reduced by the portion of bond premium allocable to such period based on the note's yield to maturity. The holder's tax basis in its New Note will be reduced by a like amount. If such an election to amortize bond premium is not made, a holder will receive a tax benefit from the premium only in computing such holder's gain or loss upon the sale or other taxable disposition of the New Note, or upon the full or partial payment of principal.

An election to amortize bond premium will apply to amortizable bond premium on all notes and other bonds the interest on which is includable in the holder's gross income and that are held at, or acquired after, the beginning of the holder's taxable year as to which the election is made. The election may be revoked only with the consent of the IRS.

(c) Market Discount.

Any holder of a Claim that has a tax basis in any Plan Notes received *less* than the issue price (or the "adjusted issue price" in the case of a Disputed Claim allowed subsequent to the Effective Date) of such notes generally will be subject to the market discount rules of the Internal Revenue Code (unless such difference is less than a *de minimis* amount). In addition, as discussed below, a holder who acquired its Claim at a market discount and that receives its Plan Notes as part of a tax-free exchange may be required to carry over to such notes, as well as any New Common Stock received, any accrued market discount with respect to its Claim to the extent not previously included in income.

Under the market discount rules, a holder is required to treat any principal payment on, or any gain recognized on the sale, exchange, retirement, or other disposition of, a New Note as ordinary income to the extent of the market discount that has not previously been included in income and is treated as having accrued on such note at the time of such payment or disposition. A holder could be required to defer the deduction of a portion of the interest expense on any indebtedness incurred or maintained to purchase or to carry a market discount note, unless an election is made to include all market discount in income as it accrues. Such an election would apply to all bonds acquired by the holder on or after the first day of the first taxable year to which such election applies, and may not be revoked without the consent of the IRS.

Any market discount will be considered to accrue on a straight-line basis during the period from the date of acquisition of such Plan Notes to the maturity date of the notes, unless the holder irrevocably elects to compute the accrual on a constant yield basis. This election can be made on a note-by-note basis.

The Treasury Department is expected to promulgate regulations that will provide that any accrued market discount not treated as ordinary income upon a tax-free exchange of market discount bonds would carry over to the nonrecognition property (such as a "recapitalization") received in the exchange. If such regulations are promulgated and applicable to the Plan (and, likely, even without the issuance of regulations), any holder of an Unsecured Claim that constitutes a "security" for federal income tax purposes would carry over any accrued market discount incurred in respect of such Claim to any New Common Stock and, if treated as a security for federal income tax purposes, any Plan Notes received for such Claim pursuant to the Plan (presumably allocated on the basis of relative fair market value), such that any gain recognized by the holder upon a subsequent disposition of such stock or notes also would be treated as ordinary income to the extent of any such accrued market discount not previously included in income.

5. Disposition of New Common Stock.

Any gain recognized by a holder upon a subsequent sale or other taxable disposition of any New Common Stock received pursuant to the Plan (or any stock or property received for it in a later tax-free exchange) will be treated as ordinary income to the extent of (i) any bad debt deductions (or additions to a bad debt reserve) claimed with respect to its Claim and any ordinary loss deductions incurred upon satisfaction of its Claim, less any income (other than interest income) recognized by the holder upon satisfaction of its Claim and (ii) with respect to a cash-basis holder, any amounts which would have been included in its gross income if the holder's Claim had been satisfied in full but which was not included by reason of the cash method of accounting.

In addition, as discussed in the preceding section, a holder that receives its New Common Stock in exchange for an Unsecured Claim that constitutes a security for federal income tax purposes may be required to treat all or a portion of any gain recognized as ordinary income under the market discount provisions of the Internal Revenue Code.

C. Consequences to Holders of Asbestos Personal Injury Claims.

Each Allowed Asbestos Personal Injury Claim will be liquidated and satisfied in cash solely from the Asbestos PI Trust, in accordance with the Asbestos PI Trust Distribution Procedures. The federal income tax treatment of a receipt of payments by a holder of such Claim generally will depend upon the nature of the Claim. Because the amounts received by a holder of an Allowed Asbestos Personal Injury Claim (other than an Indirect PI Trust Claim) generally will be attributable to, and compensation for, such holder's personal physical injuries or sickness, within the meaning of section 104 of the Internal Revenue Code, any such amounts received by the holder should be nontaxable. Each holder of an Asbestos Personal Injury Claim should consult his or her own tax advisors as to the proper tax treatment of any amounts received with respect to such Claim.

D. Consequences to Holders of Asbestos Property Damage Claims.

AWI currently expects that each pending Asbestos Property Damage Claim will be liquidated and satisfied in cash solely pursuant to the terms of the Global Asbestos PD Settlement. The federal income tax treatment of a receipt of payments by a holder of such Claim generally will depend upon the nature of the Claim. If any amount received by such holder with respect to such Claim is used to restore damaged property to its original condition, such amount generally should be nontaxable to the holder. Any amount received, however, in respect of property that has been destroyed and will not be replaced by the holder generally should be treated as received in respect of a sale or exchange of such property and may give rise to gain or loss generally equal to the difference between (i) such amount and (ii) the adjusted tax basis of the holder in the destroyed property. To the extent the amount received is used to replace destroyed property, or a part thereof, with similar property, the holder may be able to avoid recognizing gain under section 1033 of the Internal Revenue Code (governing involuntary conversions). Because the tax treatment of any amount received by a holder under the Plan will depend on facts peculiar to each holder, all holders of Asbestos Property Damage Claims should consult their own tax advisors as to the proper tax treatment of such receipts.

E. Information Reporting and Withholding.

All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding (including employment tax withholding). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable rate (currently 30%). Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("***TIN***"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

Recently effective Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated on or after January 1, 2003, including, among other types of transactions, the following: (1) a transaction offered under "conditions of confidentiality;" (2) a transaction where the taxpayer was provided contractual protection for a refund of fees if the intended tax consequences of the transaction are not sustained; (3) certain transactions that result in the taxpayer claiming a loss in excess of specified thresholds; and (4) a transaction in which the taxpayer's federal income tax treatment differs by more than a specified threshold in any tax year from its treatment for financial reporting purposes. These categories are very broad; however, there are numerous exceptions. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

The foregoing summary has been provided for informational purposes only. All holders of Claims are urged to consult their tax advisors concerning the federal, state, local, and other tax consequences applicable under the Plan.

XIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, AWI's alternatives include (i) liquidation under chapter 7 of the Bankruptcy Code and (ii) the preparation and presentation of an alternative plan of reorganization.

A. Liquidation under Chapter 7.

If no chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate AWI's assets. A discussion of the effect that a chapter 7 liquidation would have on the recovery of holders of Claims is set forth in Section VII.C.4, entitled, "CONFIRMATION AND CONSUMMATION PROCEDURE — Confirmation — Best Interests Test." In performing the liquidation analysis, AWI has assumed that all holders of Asbestos Personal Injury Claims (whether presently known or unknown) will be determined to have "claims" that are entitled to share in the proceeds from any such liquidation. AWI believes that liquidation under chapter 7 would result in (i) smaller distributions being made to creditors than those provided for in the Plan because of the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee; (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of unexpired leases and executory contracts in connection with the cessation of AWI's operations; and (iii) the failure to realize the greater, going concern value of all of AWI's assets.

B. Alternative Plan of Reorganization.

If the Plan is not confirmed, AWI or any other party in interest could attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization and continuation of AWI's businesses or an orderly liquidation of its assets. During the negotiations prior to the filing of the Plan, AWI explored various alternatives to the Plan.

AWI believes that the Plan enables AWI to emerge from chapter 11 successfully and expeditiously, preserves its businesses, and allows Claimants to realize the highest recoveries under the circumstances. In a liquidation under chapter 11 of the Bankruptcy Code, the assets of AWI would be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7, and a trustee need not be appointed. Accordingly, creditors would receive greater recoveries than in a chapter 7 liquidation. Although a chapter 11 liquidation is preferable to a chapter 7 liquidation, AWI believes that a liquidation under chapter 11 is a much less attractive alternative to Claimants than the Plan because a greater return is provided for in the Plan to Claimants. In any liquidation, Claimants will be paid their distribution in cash, whereas, under the Plan, some Claimants will receive a part of their distribution in New Common Stock and Plan Notes (if issued).

XIV. CONCLUSION AND RECOMMENDATION

AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee, however, all believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. In addition, other alternatives would involve significant delay, uncertainty, and substantial additional administrative costs. **We urge holders of impaired Claims entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their Ballots to the address set forth thereon so that they will be received no later than 5:00 p.m., Wilmington, Delaware time, on September 22, 2003.**

Dated: June 2, 2003

Respectfully submitted,

ARMSTRONG WORLD INDUSTRIES, INC.

/s/ Michael D. Lockhart
Michael D. Lockhart, Chairman

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Exhibit "A"

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	**Chapter 11 Case No.**
	:	
ARMSTRONG WORLD INDUSTRIES, *INC., et al,*	:	**00-4471 (RJN)**
	:	
Debtors.	:	**(Jointly Administered)**

FOURTH AMENDED PLAN OF REORGANIZATION OF ARMSTRONG WORLD INDUSTRIES, INC.

This plan of reorganization provides for the issuance of an Asbestos PI Permanent Channeling Injunction and a Claims Trading Injunction. See sections 1.18 (definition of "Asbestos Personal Injury Claim"), 1.21 (definition of "Asbestos PI Permanent Channeling Injunction"), 1.93 (definition of "PI Protected Party"), and 3.2(g)(ii) (Treatment of Asbestos Personal Injury Claims under the Plan) for details relating to the Asbestos PI Permanent Channeling Injunction and sections 1.18 (definition of "Asbestos Personal Injury Claim") and 1.40 (definition of "Claims Trading Injunction") for details regarding the Claims Trading Injunction.

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	**Chapter 11 Case No.**
ARMSTRONG WORLD INDUSTRIES, INC., *et al.*,	:	**00-4471 (RJN)**
Debtors.	:	**(Jointly Administered)**

FOURTH AMENDED PLAN OF REORGANIZATION OF ARMSTRONG WORLD INDUSTRIES, INC.

Armstrong World Industries, Inc. hereby proposes the following plan of reorganization:

ARTICLE I

DEFINITIONS

A. Defined Terms. As used herein, the following terms shall have the respective meanings specified below, unless the context otherwise requires:

1.1 *144A Debt Securities*: Debt securities issued by Reorganized AWI in a 144A Offering, having terms and conditions as determined by AWI and the initial purchasers in their sole discretion; *provided, however*, that if the 144A Offering Proceeds are less than the Plan Note Amount, then AWI may not issue the 144A Debt Securities without the consent of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee.

1.2 *144A Offering:* One or more private offerings of 144A Debt Securities, pursuant to Rule 144A and/or Regulation S under the Securities Act of 1933, through initial purchasers to institutional and other investors, completed on or after the Effective Date but prior to the Initial Distribution Date.

1.3 *144A Offering Proceeds:* The amount of the aggregate net cash proceeds of any 144A Offerings.

1.4 *Administrative Bar Date Order*: An order of the Bankruptcy Court setting a deadline for the filing of certain Administrative Expenses.

1.5 *Administrative Expense*: Any Claim constituting a cost or expense of administration in the Chapter 11 Case under section 503 of the Bankruptcy Code, including, without express or implied limitation, any actual and necessary costs and expenses of preserving the estate of AWI, any expenses of professionals under sections 330 and 331 of the Bankruptcy Code, any actual and necessary costs and expenses of operating the businesses of AWI, any indebtedness or obligations incurred or assumed by AWI, as debtor in possession, in connection with the conduct of its business or for the acquisition or lease of property or the rendition of

services, any allowed compensation or reimbursement of expenses under section 503(b)(2)-(5) of the Bankruptcy Code, and any fees or charges assessed against the estate of AWI under section 1930, chapter 123, title 28, United States Code.

1.6 *Administrative Expense Creditor*: Any Creditor entitled to payment of an Administrative Expense.

1.7 *Administrative Expense Objection Deadline*: The first Business Day that is thirty (30) days after the Effective Date, as such date may be extended from time to time by order of the Bankruptcy Court.

1.8 *Affiliate*: Any Entity, other than (a) an Entity in which AWI has less than a fifty percent (50%) direct or indirect interest, (b) AWWD, or (c) Holdings, that is an "affiliate" of AWI, as of the date immediately preceding the Effective Date, within the meaning of section 101(2) of the Bankruptcy Code.

1.9 *Affiliate Claims*: All Claims against AWI held by an Affiliate.

1.10 *Agent Bank*: The JPMorgan Chase Bank, or such other Entity acting as agent under the DIP Credit Facility from time to time.

1.11 *Allowed*:

(a) With respect to any Claim (other than an Administrative Expense, Asbestos Property Damage Claim or Asbestos Personal Injury Claim), proof of which was filed within the applicable period of limitation fixed in accordance with Bankruptcy Rule 3003(c)(3) by the Bankruptcy Court, (i) as to which no objection to the allowance thereof has been interposed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or a Final Order of the Bankruptcy Court, such Claim to the extent asserted in the proof of such Claim, or (ii) as to which an objection has been interposed, such Claim to the extent that it has been allowed in whole or in part by a Final Order of the Bankruptcy Court or by an agreement with AWI or Reorganized AWI, as the case may be, in accordance with the Claims Settlement Guidelines as in effect at the time of such agreement.

(b) With respect to any Claim (other than an Administrative Expense or Asbestos Personal Injury Claim), as to which no proof of claim was filed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or a Final Order of the Bankruptcy Court, such Claim to the extent that it has been listed by AWI in its Schedules as liquidated in amount and not disputed or contingent.

(c) With respect to any Claim that is asserted to constitute an Administrative Expense

(i) that represents an actual or necessary expense of preserving the estate or operating the business of AWI for payment of goods, services, wages, or benefits or for credit extended to AWI, as debtor in possession, any such Claim to the extent that such claim is reflected as a postpetition liability of AWI on AWI's books and records as of the Effective Date;

(ii) in an action against AWI pending as of the Confirmation Date or not required to be filed against AWI pursuant to the Administrative Bar Date

Order, any such Claim to the extent (x) it is allowed by a Final Order of a court of competent jurisdiction or by agreement between Reorganized AWI and the holder of such Administrative Expense, and (y) if AWI disputes that such claim is a cost or expense of administration under sections 503(b) and 507(a)(1) of the Bankruptcy Code, to the extent the Bankruptcy Court determines by a Final Order that it constitutes a cost or expense of administration under sections 503(b) and 507(a)(1) of the Bankruptcy Code;

(iii) timely filed in accordance with the Administrative Bar Date Order, any such Claim to the extent (i) no objection is interposed by the Administrative Expense Objection Deadline or (ii) if an objection is interposed by the Administrative Expense Objection Deadline, is allowed in whole or in part by a Final Order of the Bankruptcy Court and only to the extent that such allowed portion is deemed, pursuant to a Final Order of the Bankruptcy Court, to constitute a cost or expense of administration under sections 503(b) and 507(a)(1) of the Bankruptcy Code; or

(iv) that represents a Claim of a professional person employed under section 327 or 1103 of the Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation and reimbursement of expenses pursuant to section 330 of the Bankruptcy Code or an Administrative Expense arising under section 503(b)(2), 503(b)(3), 503(b)(4), 503(b)(5), or 503(b)(6) of the Bankruptcy Code, such Claim to the extent it is allowed by a Final Order of the Bankruptcy Court.

(d) With respect to any Asbestos Personal Injury Claim, such Claim to the extent that it is Allowed in accordance with the procedures established pursuant to the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures. Pursuant to the Confirmation Order, an Allowed Claim, with respect to any Asbestos Personal Injury Claim, shall establish the amount of legal liability against the Asbestos PI Trust in the amount of the liquidated value of such Claim, as determined in accordance with the Asbestos PI Trust Distribution Procedures.

(e) With respect to any Asbestos Property Damage Claim, proof of which was filed by the Asbestos PD Bar Date, such Claim to the extent that it is allowed by an order of the Bankruptcy Court.

1.12 *Allowed Amount*: The lesser of (a) the dollar amount of an Allowed Claim or (b) the Estimated Amount of such Claim. Unless otherwise specified herein, in the Asbestos PI Trust Distribution Procedures or by Final Order of the Bankruptcy Court, the Allowed Amount of an Allowed Claim shall not include interest accruing on such Allowed Claim from and after the Commencement Date.

1.13 *Amended and Restated Articles of Incorporation*: The Articles of Incorporation of Reorganized AWI, to be amended and restated in accordance with section 7.1 hereof, in substantially the form of Exhibit 1.13 to the Plan.

1.14 *Amended and Restated By-Laws*: The By-Laws of Reorganized AWI, to be amended and restated in accordance with section 7.4 hereof, in substantially the form of Exhibit 1.14 to the Plan.

1.15 *Articles of Incorporation*: The Articles of Incorporation of AWI, as such Articles of Incorporation may be amended by the Amended and Restated Articles of Incorporation or otherwise.

1.16 *Asbestos PD Bar Date*: March 20, 2002.

1.17 *Asbestos PD Committee*: The Asbestos Property Damage Committee, consisting of Entities appointed as members in the Chapter 11 Case by the United States Trustee for the District of Delaware and their duly appointed successors, if any, as the same may be reconstituted from time to time.

1.18 ***Asbestos Personal Injury Claim*: Any Claim or remedy, liability, or Demand against AWI now existing or hereafter arising, whether or not such Claim, remedy, liability, or Demand is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, whether or not the facts of or legal bases therefor are known or unknown, under any theory of law, equity, admiralty, or otherwise, for death, bodily injury, sickness, disease, medical monitoring or other personal injuries (whether physical, emotional, or otherwise) to the extent caused or allegedly caused, directly or indirectly, by the presence of or exposure (whether prior to or after the Commencement Date) to asbestos or asbestos-containing products or things that was or were installed, engineered, designed, manufactured, fabricated, constructed, sold, supplied, produced, specified, selected, distributed, released, marketed, serviced, maintained, repaired, purchased, owned, occupied, used, removed, replaced or disposed by AWI or an Entity for whose products or operations AWI allegedly has liability or for which AWI is otherwise allegedly liable, including, without express or implied limitation, any Claim, remedy, liability, or Demand for compensatory damages (such as loss of consortium, wrongful death, medical monitoring, survivorship, proximate, consequential, general, and special damages) and punitive damages, and any Claim, remedy, liability or Demand for reimbursement, indemnification, subrogation and contribution (including, without limitation, any Indirect PI Trust Claim), and any claim under any settlement entered into by or on behalf of AWI prior to the Commencement Date relating to an Asbestos Personal Injury Claim. An Asbestos Property Damage Claim or a workers' compensation claim brought directly by a past or present employee of AWI under an applicable workers' compensation statute against AWI shall not constitute an Asbestos Personal Injury Claim.**

1.19 *Asbestos PI Claimants' Committee*: The Official Committee of Asbestos Claimants, consisting of Entities appointed as members in the Chapter 11 Case by the United States Trustee for the District of Delaware and their duly appointed successors, if any, as the same may be reconstituted from time to time.

1.20 *Asbestos PI Insurance Asset*: All rights arising under liability insurance policies issued to AWI with inception dates prior to January 1, 1982 with respect to the liability for Asbestos Personal Injury Cla ims (with the exception of AWI's claim against Liberty Mutual Insurance Company for costs, expenses and fees incurred in connection with an Alternative Dispute Resolution Proceeding initiated in 1996 under the Agreement Concerning Asbestos Related Claims of June 19, 1985, AWI's claim against Century Indemnity Company for payments due and owing to AWI before February 2003 under a settlement agreement dated February 8, 2000, together with applicable interest to the date of payment, and AWI's rights to insurance relating to workers' compensation claims). The foregoing includes, but is not limited to, rights under insurance policies, rights under settlement agreements made with respect to such

insurance policies (with the exception of AWI's claim against Century Indemnity Company for amounts, including, without limitation, interest, due and owing under a settlement agreement dated February 8, 2000), rights against the estates of insolvent insurers that issued such policies or entered into such settlements, and rights against state insurance guaranty associations arising out of any such insurance policies issued by insolvent insurers. The foregoing also includes the right, on behalf of AWI and its subsidiaries as of the Effective Date, to give a full release of the insurance rights of AWI and its subsidiaries as of the Effective Date under any such policy or settlement agreement with the exception of rights to coverage for Asbestos Property Damage Claims and rights to coverage for the amount that AWI agreed to pay to plaintiffs in *Maertin et al. v. Armstrong World Industries, Inc. et al.*, No. 95-CV-20849 (JBS) (D.N.J.) in a settlement agreement executed November 22, 2000 and rights to coverage with respect to workers' compensation claims.

1.21 *Asbestos PI Permanent Channeling Injunction*: **An order or orders of the District Court in accordance with, and pursuant to, section 524(g) of the Bankruptcy Code permanently and forever staying, restraining, and enjoining any Entity from taking any of the following actions for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to any Asbestos Personal Injury Claims, all of which shall be channeled to the Asbestos PI Trust for resolution as set forth in the Asbestos PI Trust Distribution Procedures (other than actions brought to enforce any right or obligation under the Plan, any Exhibits to the Plan, or any other agreement or instrument between AWI or Reorganized AWI and the Asbestos PI Trust, which actions shall be in conformity and compliance with the provisions hereof), including, but not limited to:**

(a) **commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding (including, without express or implied limitation, a judicial, arbitral, administrative, or other proceeding) in any forum against or affecting any PI Protected Party or any property or interests in property of any PI Protected Party;**

(b) **enforcing, levying, attaching (including, without express or implied limitation, any prejudgment attachment), collecting, or otherwise recovering by any means or in any manner, whether directly or indirectly, any judgment, award, decree, or other order against any PI Protected Party or any property or interests in property of any PI Protected Party;**

(c) **creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Encumbrance against any PI Protected Party or any property or interests in property of any PI Protected Party;**

(d) **setting off, seeking reimbursement of, contribution from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability owed to any PI Protected Party or any property or interests in property of any PI Protected Party; and**

(e) **proceeding in any manner in any place with regard to any matter that is subject to resolution pursuant to the Asbestos PI Trust, except in conformity and compliance therewith.**

1.22 *Asbestos PI Trust*: The trust established by AWI in accordance with the Asbestos PI Trust Agreement.

1.23 *Asbestos PI Trust Agreement*: That certain AWI Asbestos Personal Injury Settlement Trust Agreement, executed by AWI and the Asbestos PI Trustees, substantially in the form of Exhibit 1.23 to the Plan.

1.24 *Asbestos PI Trust Distribution Procedures*: The AWI Asbestos Personal Injury Settlement Trust Distribution Procedures to be implemented by the Asbestos PI Trustees pursuant to the terms and conditions of the Plan and the Asbestos PI Trust Agreement to process, liquidate, and pay Asbestos Personal Injury Claims, substantially in the form of Exhibit 1.24 to the Plan.

1.25 *Asbestos PI Trustees*: Collectively, the persons confirmed by the Bankruptcy Court to serve as trustees of the Asbestos PI Trust, pursuant to the terms of the Asbestos PI Trust Agreement, or as subsequently may be appointed pursuant to the terms of the Asbestos PI Trust Agreement.

1.26 *Asbestos Property Damage Claim*: Any Claim or remedy or liability against AWI, whether or not such Claim, remedy, or liability is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, whether or not the facts of or legal bases therefor are known or unknown, under any theory of law, equity, admiralty, or otherwise, for damages for property damage, including but not limited to, the cost of inspecting, maintaining, encapsulating, repairing, decontaminating, removing or disposing of asbestos or asbestos-containing products in buildings, other structures, or other property arising from the installation in, presence in or removal from buildings or other structures of asbestos or asbestos-containing products that was or were installed, manufactured, sold, supplied, produced, distributed, released or marketed by AWI prior to the Commencement Date, or for which AWI is allegedly liable, including, without express or implied limitation, any such Claims, remedies and liabilities for compensatory damages (such as proximate, consequential, general, and special damages) and punitive damages, and any Claim, remedy or liability for reimbursement, indemnification, subrogation and contribution, including, without limitation, any Asbestos Property Damage Contribution Claim. Asbestos Property Damage Claims shall not include Asbestos Personal Injury Claims.

1.27 *Asbestos Property Damage Contribution Claim*: Any Claim or remedy or liability against AWI, whether or not such Claim, remedy or liability is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, whether or not the facts of or legal bases for such Claim, remedy or liability are known or unknown, that is (i) held by (A) any Entity (other than a director or officer entitled to indemnification pursuant to section 8.6 of the Plan) who has been, is, or may be a defendant in an action seeking damages for property damage, including but not limited to, the cost of inspecting, maintaining, encapsulating, repairing, decontaminating, removing or disposing of asbestos or asbestos-containing products in buildings, other structures, or other property, or (B) any assignee or transferee of such Entity, and (ii) on account of alleged liability by AWI for reimbursement, indemnification, subrogation, or contribution of any portion of any damages such Entity has paid or may pay to the plaintiff in such action.

1.28 *Available Cash*: The sum of the following: (a) all cash on hand of AWI and its subsidiaries as of the last day of the month immediately preceding the Effective Date *less* the sum of the following as of such date: (i) One Hundred Million and 00/100 Dollars ($100,000,000.00) or such lesser amount as AWI, in its sole discretion (after consultation with the Asbestos PI Claimants' Committee, Unsecured Creditors' Committee, and the Future Claimants' Representative), determines it requires for working capitalpurposes, (ii) the Allowed Amount of

Allowed Administrative Expenses, (iii) a reasonable estimate by AWI of additional Administrative Expenses (such as professional fees and expenses) that may become Allowed thereafter (other than Administrative Expenses of the type specified in section 1.11(c)(i) of the Plan) and fees and expenses payable in connection with any exit facility referred to in section 7.16(g) of the Plan, (iv) the Allowed Amount of Allowed Priority Tax Claims, (v) a reasonable estimate by AWI of additional Priority Tax Claims that may become Allowed thereafter, (vi) the Allowed Amount of all Priority Claims, (vii) a reasonable estimate of all Priority Claims that may became Allowed thereafter, (viii) the DIP Credit Facility Claim, (ix) the cash required to make the distributions for Class 3 (Convenience Claims) for those that are Allowed and a reasonable estimate by AWI of additional Convenience Claims that may become Allowed thereafter, (x) any other cash required to be paid or distributed by AWI pursuant to the Plan (other than in respect of "Available Cash"), and (xi) the amount reasonably estimated by AWI to be the cost of curing any defaults under the executory contracts and unexpired leases to be assumed by AWI under the Plan, (b) any amounts drawn, in AWI's sole discretion, under the working capital facility referenced in section 7.16(g) of the Plan for the purpose of funding the Distributions under the Plan, and (c) any proceeds of insurance received and retained by Reorganized AWI from the Effective Date to the Final Distribution Date on account of an Allowed Environmental Claim that is treated as an Allowed Unsecured Claim in accordance with sections 3.2(f) and 3.2(h) of the Plan.

1.29 *AWWD*: Armstrong Worldwide, Inc., a Delaware corporation.

1.30 *AWI*: Armstrong World Industries, Inc., a Pennsylvania corporation.

1.31 *Ballot*: The form or forms distributed to holders of impaired Claims and Equity Interests on which is to be indicated the acceptance or rejection of the Plan.

1.32 *Bankruptcy Code*: The Bankruptcy Reform Act of 1978, as amended, and as codified in title 11 of the United States Code, as applicable to the Chapter 11 Case.

1.33 *Bankruptcy Court*: The United States District Court for the District of Delaware, having jurisdiction over the Chapter 11 Case and, to the extent of any reference made pursuant to section 157 of title 28 of the United States Code, the unit of such District Court constituted pursuant to section 151 of title 28 of the United States Code.

1.34 *Bankruptcy Rules*: The Federal Rules of Bankruptcy Procedure, as amended, as applicable to the Chapter 11 Case, including the Local Rules of the Bankruptcy Court.

1.35 *Board of Directors*: The Board of Directors of AWI or Reorganized AWI, as it may exist from time to time.

1.36 *Business Day*: Any day on which commercial banks are required to be open for business in New York, New York.

1.37 *Chapter 11 Case*: The chapter 11 case of AWI pending in the Bankruptcy Court as *In re Armstrong World Industries, Inc., et al.*, Case No. 00-4471 (RJN) (Jointly Administered).

1.38 *Claim*: (a) A "claim," as defined in section 101(5) of the Bankruptcy Code, against AWI, as debtor or Debtor in Possession, whether or not asserted, whether or not the

facts of or legal bases therefor are known or unknown, and specifically including, without express or implied limitation, any rights under sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, any claim of a derivative nature, any potential or unmatured contract claims, and any other Contingent Claim, and (b) any Environmental Claim, whether or not it constitutes a "claim" under section 101(5) of the Bankruptcy Code, but in either case, not including a Demand.

1.39 *Claims Settlement Guidelines*: The settlement guidelines and authority contained in that certain Order Granting Motion of the Debtors for Order Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019(b) Authorizing the Establishment of Procedures to Settle Certain Prepetition Claims Against the Debtors' Estates dated May 31, 2002, as amended by the amendments set forth in Exhibit 1.39 to the Plan.

1.40 ***Claims Trading Injunction*: An order or orders of the Bankruptcy Court permanently and forever staying, restraining, and enjoining any Entity from, directly or indirectly, purchasing, selling, transferring, assigning, conveying, pledging, or otherwise acquiring or disposing of any Asbestos Personal Injury Claim; *provided, however*, that the foregoing shall not apply to (i) the transfer of an Asbestos Personal Injury Claim to the holder of an Indirect PI Trust Claim solely as a result of such holder's satisfaction of such Asbestos Personal Injury Claim or (ii) the transfer of an Asbestos Personal Injury Claim by will or under the laws of descent and distribution. Any such order or orders also will provide that any action taken in violation thereof will be void *ab initio*.**

1.41 *Class:* Any group of Claims or Equity Interests classified by the Plan pursuant to section 1122(a)(1) of the Bankruptcy Code.

1.42 *COLI Claims*: All amounts due to Pacific Life Insurance Company for loans made by Pacific Life Insurance Company to AWI against (and collateralized by) certain life insurance policies for which AWI is the holder and beneficiary and for which certain of AWI's employees are insureds.

1.43 *Commencement Date*: December 6, 2000.

1.44 *Confirmation Date*: The date on which the Confirmation Order is entered by the Clerk of the Bankruptcy Court.

1.45 *Confirmation Deadline*: The date that is two hundred seventy (270) days after the filing of the Plan with the Bankruptcy Court or such later date as AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee may agree in writing.

1.46 *Confirmation Order*: The order or orders of the Bankruptcy Court confirming the Plan in accordance with the provisions of chapter 11 of the Bankruptcy Code, which will contain, *inter alia*, the Asbestos PI Permanent Channeling Injunction and the Claims Trading Injunction.

1.47 *Contingent Claim*: Any Claim (other than an Asbestos Personal Injury Claim), the liability for which attaches or is dependent upon the occurrence or happening, or is triggered by, an event, which event has not yet occurred, happened, or been triggered, as of the date on which such Claim is sought to be estimated or an objection to such Claim is filed, whether or not such event is within the actual or presumed contemplation of the holder of such

Claim and whether or not a relationship between the holder of such Claim and AWI now or hereafter exists or previously existed.

1.48 *Convenience Claim*: As to each holder of an Unsecured Claim, other than a Debt Security Claim, (a) an Unsecured Claim held by such holder in an Allowed Amount of Ten Thousand and 00/100 Dollars ($10,000.00) or less or (b) an Unsecured Claim of such holder the Allowed Amount of which has been reduced to Ten Thousand and 00/100 Dollars ($10,000.00) by the election of the holder thereof, as provided on the Ballot.

1.49 *Creditor*: Any Entity that holds a Claim against AWI as Debtor or Debtor in Possession.

1.50 *Debtor*: AWI.

1.51 *Debtor in Possession*: AWI in its capacity as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

1.52 *Debt Security Claim*: Any Unsecured Claim represented by a series of notes or debt securities issued pursuant to an indenture, bank credit agreement, or a note purchase agreement prior to the Commencement Date or any guarantee by AWI of any obligations of another Entity under any series of notes or debt securities issued pursuant to an indenture, bank credit agreement, or a note purchase agreement prior to the Commencement Date.

1.53 *Demand*: A demand for payment, present or future, that (i) was not a Claim during the Chapter 11 Case; (ii) arises out of the same or similar conduct or events that gave rise to the Claims addressed by the Asbestos PI Permanent Channeling Injunction; and (iii) pursuant to the Plan, is to be paid by the Asbestos PI Trust.

1.54 *DIP Credit Facility*: Revolving Credit and Guaranty Agreement dated as of December 6, 2000 among Armstrong World Industries, Inc., a Pennsylvania corporation, and its subsidiaries, Nitram Liquidators, Inc., a Delaware corporation, and Desseaux Corporation of North America, a Delaware corporation, the banks party thereto, and the Agent Bank, as amended, modified or supplemented from time to time.

1.55 *DIP Credit Facility Claim*: Collectively, all Claims of the DIP Lenders arising under the DIP Credit Facility.

1.56 *DIP Lenders*: The financial institutions party to the DIP Credit Facility.

1.57 *Disallowed Claim*: A Claim that is disallowed in its entirety by an order of the Bankruptcy Court or such other court of competent jurisdiction or that is disallowed in its entirety pursuant to the Asbestos PI Trust Distribution Procedures, as the case may be.

1.58 *Disbursing Agent*: Any Entity in its capacity as a disbursing agent under section 7.9 hereof.

1.59 *Disputed Claim*: A Claim (other than an Asbestos Personal Injury Claim) that is neither an Allowed Claim nor a Disallowed Claim.

1.60 *Disputed Claim Amount*: The Estimated Amount of a Disputed Claim, or, if no Estimated Amount exists, the amount set forth in the proof of claim relating to such Disputed Claim as the liquidated amount of such Disputed Claim.

1.61 *Disputed Unsecured Claims Reserve*: The trust established pursuant to section 5.4 of the Plan to hold the portion of Plan Notes reserved for Distribution pending the resolution of Disputed Claims in Class 6 of the Plan.

1.62 *Distribution*: The payment or distribution under the Plan of property or interests in property to the holders of Allowed Claims (other than Asbestos Personal Injury Claims and Asbestos Property Damage Claims), the holder of the Equity Interest, and to the Asbestos PI Trust.

1.63 *Distribution Date*: (a) The Initial Distribution Date, (b) the first Business Day after the end of the months of March, June, September, and December, commencing with the first such date to occur more than one hundred eighty (180) days after the Effective Date and until the second anniversary of the Effective Date, (c) after the second anniversary of the Effective Date, the first Business Day after the end of the month of December, and (d) the Final Distribution Date; *provided*, *however*, that (i) a Distribution Date (other than the Initial Distribution Date and the Final Distribution Date) shall not occur if the aggregate amount of Plan Notes and/or 144A Offering Proceeds and Available Cash to be distributed on any Distribution Date is less than One Million and 00/100 Dollars ($1,000,000.00), in which case the amount to be distributed shall be retained and added to the amount to be distributed on the next Distribution Date, and (ii) any Unsecured Claim that becomes Allowed less than twenty (20) Business Days prior to a Distribution Date shall be treated as a Disputed Claim for the purposes of the Distribution occurring on such Distribution Date and shall not receive a Distribution until the Distribution Date immediately succeeding such Distribution Date.

1.64 *District Court*: The United States District Court for the District of Delaware having jurisdiction over the Chapter 11 Case.

1.65 *DTC*: Depository Trust Company.

1.66 *Employee Benefit Claim*: Any Claim of a current or former employee of AWI, a current or former employee of any current or former subsidiary of AWI, or of the Pension Benefit Guaranty Corporation, for benefits payable or arising under any of the plans being assumed pursuant to section 8.7(a) of the Plan; *provided*, *however*, that any Claim for damages or other relief arising from any termination of any plans pursuant to section 8.7(b) of the Plan, any "rejection" of any plans as to any party that objects to any amendment under section 8.7(c) of the Plan, based upon any alleged breach by AWI of its responsibilities or duties under any plan specified in section 8.7(a) of the Plan (other than any obligation to pay the benefits arising thereunder, as modified), or related to the allegations made by the plaintiffs in those certain two class action complaints asserting various federal law claims under ERISA filed in the United States District Court for the Eastern District of Pennsylvania by Dean A. Markley, Michael Resetar, and Lori Shearer shall be deemed an Unsecured Claim.

1.67 *Effective Date*: The first Business Day of the month immediately following the date by which all of the conditions precedent to the effectiveness of the Plan specified in Section 7.16 have been satisfied or waived or, if a stay of the Confirmation Order is in effect on such date, the first Business Day of the month immediately following the date of the expiration, dissolution, or lifting of such stay.

1.68 *Encumbrance*: With respect to any asset, any mortgage, lien, pledge, charge, security interest, assignment, or encumbrance of any kind or nature in respect of such asset (including, without express or implied limitation, any conditional sale or other title retention agreement, any security agreement, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

1.69 *Entity*: An individual, corporation, partnership, limited liability company, association, joint stock company, joint venture, estate, trust, unincorporated organization, or government or any political subdivision thereof, or other person or entity.

1.70 *Environmental Claim*: Any Claim as to which the treatment thereof is set forth in an agreement by and between AWI and any party asserting a Claim against AWI relating to alleged contamination under the federal or state environmental laws or regulations, pursuant to which agreement all or a portion of such Claim (to the extent and subject to the limitations imposed by such agreement) may be asserted by the holder thereof after the Effective Date, to the extent that such agreement is approved and authorized by a Final Order of the Bankruptcy Court or otherwise in accordance with the Claims Settlement Guidelines.

1.71 *Equity Interest*: Any interest in AWI represented by shares of Existing AWI Common Stock.

1.72 *Equity Value*: For purposes of calculating the exercise price on the New Warrants, the value of each share of New Common Stock as of the Effective Date, based upon the residual value of the equity of Reorganized AWI, as agreed among Lazard and the financial consultants for the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee and as set forth in the disclosure statement approved by the Bankruptcy Court.

1.73 *Estimated Amount*: The estimated dollar value of an Unliquidated Claim, Disputed Claim, or Contingent Claim pursuant to section 502(c) of the Bankruptcy Code.

1.74 *Existing AWI Common Stock*: Common stock, par value of $0.01 per share, of AWI, authorized pursuant to the Articles of Incorporation as in effect immediately prior to the Effective Date.

1.75 *Final Distribution Date*: A date on or after the Initial Distribution Date and after all Disputed Claims (other than Asbestos Personal Injury Claims and Asbestos Property Damage Claims) have become either Allowed Claims or Disallowed Claims that is selected by Reorganized AWI in its discretion but, in any event, is no later than thirty (30) days thereafter, or such later date as the Bankruptcy Court may establish, upon request by Reorganized AWI, for cause shown.

1.76 *Final Order*: An order as to which the time to appeal, petition for *certiorari*, or move for reargument or rehearing has expired and as to which no appeal, petition for *certiorari*, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for *certiorari*, reargue, or rehear shall have been waived in writing in form and substance satisfactory to AWI or Reorganized AWI, as the case may be, and its counsel or, in the event that an appeal, writ of *certiorari*, or reargument or rehearing thereof has been sought, such order shall have been affirmed by the highest court to which such order was appealed, or *certiorari* has been denied or from which reargument or rehearing was sought,

and the time to take any further appeal, petition for *certiorari* or move for reargument or rehearing shall have expired.

1.77 *Future Claimants' Representative*: Dean M. Trafelet, the Legal Representative for Future Claimants appointed pursuant to the order dated on or about March 1, 2002.

1.78 *Global Asbestos PD Settlement*: Agreement with respect to the resolution of all outstanding Asbestos Property Damage Claims and related issues relating to Asbestos Property Damage Claims, as such agreement may be approved by the Bankruptcy Court.

1.79 *Holdings*: Armstrong Holdings, Inc., a Pennsylvania corporation.

1.80 *Holdings Plan of Liquidation*: The dissolution of Holdings as approved by its Board of Directors and shareholders as required by Sections 1972, 1973 and 1974 of the Pennsylvania BCL and the liquidation and winding up of the business and affairs of Holdings (and, as part thereof, the dissolution and winding up, or other termination of the corporate existence, of AWWD) in accordance with a plan of liquidation and winding up approved by the Board of Directors and shareholders of Holdings as may be required by Subchapter F or H of Chapter 19 of the Pennsylvania BCL (which plan may provide for the distribution by Holdings of the New Warrants to Holdings' shareholders), or such other plan and manner of dissolution, liquidation and winding up of Holdings as is consistent with the terms of the Plan and permitted by law.

1.81 *Indentures:* The indenture agreements between the Indenture Trustees and AWI relating to the Debt Security Claims.

1.82 *Indenture Trustees:* The indenture trustees under Debt Security Claims (other than Debt Securities Claims representing obligations guaranteed by AWI), including Bank One Trust Company, N.A., as indenture trustee for the holders of AWI's 9¾% Debentures due 2008 and for the holders of the 8¾%-9% Medium Term Notes, Wells Fargo Minnesota, N.A., as indenture trustee for the holders of AWI's 6.35% Senior Notes due 2003, 6½% Senior Notes due 2005, 7.45% Senior Notes due 2029, and the 7.45% Senior Quarterly Interest Bonds due 2038, and Wilmington Trust Company, as successor to Chase Manhattan Trust Company, National Association, as indenture trustee for the holders of the Solid Waste Disposal Revenue Bonds (Armstrong World Industries, Inc. Project) Series 1996.

1.83 *Indenture Trustees' Fees and Expenses:* All the fees and expenses, including the reasonable fees and expenses of their attorneys, incurred by the Indenture Trustees under their respective indentures from the Commencement Date to the Effective Date, up to a maximum of Twenty-Five Thousand and 00/100 Dollars ($25,000.00) for the Indenture Trustee for each series of Debt Security Claims for which it acts as Indenture Trustee.

1.84 *Indirect PI Trust Claim*: Any Claim or remedy, liability, or Demand against AWI now existing or hereafter arising, whether or not such Claim, remedy, liability, or Demand is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, whether or not the facts of or legal bases for such Claim, remedy, liability, or Demand are known or unknown, that is (x) (i) held by (A) any Entity (other than a director or officer entitled to indemnification pursuant to section 8.6 of the Plan) who has been, is, or may be a defendant in an action seeking damages for death,

bodily injury, sickness, disease, or other personal injuries (whether physical, emotional, or otherwise) to the extent caused or allegedly caused, directly or indirectly, by exposure to asbestos or asbestos-containing products or (B) any assignee or transferee of such Entity and (ii) on account of alleged liability of AWI for reimbursement, indemnification, subrogation, or contribution of any portion of any damages such Entity has paid or may pay to the plaintiff in such action *or* (y) held by any Entity that is seeking reimbursement, indemnification, subrogation, or contribution from AWI with respect to any surety bond, letter of credit or other financial assurance issued by any Entity on account of, or with respect to, Asbestos Personal Injury Claims.

1.85 *Initial Distribution Date*: A date on or after the Effective Date that is selected by Reorganized AWI in its discretion but, in any event, is within fifteen (15) days after the Effective Date, or such later date as the Bankruptcy Court may establish upon request by Reorganized AWI, for cause shown; *provided, however*, that in no event shall the Initial Distribution Date be more than forty-five (45) days after the Effective Date.

1.86 *Internal Revenue Code*: The Internal Revenue Code of 1986, as amended from time to time, and any applicable rulings, Treasury Regulations, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or the IRS.

1.87 *IRS*: The United States Internal Revenue Service.

1.88 *Lazard*: Lazard Frères & Co. LLC, or such other investment bank or financial advisor retained by AWI.

1.89 *New Common Stock*: Common stock, par value $0.01 per share, of Reorganized AWI which is to be authorized and issued pursuant to the Plan and subject to dilution for equity to be issued under the New Long-Term Incentive Plan and for the New Warrants.

1.90 *New Long-Term Incentive Plan*: The Management Incentive Plan, substantially in the form of Exhibit 1.90 to the Plan.

1.91 *New Warrants*: Warrants to purchase the New Common Stock pursuant to a warrant agreement substantially in the form of Exhibit 1.91 to the Plan on terms and conditions determined in a manner agreed to by Lazard and the financial consultants for the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee; *provided, however*, that such New Warrants (a) shall comprise 5% of the New Common Stock on a fully diluted basis determined as of the Effective Date, (b) shall have an exercise price equal to 125% of the Equity Value, and (iii) shall have a term of seven years from the Effective Date.

1.92 *Pennsylvania BCL*: Pennsylvania Business Corporation Law of 1988, as amended from time to time and as applicable to the events described in the Plan.

1.93 ***PI Protected Party*: Any of the following parties:**

(a) **AWI;**

(b) **Reorganized AWI;**

(c) **Holdings;**

(d) **AWWD;**

(e) **any Affiliate;**

(f) **Interface Solutions, Inc., a corporation organized under the laws of Pennsylvania, or Armacell LLC, a limited liability company organized under the laws of Delaware, but only to the extent that either such Entity is alleged to be directly or indirectly liable for the conduct of, Claims against, or Demands on AWI, Reorganized AWI, or the Asbestos PI Trust on account of Asbestos Personal Injury Claims;**

(g) **any Entity that, pursuant to the Plan or after the Effective Date, becomes a direct or indirect transferee of, or successor to, any assets of AWI, Reorganized AWI, or the Asbestos PI Trust (but only to the extent that liability is asserted to exist by reason of it becoming such a transferee or successor);**

(h) **any Entity that, pursuant to the Plan or after the Effective Date, makes a loan to Reorganized AWI or the Asbestos PI Trust or to a successor to, or transferee of, any assets of AWI, Reorganized AWI or the Asbestos PI Trust (but only to the extent that liability is asserted to exist by reason of such Entity becoming such a lender or to the extent any pledge of assets made in connection with such a loan is sought to be upset or impaired); or**

(i) **any Entity to the extent he, she, or it is alleged to be directly or indirectly liable for the conduct of, Claims against, or Demands on AWI, Reorganized AWI or the Asbestos PI Trust on account of Asbestos Personal Injury Claims by reason of one or more of the following:**

(i) **such Entity's ownership of a financial interest in AWI, Reorganized AWI, a past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or a predecessor in interest of AWI, or Reorganized AWI;**

(ii) **such Entity's involvement in the management of AWI, AWWD, Holdings, an Affiliate, Reorganized AWI, or any predecessor in interest of AWI, or Reorganized AWI;**

(iii) **such Entity's service as an officer, director, or employee of AWI, Reorganized AWI, AWWD, Holdings, an Affiliate, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), any predecessor in interest of AWI or Reorganized AWI, or any Entity that owns or at any time has owned a financial interest in AWI or Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or any predecessor in interest of AWI or Reorganized AWI.**

(iv) **such Entity's provision of insurance to (a) AWI, (b) Reorganized AWI, (c) any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting**

and Supply Corp.), (d) any predecessor in interest of AWI or Reorganized AWI; or (e) any Entity that owns or at any time has owned a financial interest in AWI or Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or any predecessor in interest of AWI or Reorganized AWI, but only to the extent that AWI, Reorganized AWI, or the Asbestos PI Trust enters into a settlement with such Entity that is approved by the Bankruptcy Court and expressly provides that such Entity shall be entitled to the protection of the Asbestos PI Permanent Channeling Injunction as a PI Protected Party; or

(v) **such Entity's involvement in a transaction changing the corporate structure, or in a loan or other financial transaction affecting the financial condition, of AWI, AWWD, Holdings, an Affiliate, Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI (other than AC and S, Inc. f/k/a Armstrong Contracting and Supply Corp.), any predecessor in interest of AWI or Reorganized AWI, or any Entity that owns or at any time has owned a financial interest in AWI or Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or any predecessor in interest of AWI or Reorganized AWI;**

1.94 *Plan*: This plan of reorganization, either in its present form or as it may be amended, supplemented, or otherwise modified from time to time, and the exhibits and schedules to the foregoing, as the same may be in effect at the time such reference becomes operative.

1.95 *Plan Note Amount:* An amount equal to the greater of (x) $1.125 billion *less* the amount of Available Cash and (y) $775 million.

1.96 *Plan Note Indenture*: An indenture, substantially in the form of Exhibit 1.96 to the Plan, by and between AWI, as the issuer, and a trustee selected by AWI prior to the date of the commencement of the hearing on confirmation of the Plan, pursuant to which the Plan Notes will be issued, which will be qualified under the Trust Indenture Act of 1939, as amended.

1.97 *Plan Notes*: Unsecured notes issued pursuant to the Plan Note Indenture (a) in an aggregate principal amount equal to the Plan Note Amount *less* the 144A Offering Proceeds, (b) bearing a fixed or floating interest rate based upon U.S. Treasury Notes or three-month U.S dollar LIBOR, respectively, with like maturities plus a spread determined to be the average corporate spread over such Treasury Notes or LIBOR for outstanding issues of comparable maturity and comparably rated U.S. industrial companies over the 30-day period ending on the last day of the month immediately preceding the Effective Date, (c) with a maturity, as selected by AWI, of not less than five years, but not more than ten years and no principal payments required to be paid prior to the maturity date, (d) callable at par at the option of Reorganized AWI, in whole or in part, at any time during the first six months following the Effective Date, and (e) having such other terms, covenants, and conditions substantially similar to those contained in indentures for issues of comparable maturity of comparably rated U.S. industrial companies and, with respect to any floating rate tranche, structured in a manner similar to, and as liquid as, marketable bank debt.

1.98 *Priority Claim*: Any Claim to the extent such claim is entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than an Administrative Expense, DIP Credit Facility Claim, or Priority Tax Claim.

1.99 *Priority Tax Claim*: A Claim against AWI that is of a kind specified in section 507(a)(8) of the Bankruptcy Code.

1.100 *Pro Rata Share*: Means the ratio (expressed as a percentage) of the amount of an Allowed Claim in a Class to the aggregate amount of all Allowed Claims plus the Disputed Claim Amount of all Disputed Claims in the same Class.

1.101 *Qualified Appraisal*: A "qualified appraisal" within the meaning of Treasury Regulations section 1.468B-3(b)(3).

1.102 *Record Date*: The first Business Day that is five (5) days from and after the Confirmation Date.

1.103 *Reorganized AWI*: AWI, as reorganized as of the Effective Date in accordance with this Plan, or any successors in interest thereto, from and after the Effective Date.

1.104 *Reorganization Consideration*: Collectively, the Available Cash, the Plan Notes and/or the 144A Offering Proceeds, the New Common Stock, and the New Warrants.

1.105 *Retention Period*: Five (5) years from and after the Effective Date, or such shorter period as the Bankruptcy Court may set.

1.106 *Schedules*: The schedules of assets and liabilities and the statements of financial affairs filed by AWI with the Bankruptcy Court, as required by section 521 of the Bankruptcy Code and the Official Bankruptcy Forms of the Bankruptcy Rules, as such schedules and statements have been and may be amended by AWI from time to time in accordance with Bankruptcy Rule 1009.

1.107 *SEC:* The United States Securities and Exchange Commission.

1.108 *Secured Claim*: Any Claim against AWI to the extent of the value of any interest in property of the estate of AWI securing such Claim, except for the DIP Credit Facility Claim and the COLI Claims.

1.109 *Stockholder and Registration Rights Agreement*: The Stockholder and Registration Rights Agreement to be entered into by Reorganized AWI and the Asbestos PI Trustees on behalf of the Asbestos PI Trust, pursuant to section 7.6 hereof, in substantially the same form of Exhibit 1.109 to the Plan.

1.110 *Subsidiary Debt Guarantee Claim*: Any Claim against AWI arising from the guaranty by AWI of an obligation of one or more Entities that are subsidiaries of AWI as of the date immediately preceding the Effective Date so long as such obligation has not been accelerated or declared in default prior to the Effective Date (and such acceleration has not been rescinded or such default waived), other than any Claim relating to any obligations of Nitram Liquidators, Inc. or Desseaux Corporation of North America and other than any Claim relating to obligations arising from the sale or disposition of the business, operations, or assets of any Entity.

1.111 *Treasury Regulations*: Regulations (including temporary and proposed) promulgated under the Internal Revenue Code by the United States Treasury Department, as amended from time to time.

1.112 *Unliquidated Claim*: Any Claim (other than an Asbestos Personal Injury Claim), the amount of liability for which has not been fixed, whether pursuant to agreement, applicable law, or otherwise, as of the date on which such Claim is sought to be estimated.

1.113 *Unsecured Claim*: Any Claim other an Administrative Expense, Subsidiary Debt Guarantee Claim, a COLI Claim, a Priority Tax Claim, a Priority Claim, an Asbestos Personal Injury Claim, an Asbestos Property Damage Claim, an Environmental Claim (except to the extent provided in section 3.2(h)(ii) of the Plan), an Affiliate Claim, an Employee Benefit Claim, or a Secured Claim. Unsecured Claims include Debt Security Claims administered by the Indenture Trustees.

1.114 *Unsecured Creditors' Committee*: The Official Unsecured Creditors' Committee, consisting of Entities appointed as members in the Chapter 11 Case by the United States Trustee for the District of Delaware in accordance with section 1102(a) of the Bankruptcy Code and their duly appointed successors, if any, as the same may be reconstituted from time to time.

1.115 *Voting Deadline*: The date set by the Bankruptcy Court by which all completed ballots must be received.

1.116 *Voting Procedures Order*: An order of the Bankruptcy Court approving procedures relating to the solicitation and tabulation of votes with respect to the Plan.

B. Other Terms. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, the feminine, and the neuter. The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan. An initially capitalized term used herein that is not defined herein shall have the meaning ascribed to such term, if any, in the Bankruptcy Code, unless the context shall otherwise require.

C. Exhibits. All Exhibits to the Plan shall be contained in a separate Exhibit Volume, which shall be filed with the Clerk of the Bankruptcy Court not later than the earlier of (i) thirty (30) days prior to the commencement of the hearing on confirmation of the Plan and (ii) fifteen (15) days prior to the deadline for filing objections to confirmation of the Plan. Such Exhibits may be inspected in the office of the Clerk of the Bankruptcy Court during normal hours of operation of the Bankruptcy Court. Such Exhibits shall also be available for download from the following website: www.armstrongplan.com. Holders of Claims or shareholders of Holdings may also obtain a copy of such Exhibit Volume, once filed, from AWI by a written request sent to the following address:

Armstrong World Industries, Inc.
Post Office Box 3666
Lancaster, Pennsylvania 17604-3666

ARTICLE II

PROVISIONS FOR PAYMENT OF ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

2.1 *Payment of Allowed Administrative Expenses.* The Allowed Amount of each Administrative Expense that is Allowed as of the Effective Date shall be paid in full, in cash, on the Effective Date; *provided, however,* that Administrative Expenses of the type specified in section 1.11(c)(i) of the Plan shall be assumed and paid by Reorganized AWI in accordance with the terms and conditions of the particular transactions and any agreements relating thereto. Each Administrative Expense of the type specified in section 1.11(c)(ii) or 1.11(c)(iii) of the Plan shall be paid the Allowed Amount of such Administrative Expense in full, in cash, as soon as practicable after such Administrative Expense is Allowed.

2.2 *Compensation and Reimbursement Claims.* The Bankruptcy Court shall fix in the Confirmation Order a date for the filing of, and a date to hear and determine, all applications for final allowances of compensation or reimbursement of expenses under section 330 of the Bankruptcy Code or applications for allowance of Administrative Expenses arising under section 503(b)(2), 503(b)(3), 503(b)(4), 503(b)(5), or 503(b)(6) of the Bankruptcy Code. The Allowed Amount of all Administrative Expenses arising under section 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), 503(b)(5), or 503(b)(6) of the Bankruptcy Code shall be paid in full, in cash, (a) upon the later of (i) the Effective Date and (ii) the date upon which any such Administrative Expense becomes Allowed or (b) at such later date or upon such other terms as may be mutually agreed upon between each such Administrative Expense Creditor and Reorganized AWI.

2.3 *DIP Credit Facility Claim.* On the Effective Date, the DIP Credit Facility Cla im shall be paid in full, in cash. Unless otherwise agreed by the DIP Lenders, to the extent that any letters of credit issued pursuant to the DIP Credit Facility remain outstanding on the Effective Date, AWI will pay to the Agent Bank, for the ratable benefit of the DIP Lenders, cash in an amount equal to the face amount of such letters of credit, which shall be held by the Agent Bank for the repayment of all amounts due in respect of such letters of credit.

2.4 *Priority Tax Claims.* Each holder of an Allowed Priority Tax Claim shall be paid the Allowed Amount of its Allowed Priority Tax Claim either (a) in full, in cash, on the latest of (i) the Effective Date, (ii) the date such Allowed Priority Tax Claim becomes Allowed, and (iii) the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law or (b) upon such other terms as may be mutually agreed upon between each holder of a Priority Tax Claim and Reorganized AWI.

ARTICLE III

CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

3.1 *Summary.* Claims and Equity Interests are classified for all purposes, including, without express or implied limitation, voting, confirmation, and distribution pursuant to the Plan, as follows:

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
Class 1: Priority Claims	Paid in full, in cash, on the later of the Effective Date or as soon as practicable after such Priority Claim becomes Allowed.	Unimpaired	No
Class 2: Secured Claims	Reinstated – Any defaults related to Secured Claims will be cured.	Unimpaired	No
Class 3: Convenience Claims	Payment of 75% of Allowed Amount of Convenience Claim, in cash, on later of the Effective Date or as soon as practicable after such Convenience Claim becomes Allowed.	Impaired	Yes
Class 4: Asbestos Property Damage Claims	All Asbestos Property Damage Claims will be resolved pursuant to the terms of the Global Asbestos PD Settlement. If the Global Asbestos PD Settlement is not approved by the Bankruptcy Court at least fifteen (15) days before the Voting Deadline, AWI will amend the Plan to provide alternative treatment for Asbestos Property Damage Claims, in which case the Asbestos Property Damage Claims will be treated as impaired and will be entitled to vote on the Plan.	Unimpaired	Yes
Class 5: COLI Claims	Reinstated – Any defaults related to the COLI Claims will be cured.	Unimpaired	No
Class 6: Unsecured Claims other than Convenience Claims	Each holder of an Allowed Unsecured Claim will receive its Pro Rata Share of (i) 34.43% of the New Common Stock, (ii) 34.43% of the first $1.05 billion of (x) up to $300 million of Available Cash and (y) the principal amount of Plan Notes and/or 144A Offering Proceeds, (iii) 60% of the next $50 million of the remaining Available Cash, (iv) 60% of the remaining amount of Plan Notes and/or 144A Offering Proceeds to the extent that Available Cash in (iii) is less than $50 million, and (v) 34.43% of the remaining Available Cash and Plan Notes and/or 144A Offering Proceeds.	Impaired	Yes
Class 7: Asbestos Personal Injury Claims	All Asbestos Personal Injury Claims will be channeled to the Asbestos PI Trust, which will be funded pursuant to section 10.1 of the Plan.	Impaired	Yes

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
Class 8: Environmental Claims	Each Environmental Claim will be treated as an Allowed Unsecured Claim to the extent it becomes Allowed prior to any Distribution Date. Other treatment determined as applicable under the relevant settlement agreement.	Impaired	Yes
Class 9: Affiliate Claims	Reinstated	Unimpaired	No
Class 10: Subsidiary Debt Guarantee Claims	Reinstated	Unimpaired	No
Class 11: Employee Benefit Claims	Reinstated	Unimpaired	No
Class 12: Equity Interests	The holder of the Equity Interests in AWI will receive the New Warrants (which will be distributed in accordance with the Holdings Plan of Liquidation, if the Holdings Plan of Liquidation is approved).	Impaired	Yes

3.2 *Classification and Treatment.*

(a) **Class 1. Priority Claims.**

(i) *Classification*: Class 1 consists of all Allowed Priority Claims.

(ii) *Treatment*: Each holder of an Allowed Priority Claim shall be paid the Allowed Amount of its Allowed Priority Claim, in full, in cash, on the later of the Effective Date and as soon as practicable after the date such Priority Claim becomes Allowed.

(iii) *Status*: Class 1 is not impaired. The holders of the Claims in Class 1 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

(b) **Class 2. Secured Claims.**

(i) *Classification*: Class 2 consists of all Allowed Secured Claims. Although placed in one class for purposes of convenience, each Allowed Secured Claim shall be treated as though in a separate class for all purposes under the Plan.

(ii) *Treatment*: At the option of AWI and in accordance with section 1124 of the Bankruptcy Code, each Allowed Secured Claim shall be treated in one of the following ways:

1. The legal, equitable and contractual rights to which such Allowed Secured Claim entitles the holder of such Claim shall be unaltered.

or

2. Notwithstanding any contractual provision or applicable law that entitles the holder of an Allowed Secured Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim from and after the occurrence of a default under the agreements governing or instruments evidencing such Claim, such Claim shall be reinstated, and AWI shall (i) cure all defaults that occurred before or from and after the Commencement Date (other than defaults of a kind specified in section 365(b)(2) of the Bankruptcy Code), (ii) reinstate the maturity of such Claim as such maturity existed prior to the occurrence of such default, (iii) compensate the holder of such Claim for any damages incurred as a consequence of any reasonable reliance by such holder on such contractual provision or such applicable law, and (iv) not otherwise alter the legal, equitable, or contractual rights to which the holder of such Claim is entitled.

(iii) *Status*: Class 2 is not impaired. The holders of the Claims in Class 2 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

(c) **Class 3. Convenience Claims.**

(i) *Classification*: Class 3 consists of all Allowed Convenience Claims.

(ii) *Treatment*: Each holder of an Allowed Convenience Claim shall be paid 75% of the Allowed Amount of its Allowed Convenience Claim, in cash, on the later of the Effective Date and as soon as practicable after such Convenience Claim becomes Allowed.

(iii) *Election*: Any holder of an Unsecured Claim in an amount equal to or less than Ten Thousand and 00/100 Dollars ($10,000.00) and which otherwise constitutes a Convenience Claim automatically shall be treated as a Convenience Claim. Any holder of any other Unsecured Claim that desires treatment of such Claim as a Convenience Claim shall make such election on the Ballot to be provided to holders of Unsecured Claims in Class 6 and return such Ballot to the address specified therein on or before the Voting Deadline. Any election made after the Voting Deadline shall not be binding on AWI unless the Voting Deadline is expressly waived in writing by AWI with respect to any such Claim.

(iv) *Status*: Class 3 is impaired. To the extent and in the manner provided in the Voting Procedures Order, the holders of the Claims in Class 3 are entitled to vote to accept or reject the Plan.

(d) **Class 4. Asbestos Property Damage Claims.**

(i) *Classification*: Class 4 consists of all Allowed Asbestos Property Damage Claims.

(ii) *Treatment*: All pending Asbestos Property Damage Claims will be Allowed and treated in accordance with the terms of the Global Asbestos PD Settlement.

(iii) *Status*: Class 4 is unimpaired. The holders of the Claims in Class 4 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

(e) **Class 5. COLI Claims.**

(i) *Classification*: Class 5 consists of all Allowed COLI Claims.

(ii) *Treatment*: In accordance with section 1124 of the Bankruptcy Code, notwithstanding any contractual provision or applicable law that entitles the holder of an Allowed COLI Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim from and after the occurrence of a default under the agreements governing or instruments evidencing such Claim, such Claim shall be reinstated, and AWI shall (i) cure all defaults that occurred before or from and after the Commencement Date (other than defaults of a kind specified in section 365(b)(2) of the Bankruptcy Code), (ii) reinstate the maturity of such Claim as such maturity existed prior to the occurrence of such default, (iii) compensate the holder of such Claim for any damages incurred as a consequence of any reasonable reliance by such holder on such contractual provision or such applicable law, and (iv) not otherwise alter the legal, equitable, or contractual rights to which the holder of such Claim is entitled.

(iii) *Status*: Class 5 is not impaired. The holders of the Claims in Class 5 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

(f) **Class 6. Unsecured Claims other than Convenience Claims.**

(i) *Classification*: Class 6 consists of Unsecured Claims other than Convenience Claims.

(ii) *Treatment*: Each holder of an Allowed Unsecured Claim in Class 6 will receive on each Distribution Date its Pro Rata Share of the following elements of Reorganization Consideration:

1. 34.43% of the New Common Stock,

2. 34.43% of the first $1.05 billion of (x) up to $300 million of Available Cash and (y) the Plan Notes and/or 144A Offering Proceeds,

3. 60% of the first $50 million of the amount of Available Cash remaining after making provision for the Distribution provided in section

3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan,

4. 60% of the amount of Plan Notes and/or 144A Offering Proceeds equal to the difference (if positive) of $50 million *less* the amount of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan, and

5. 34.43% of the remaining Available Cash and Plan Notes and/or 144A Offering Proceeds after making provision for the Distribution provided in sections 3.2(f)(ii)2, 3.2(f)(ii)3, and 3.2(f)(ii)4 of the Plan and the funding of the Asbestos PI Trust in sections 10.1(b)(ii), 10.1(b)(iii) and 10.1(b)(iv) of the Plan.

In any Distribution made to the holder of an Allowed Unsecured Claim, there shall be deducted from such Distribution the amount of each element of the Reorganization Consideration (computed as provided in this section 3.2(f)(ii)) previously distributed to such holder on account of such Allowed Unsecured Claim in any Distribution made prior thereto.

(iii) *Interest*: Interest shall neither accrue nor be payable from and after the Commencement Date with respect to Allowed Unsecured Claims.

(iv) *Status*: Class 6 is impaired. To the extent and in the manner provided in the Voting Procedures Order, the holders of the Claims in Class 6 are entitled to vote to accept or reject the Plan.

(g) **Class 7. Asbestos Personal Injury Claims.**

(i) *Classification*: Class 7 consists of all Asbestos Personal Injury Claims.

(ii) *Treatment*: All Asbestos Personal Injury Claims shall be determined and paid pursuant to the terms, provisions, and procedures of the Asbestos PI Trust, the Asbestos PI Trust Distribution Procedures, and the Asbestos PI Trust Agreement. The Asbestos PI Trust will be funded in accordance with the provisions of section 10.1 of the Plan. The sole recourse of the holder of an Asbestos Personal Injury Claim shall be the Asbestos PI Trust, and such holder shall have no right whatsoever at any time to assert its Asbestos Personal Injury Claim against any PI Protected Party. **Without limiting the foregoing, on the Effective Date, all Entities shall be permanently and forever stayed, restrained, and enjoined from taking any of the following actions for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to any Asbestos Personal Injury Claim (other than actions brought to enforce any right or obligation under the Plan, any Exhibits to the Plan, or any other agreement or instrument between AWI or Reorganized AWI and the Asbestos PI Trust, which actions shall be in conformity and compliance with the provisions hereof):**

1. **commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding (including, without express or implied limitation, a judicial, arbitral, administrative, or other proceeding) in any forum against or affecting any PI Protected Party or any property or interests in property of any PI Protected Party;**

2. **enforcing, levying, attaching (including, without express or implied limitation, any prejudgment attachment), collecting, or otherwise recovering by any means or in any manner, whether directly or indirectly, any judgment, award, decree, or other order against any PI Protected Party or any property or interests in property of any PI Protected Party;**

3. **creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Encumbrance against any PI Protected Party or any property or interests in property of any PI Protected Party;**

4. **setting off, seeking reimbursement of, contribution from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability owed to any PI Protected Party or any property or interests in property of any PI Protected Party; and**

5. **proceeding in any manner in any place with regard to any matter that is subje ct to resolution pursuant to the Asbestos PI Trust Agreement, except in conformity and compliance therewith.**

Nothing contained herein shall constitute or be deemed a waiver of any claim, right, or cause of action that AWI, Reorganized AWI, or the Asbestos PI Trust may have against any Entity in connection with or arising out of an Asbestos Personal Injury Claim, and the injunction shall not apply to the assertion of any such claim, right, or cause of action by AWI, Reorganized AWI, or the Asbestos PI Trust.

(iii) *Status*: Class 7 is impaired. To the extent and in the manner provided in the Voting Procedures Order, the holders of the Claims in Class 7 are entitled to vote to accept or reject the Plan.

(h) **Class 8. Environmental Claims.**

(i) *Classification*: Class 8 consists of all Environmental Claims.

(ii) *Treatment*: Each holder of an Environmental Claim shall be entitled to treatment of its Environmental Claim and receive such consideration as is provided in the settlement agreement applicable to such Environmental Claim. Without limiting the provisions of such settlement agreement, to the extent any portion of an Environmental Claim becomes Allowed prior to any Distribution Date, such Environmental Claim shall be deemed to constitute, and will be treated as, an Allowed Unsecured Claim under Class 6 of the Plan. The

sole recourse of the holders of Environmental Claims shall be in accordance with the rights of such holders set forth in such settlement agreement. Nothing contained herein or in any settlement agreement relating to an Environmental Claim shall constitute or be deemed a waiver of any claim, right, or cause of action that AWI or Reorganized AWI may have against any Entity that is not a party to such settlement agreement.

(iii) *Status*: Class 8 is impaired. To the extent and in the manner provided in the Voting Procedures Order, the holders of the Claims in Class 8 are entitled to vote to accept or reject the Plan.

(i) **Class 9. Affiliate Claims.**

(i) *Classification*: Class 9 consists of Affiliate Claims.

(ii) *Treatment*: In accordance with section 1124 of the Bankruptcy Code, the legal, equitable, and contractual rights to which such Allowed Affiliate Claims entitle the holder of any such Claims shall be unaltered.

(iii) *Status*. Class 9 is unimpaired. The holders of the Claims in Class 9 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

(j) **Class 10. Subsidiary Debt Guarantee Claims.**

(i) *Classification*: Class 10 consists of all Subsidiary Debt Guarantee Claims.

(ii) *Treatment*: In accordance with section 1124 of the Bankruptcy Code, each Subsidiary Debt Guarantee Claim shall be reinstated.

(iii) *Status:* Class 10 is not impaired. The holders of Claims in Class 10 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

(k) **Class 11. Employee Benefit Claims.**

(i) *Classification*: Class 11 consists of all Employee Benefit Claims.

(ii) *Treatment*: In accordance with section 1124 of the Bankruptcy Code, each Employee Benefit Claim shall be reinstated.

(iii) *Status:* Class 11 is not impaired. The holders of Claims in Class 11 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

(l) **Class 12. Equity Interests**.

(i) *Classification*: Class 12 consists of Equity Interests.

(ii) *Treatment*: On or as soon as practicable after the Effective Date, Reorganized AWI shall issue the New Warrants in respect of the Equity Interests in AWI as provided in section 7.24 hereof; *provided*, however, that, if Class 6 votes to reject the Plan, no distribution shall be made under the Plan from AWI's estate in respect of the Equity Interests in AWI but, in such event, Reorganized AWI shall issue the New Warrants as provided in section 7.24 hereof in respect of the Asbestos Personal Injury Claims and in accordance with section 10.1(b) hereof. On the Effective Date, the certificates that previously evidenced ownership of Existing AWI Common Stock shall be cancelled and shall be null and void, the holder(s) thereof shall no longer have any rights in respect of the Equity Interests in AWI, and such certificates shall not evidence any rights under the Plan.

(iii) *Status*: Class 12 is impaired. To the extent and in the manner provided in the Voting Procedures Order, the holder of the Equity Interests in Class 12 is entitled to vote to accept or reject the Plan; *provided*, *however*, if Class 6 votes to reject the Plan, Class 12 shall be deemed to have rejected the Plan.

3.3 In the event of a controversy as to whether any class of Claims or Equity Interests is impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy prior to the Confirmation Date.

ARTICLE IV

MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN

4.1 *Modification of the Plan.* AWI may only, with the written consent of the Future Claimants' Representative, the Asbestos PI Claimants' Committee, and, if Class 6 has not voted to reject the Plan at the time of the requested alteration, amendment, or modification, the Unsecured Creditors' Committee, alter, amend, or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date so long as the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code. After the Confirmation Date and prior to the Effective Date, AWI, with the written consent of the Future Claimants' Representative, the Asbestos PI Claimants' Committee, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee, may only alter, amend, or modify the Plan in accordance with section 1127(b) of the Bankruptcy Code.

4.2 *Revocation or Withdrawal.*

(a) *Right to Revoke.* The Plan may be revoked or withdrawn prior to the Confirmation Date by AWI, with the written consent of the Future Claimants' Representative, the Asbestos PI Claimants' Committee, and, if Class 6 has not voted to reject the Plan at the time of the requested revocation or withdrawal, the Unsecured Creditors' Committee, or, after the Confirmation Deadline, by AWI.

(b) *Effect of Withdrawal or Revocation*. If the Plan is revoked or withdrawn prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims or defenses or any admission or statement against interest by AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, the Unsecured Creditors' Committee, or any

other Entity or to prejudice in any manner the rights of AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, the Unsecured Creditors' Committee, or any Entity in any further proceedings involving AWI.

4.3 *Amendment of Plan Documents.* From and after the Effective Date, the authority to amend, modify, or supplement the Exhibits to the Plan and any documents attached to such Exhibits shall be as provided in such Exhibits and their respective attachments.

ARTICLE V

PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS

5.1 *Objections to Claims; Prosecution of Disputed Claims.* Reorganized AWI shall object to the allowance of Claims filed with the Bankruptcy Court (other than Asbestos Personal Injury Claims and Asbestos Property Damage Claims) with respect to which Reorganized AWI disputes liability in whole or in part. All objections that are filed and prosecuted by Reorganized AWI as provided herein shall be litigated to Final Order by Reorganized AWI or compromised and settled in accordance with the Claims Settlement Guidelines. Unless otherwise provided herein or ordered by the Bankruptcy Court, all objections by Reorganized AWI to Claims shall be served and filed no later than ninety (90) days after the Effective Date.

5.2 *Claims Settlement Guidelines.* The Confirmation Order shall approve the amendment to the Claims Settlement Guidelines, as set forth in Exhibit 1.39 to the Plan.

5.3 *Distributions on Account of Disputed Claims.* Notwithstanding section 3.2 hereof, a Distribution shall only be made by Reorganized AWI to the holder of a Disputed Claim when, and to the extent that, such Disputed Claim becomes Allowed. No interest shall be paid on account of Disputed Claims that later become Allowed except to the extent that payment of interest is required under section 506(b) of the Bankruptcy Code. No Distribution shall be made with respect to all or any portion of any Disputed Claim pending the entire resolution thereof in the manner prescribed by section 5.1 hereof.

5.4 *Disputed Unsecured Claims Reserve.* On the Initial Distribution Date, if the Plan Notes are issued, Reorganized AWI will establish the Disputed Unsecured Claims Reserve, pursuant to which Plan Notes not distributed on the Initial Distribution Date or on any subsequent Distribution will be issued but held in trust by the Disbursing Agent pending the resolution of Disputed Claims. In accordance with and subject to the provisions of sections 3.2(f)(ii), 5.3, and 7.8 of the Plan, any Distribution of Plan Notes with respect to a Disputed Claim that becomes Allowed shall include interest and other accretions with respect to such Plan Notes, net of the portion of expenses (including, without limitation, taxes payable by the Disputed Unsecured Claims Reserve) attributable to such Plan Notes.

5.5 *Tax Treatment of Disputed Unsecured Claims Reserve.*

(a) Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Disbursing Agent of a private letter ruling if the Disbursing Agent so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing Agent), the Disbursing Agent shall (i) treat the Disputed Unsecured Claims Reserve established to hold Plan Notes and any earnings with respect thereto as a discrete trust for federal income tax purposes, consisting of separate and independent

shares to be established in respect of each Disputed Claim in Class 6, in accordance with the trust provisions of the Tax Code (sections 641 *et seq.*), and (ii) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes. All parties (including Reorganized AWI and all holders of Claims in Class 6) shall report, for tax purposes, consistently with such treatment.

(b) The Disbursing Agent may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all tax returns filed for, or on behalf of, the Disputed Unsecured Claims Reserve for all taxable periods through the termination of such reserve.

ARTICLE VI

ACCEPTANCE OR REJECTION OF THE PLAN

6.1 *Impaired Classes to Vote*. Each holder of a Claim in an impaired Class of Claims shall be entitled to vote to accept or reject the Plan to the extent and in the manner provided by the Voting Procedures Order.

6.2 *Acceptance by Class of Claims*. Acceptance of the Plan by any impaired Class of Claims shall be determined in accordance with the Voting Procedures Order.

6.3 *Nonconsensual Confirmation.* In the event that any impaired Class of Claims shall fail to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, AWI reserves the right to (a) request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code with respect to such non-accepting Class, in which case the Plan shall constitute a motion for such relief, or (b) amend the Plan in accordance with section 4.1 hereof.

ARTICLE VII

IMPLEMENTATION OF THE PLAN

7.1 *Creation of Asbestos PI Trust.* Effective as of the later of (i) the date the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement and (ii) the Effective Date, the Asbestos PI Trust shall be created. The Asbestos PI Trust is intended to be a "qualified settlement fund" within the meaning of section 468B of the Internal Revenue Code. The purpose of the Asbestos PI Trust shall be to, among other things, (a) direct the processing, liquidation, and payment of all Asbestos Personal Injury Claims in accordance with the Plan, the Asbestos PI Trust Distribution Procedures, and the Confirmation Order and (b) preserve, hold, manage, and maximize the assets of the Asbestos PI Trust for use in paying and satisfying Asbestos Personal Injury Claims.

7.2 *Appointment of Asbestos PI Trustees*. On the Confirmation Date, effective as of the Effective Date, the Bankruptcy Court shall appoint the individuals selected jointly by the Asbestos PI Claimants' Committee and the Future Claimants' Representative (as identified in Exhibit 7.2 to the Plan), which individuals shall be appointed after consultation with AWI, to serve as the Asbestos PI Trustees for the Asbestos PI Trust.

7.3 *144A Offering*. AWI will use reasonable efforts to effect the 144A Offering on or as soon as practicable after the Effective Date such that the 144A Offering yields net proceeds in an amount at least equal to the Plan Note Amount, in which case the Plan Notes

will not be issued under the Plan. AWI will not complete a 144A Offering that yields net proceeds less than the amount of the Plan Note Amount without the consent of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee. If a 144A Offering is completed, but yields net proceeds less than the Plan Note Amount, then Reorganized AWI will issue Plan Notes in an aggregate amount equal to the Plan Note Amount *less* the net proceeds of the 144A Offering.

7.4 *Amendment of Articles of Incorporation*. The Articles of Incorporation shall be amended and restated as of the Effective Date in substantially the form of the Amended and Restated Articles of Incorporation, *inter alia*, (a) to prohibit the issuance of nonvoting equity securities as required by section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such Amended and Restated Articles of Incorporation as permitted by applicable law, and (b) to authorize 215 million (215,000,000) shares of capital stock of which (i) 200 million (200,000,000) shares will be shares of common stock, and (ii) 15 million shares will be preferred stock of Reorganized AWI, with such rights, preferences and privileges as may be determined by the Board of Directors. Pursuant to the Plan, of the 200 million shares of common stock (A) fifty to sixty million (50,000,000-60,000,000) shares shall be New Common Stock issued under the Plan, (B) an amount equal to 5% of the New Common Stock on a fully diluted basis determined as of the Effective Date shall be reserved for issuance upon exercise of the New Warrants, and (C) a portion shall be reserved for issuance under the New Long-Term Incentive Plan, and (D) the remainder shall be reserved for future issuance.

7.5 *Amendment of By-Laws*. The By-Laws of AWI shall be amended and restated as of the Effective Date in substantially the form of the Amended and Restated By-Laws.

7.6 *Stockholder and Registration Rights Agreement*. On the Effective Date, AWI and the Asbestos PI Trust shall enter into the Stockholder and Registration Rights Agreement, which will provide, among other things, for the registration by Reorganized AWI of shares of New Common Stock and Plan Notes owned by the Asbestos PI Trust for public sale in certain circumstances, will provide for rights of others to participate in certain sales of New Common Stock and Plan Notes by the Asbestos PI Trust, and will establish certain requirements for amendment of provisions of the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws.

7.7 *Distributions under the Plan*. Whenever any Distribution to be made under this Plan shall be due on a day other than a Business Day, such Distribution shall instead be made, without interest, on the immediately succeeding Business Day, but shall be deemed to have been made on the date due.

7.8 *Timing of Distributions under the Plan*. Any Distribution to be made by AWI or Reorganized AWI pursuant to the Plan shall be deemed to have been timely made if made within ten (10) days after the time therefore specified in the Plan. No interest shall accrue or be paid with respect to any Distribution as a consequence of such Distribution not having been made on the Effective Date; *provided, however*, that any Plan Notes distributed from the Disputed Unsecured Claims Reserve after the Initial Distribution Date shall include accrued interest and any other accretions thereon (net of the portion of the expenses of the Disputed Unsecured Claims Reserve (including, without limitation, taxes) attributable to such Plan Notes) from and after the Initial Distribution Date in accordance with the terms of the Plan Note Indenture, and New Common Stock issued to holders of Allowed Claims in Classes 6 and 8 after the Effective Date shall include all dividends declared and paid and other distributions made in respect thereto after the Effective Date.

(a) *Distributions with Respect to Unsecured Claims and Environmental Claims.* Distributions with respect to Classes 6 and 8 shall only be made on each Distribution Date; *provided, however,* that, if a Claim in any of Classes 6 or 8 becomes Allowed subsequent to the Initial Distribution Date, AWI may, in its sole discretion, make a Distribution with respect to such Claim prior to a Distribution Date. For purposes of treatment and Distribution under the Plan, except as provided with respect to treatment of Claims in the voting procedures approved by the Voting Procedures Order, all Unsecured Claims held by a Creditor shall be aggregated and treated as a single Claim. At the written request of AWI or the Disbursing Agent, any Creditor holding multiple Unsecured Claims shall provide to AWI or the Disbursing Agent, as the case may be, a single address to which any Distributions shall be sent. At the written request of any Creditor holding multiple Unsecured Claims made to the Disbursing Agent within thirty (30) days prior to a Distribution Date, such Creditor shall receive an itemized statement of the Unsecured Claims for which the Distribution is being made.

(b) *Distribution to the Asbestos PI Trust.* The Distribution to the Asbestos PI Trust shall be made on the later of (a) the date the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement and (b) the Effective Date; *provided, however*, that if AWI intends to complete the 144A Offering, then the Distribution of the 144A Offering Proceeds and/or Plan Notes to the Asbestos PI Trust shall occur as soon as practicable after the 144A Offering is completed or Reorganized AWI determines not to complete a 144A Offering, but in no event shall such Distribution occur after the Initial Distribution Date.

7.9 *Disbursing Agent.* All distributions under the Plan shall be made by Reorganized AWI as Disbursing Agent or such other entity designated by Reorganized AWI as a Disbursing Agent. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court, and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by Reorganized AWI. Distributions on account of Debt Security Claims shall be made to the Indenture Trustee under the applicable Indenture for subsequent distribution to the holders of the Debt Security Claims, and upon such Distribution to the Indenture Trustees, AWI and Reorganized AWI shall have no further obligations with respect thereto.

7.10 *Record Date.* Except as and to the extent otherwise required by customary procedures of the DTC with respect to Debt Security Claims, as of the close of business on the Record Date, the various transfer and claims registers for each of the classes of Claims as maintained by AWI, its respective agents, or the Indenture Trustees shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims. AWI and Reorganized AWI shall have no obligation to recognize any transfer of the Claims occurring after the close of business on the Record Date. AWI, Reorganized AWI, the Disbursing Agent, and the Indenture Trustees shall be entitled to recognize and deal hereunder only with those record holders stated on the transfer ledgers as of the close of business on the Record Date, to the extent applicable.

7.11 *Distributions to Holders of Debt Security Claims Administered by the Indenture Trustees.*

(a) Distributions to holders of Debt Security Claims administered by the Indenture Trustees will be made on each Distribution Date by means of book-entry exchange through the facilities of the DTC in accordance with the customary practices of the DTC, as and to the extent practicable. In connection with such book-entry exchange, each Indenture Trustee

will deliver instructions to the DTC directing the DTC to effect distributions on a *pro rata* basis of the elements of Reorganization Consideration as provided under the Plan with respect to the Debt Security Claims upon which such Indenture Trustee acts as trustee.

(b) The Indenture Trustees providing services related to Distributions pursuant to the Plan will receive from Reorganized AWI reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services in an amount pursuant to the procedures set forth in section 7.19 herein.

7.12 *Manner of Payment under the Plan.* Unless the Entity receiving a payment agrees otherwise, any payment in cash to be made by AWI or Reorganized AWI shall be made, at the election of AWI or Reorganized AWI (as the case may be), by check drawn on a domestic bank or by wire transfer from a domestic bank.

7.13 *Hart-Scott-Rodino Compliance.* Any shares of New Common Stock to be distributed under the Plan to any Entity required to file a Premerger Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, shall not be distributed until the notification and waiting periods applicable under such Act to such Entity shall have expired or been terminated.

7.14 *Fractional Shares or Other Distributions.* Notwithstanding anything to the contrary contained herein, no fractional shares of New Common Stock shall be distributed, no Plan Notes will be issued in an amount less than $1,000, and no cash payments of fractions of cents will be made. Fractional cents shall be rounded to the nearest whole cent (with .5 cent or less to be rounded down). Fractional shares shall be rounded to the nearest whole share (with .5 share or less to be rounded down). Plan Notes in denominations of less than $1,000 shall be rounded to the nearest $1,000 increment (with Plan Notes in denominations of $500 or less to be rounded down). No cash will be paid in lieu of such fractional shares or Plan Notes in increments of less than $1,000.

7.15 *Occurrence of the Confirmation Date.* The following shall constitute conditions to confirmation of the Plan:

(a) The Bankruptcy Court makes the following findings, each of which shall be contained in the Confirmation Order:

(i) With respect to any Asbestos Personal Injury Claim that is Allowed by the Asbestos PI Trust in accordance with the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, such allowance shall establish the amount of legal liability against the Asbestos PI Trust in the amount of the liquidated value of such Claim, as determined in accordance with the Asbestos PI Trust Distribution Procedures.

(ii) The Asbestos PI Permanent Channeling Injunction is to be implemented in connection with the Plan and the Asbestos PI Trust.

(iii) The Plan and its Exhibits are a fair, equitable, and reasonable resolution of the liabilities of AWI for Asbestos Personal Injury Claims.

(iv) The Plan complies with section 524(g) of the Bankruptcy Code.

(v) In light of the benefits provided, or to be provided, to the Asbestos PI Trust on behalf of each PI Protected Party, the Asbestos PI Permanent Channeling Injunction is fair and equitable with respect to the persons that might subsequently assert Asbestos Personal Injury Claims against any PI Protected Party.

(vi) At the time of the order for relief with respect to AWI, AWI had been named as a defendant in personal injury, wrongful death, and property damage actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products.

(vii) The Asbestos PI Trust, as of the Effective Date, will assume the liabilities of AWI with respect to all Asbestos Personal Injury Claims and, upon such assumption, Reorganized AWI shall have no liability for any Asbestos Personal Injury Claim.

(viii) The Asbestos PI Trust is to be funded in whole or in part by securities of Reorganized AWI and by the obligation of Reorganized AWI to make future payments, including dividends.

(ix) The Asbestos PI Trust is to own, or by the exercise of rights granted under the Plan would be entitled to own if specified contingencies occur, a majority of the voting shares of AWI.

(x) AWI is likely to be subject to substantial future Demands for payment arising out of the same or similar conduct or events that gave rise to the Claims that are addressed by the Asbestos PI Permanent Channeling Injunction.

(xi) The actual amounts, numbers, and timing of the future Demands referenced in section 7.15(a)(x) of the Plan cannot be determined.

(xii) Pursuit of the Demands referenced in section 7.15(a)(x) of the Plan outside the procedures prescribed by the Plan is likely to threaten the Plan's purpose to deal equitably with Claims and future Demands.

(xiii) The terms of the Asbestos PI Permanent Channeling Injunction, including any provisions barring actions against third parties pursuant to section 524(g)(4)(A) of the Bankruptcy Code, are set out in the Plan and in any disclosure statement supporting the Plan.

(xiv) The Plan establishes, in Class 7 (Asbestos Personal Injury Claims), a separate class of the claimants whose Claims are to be addressed by the Asbestos PI Trust.

(xv) The Future Claimants' Representative was appointed as part of the proceedings leading to issuance of the Asbestos PI Permanent Channeling Injunction for the purpose of protecting the rights of persons that might subsequently assert unknown Asbestos Personal Injury Claims and Demands that are addressed in the Asbestos PI Permanent Channeling Injunction and transferred to the Asbestos PI Trust. The Future Claimants' Representative has

fulfilled his duties, responsibilities, and obligations as the future representative in accordance with section 524(g) of the Bankruptcy Code.

(xvi) Identifying each PI Protected Party in the Asbestos PI Permanent Channeling Injunction is fair and equitable with respect to persons that might subsequently assert Demands against each such PI Protected Party, in light of the benefits provided, or to be provided, to the Asbestos PI Trust by or on behalf of any such PI Protected Party.

(xvii) Class 7 (Asbestos Personal Injury Claims) has voted, by at least 75 percent (75%) of those voting, in favor of the Plan.

(xviii) Pursuant to court orders or otherwise, the Asbestos PI Trust will operate through mechanisms such as structured, periodic, or supplemental payments, pro rata distributions, matrices, or periodic review of estimates of the numbers and values of Asbestos Personal Injury Claims and Demands, or other comparable mechanisms, that provide reasonable assurance that the Asbestos PI Trust will value, and be in a financial position to pay, Asbestos Personal Injury Claims and Demands that involve similar Claims in substantially the same manner.

(xix) If Class 6 votes to reject the Plan, the transfer of the New Warrants to the holder of the Equity Interests will not be subject to prior registration under the Securities Act of 1933, as amended.

(b) Class 7 (Asbestos Personal Injury Claims) has voted, by at least 75 percent (75%) of those voting, in favor of the Plan.

(c) The Confirmation Order shall be, in form and substance, acceptable to the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to the accept the Plan, the Unsecured Creditors' Committee.

The Plan shall not be confirmed and the Confirmation Order shall not be entered until and unless each of the foregoing conditions to confirmation is either satisfied or waived in writing by each of AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee.

7.16 *Occurrence of the Effective Date*. The "effective date of the plan," as used in section 1129 of the Bankruptcy Code, shall not occur, and the Plan shall be of no force and effect, until the Effective Date. The occurrence of the Effective Date is subject to satisfaction of the following conditions precedent:

(a) The Confirmation Order has become a Final Order.

(b) The Bankruptcy Court and/or the District Court, as required, shall have entered the Asbestos PI Permanent Channeling Injunction (which may be included in the Confirmation Order), which shall contain terms satisfactory to AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee.

(c) The Confirmation Order, the Claims Trading Injunction and the Asbestos PI Permanent Channeling Injunction shall be in full force and effect.

(d) No proceedings to estimate any Claims shall be pending.

(e) All Asbestos PI Trustees shall have been selected and shall have executed the Asbestos PI Trust Agreement.

(f) A favorable ruling shall have been obtained from the IRS with respect to the qualification of the Asbestos PI Trust as a "qualified settlement fund" within the meaning of Treasury Regulation section 1.468B-1, or AWI shall have received an opinion of counsel with respect to the tax status of the Asbestos PI Trust as a "qualified settlement fund" reasonably satisfactory to AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee.

(g) Reorganized AWI shall have entered into and shall have credit availability under a credit facility to provide Reorganized AWI with working capital (including letters of credit) in an amount sufficient to meet the needs of Reorganized AWI, as determined by Reorganized AWI.

(h) Each of the Exhibits shall be in form and substance acceptable to AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and the Unsecured Creditors' Committee.

Notwithstanding the foregoing, AWI reserves, in its sole discretion, the right, with the written consent of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee, to waive the occurrence of any of the foregoing conditions precedent to the Effective Date or to modify any of such conditions precedent. Any such written waiver of a condition precedent set forth in this section may be effected at any time, without notice, without leave or order of the Bankruptcy Court or the District Court, and without any formal action other than proceeding to consummate the Plan. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action. If AWI decides that one of the foregoing conditions cannot be satisfied, and the occurrence of such condition is not waived in writing by each of AWI, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if required, the Unsecured Creditors' Committee, then AWI shall file a notice of the failure of the Effective Date with the Bankruptcy Court, at which time the Plan and the Confirmation Order shall be deemed null and void.

7.17 *Cancellation of Existing Debt Securities.*

(a) As of the Effective Date, all notes, agreements, and securities evidencing Unsecured Claims and the rights of the holders thereof thereunder shall be cancelled and deemed null and void and of no further force and effect, and the holders thereof shall have no rights, and such instruments shall evidence no rights, except the right to receive the Distributions provided herein.

(b) Notwithstanding any other provisions in the Plan, each Indenture or other agreement that governs the rights of a holder of a Debt Security Claim that is administered by an Indenture Trustee shall continue in effect solely for the purposes of permitting the applicable

Indenture Trustee thereunder (i) to make distributions to such holder pursuant to the terms of the applicable Indenture; (ii) maintain any rights and liens it may have for any unpaid fees, costs, expenses, and indemnification under such Indenture or other agreement, *provided, however,* such rights and liens are limited to the Distributions, if any, to such holders; and (iii) to be paid by such holders or reimbursed for such prepetition and postpetition fees, costs, expenses, and indemnification (to the extent not paid as an Administrative Expense or otherwise) from the Distributions, if any, to such holders (until payment in full of such fees, costs, expenses or indemnification) on the terms and conditions set forth by the respective Indenture, other agreement, or applicable law.

7.18 *Expiration of the Retention Period.* Upon the expiration of the Retention Period, all monies or other property held for distribution by any trustee under any indenture governing any of the Unsecured Claims shall be returned to Reorganized AWI by such trustee, free and clear of any claim or interest of any nature whatsoever, including, without express or implied limitation, escheat rights of any governmental unit under applicable law.

7.19 *Compensation of the Applicable Indenture Trustees.* Reorganized AWI will pay the Indenture Trustees' Fees and Expenses to the extent that an Indenture Trustee makes a written request for Indenture Trustees' Fees and Expenses within thirty (30) days after the Effective Date. Although it will not be necessary for the Indenture Trustees to apply to the Bankruptcy Court for approval of the Indenture Trustees' Fees and Expenses, any dispute between Reorganized AWI and an Indenture Trustee regarding the reasonableness of any such fees and expenses shall be resolved by the Bankruptcy Court. Each Indenture Trustee shall be compensated by Reorganized AWI for services rendered from and after the Effective Date, including the reasonable compensation, disbursements, and expenses of the agents and legal counsel of such trustee in connection with the performance after the Effective Date of its duties under this section, and shall be indemnified by Reorganized AWI for any loss, liability, or expense incurred by it in connection with the performance of such duties to the same extent and in the same manner as provided in the related indenture.

7.20 *Distribution of Unclaimed Property.* Any Distribution under the Plan that is unclaimed after one hundred eighty (180) days following the date such property is distributed shall be deemed not to have been made and shall be transferred to Reorganized AWI, free and clear of any claims or interests of any Entities, including, without express or implied limitation, any claims or interests of any governmental unit under escheat principles. Nothing contained herein shall affect the discharge of the Claim with respect to which such Distribution was made, and the holder of such Claim shall be forever barred from enforcing such Claim against Reorganized AWI or Reorganized AWI's assets, estate, properties, or interests in property.

7.21 *Management of Reorganized AWI.* On the Effective Date, the Board of Directors shall consist of at least three individuals who at that time qualify under the prevailing standards of the New York Stock Exchange or the NASDAQ Stock Market (depending upon on which of such markets the common stock of Reorganized AWI will be listed for trading purposes upon the Effective Date) and applicable laws as independent, outside directors, and are eligible to serve on the audit committee of the Board of Directors, as an SEC-reporting public company, and at least three individuals who qualify as outside directors under section 162(m) of the Internal Revenue Code eligible to serve on the committee of the Board of Directors of Reorganized AWI responsible for matters of executive compensation. Each of the members of such Board of Directors shall be identified on Exhibit 7.21 to the Plan and shall serve in accordance with the Amended and Restated Articles of Incorporation, the Amended and Restated By-Laws, and the

Stockholder and Registration Rights Agreement. The officers of AWI immediately prior to the Effective Date shall serve as the officers of Reorganized AWI in accordance with the terms of any employment agreements pursuant to section 8.8 of the Plan and the requirements of applicable nonbankruptcy law.

7.22 *Listing of Reorganized AWI Common Stock*. Reorganized AWI shall use its best efforts to obtain, as of or as soon as practicable after the Effective Date, the listing of its common stock for trading on the New York Stock Exchange or for quotation in the NASDAQ Stock Market and, for so long as there are at least 300 holders of shares of its common stock, to continue the listing of its common stock for trading on either of such markets.

7.23 *Corporate Reorganization Actions.* On or as soon as practicable after the Effective Date, Reorganized AWI shall take such actions as may be or become necessary to effectuate the following, all of which shall be authorized and approved in all respects, in each case without further action being required under applicable law, regulation, order, or rule (including, without limitation, any action by the shareholders or directors of AWI or Reorganized AWI or the Asbestos PI Trust or the Asbestos PI Trustees):

(a) AWI will file the Amended and Restated Articles of Incorporation with the Secretary of State for the Commonwealth of Pennsylvania.

(b) Certain wholly owned, non-operating subsidiaries of AWI will merge with and into AWI on or as soon as practicable after the Effective Date.

(c) The Existing AWI Common Stock will be cancelled.

(d) Subject to section 7.3 hereof, the Plan Note Indenture will become effective and, upon such effectiveness, the Plan Notes will be issued and delivered in accordance with sections 3.2(f) and 11.8 hereof and sections 3.2(g) and 10.1(b) hereof; the New Common Stock will be issued and delivered in accordance with sections 3.2(f) and 11.8 hereof and sections 3.2(g) and 10.1(b) hereof; and the New Warrants will be issued and delivered as provided in section 7.24 hereof (and, if applicable, in accordance with section 10.1(b) hereof), in each case such issuance and delivery to be subject to the other provisions of ARTICLE VII of the Plan regarding the conditions to and manner of delivery of Plan Notes, New Common Stock and New Warrants.

(e) Reorganized AWI may consummate the 144A Offering.

(f) Reorganized AWI will enter into the working capital facility referenced in section 7.16 of the Plan.

(g) Reorganized AWI will enter into the New Long-Term Incentive Plan.

7.24 *Holdings Transactions*. On or as soon as is practicable after the Effective Date and, if applicable, in accordance with section 10.1(b) hereof, the New Warrants will be issued to the holder of the Equity Interests, which will be Holdings if the Holdings Plan of Liquidation has been approved on or before such date. From and after the Effective Date, other than as provided in the Plan (including, without limitation, provisions of the Plan relating to the indemnification rights of Holdings' officers, directors, and employees and the requirement to provide insurance for the benefit of such persons), Reorganized AWI shall have no ongoing obligations to Holdings or AWWD; *provided, however*, that Reorganized AWI shall bear (i) all costs and expenses related to the preparation and submission to a vote of Holdings' shareholders

of the Holdings Plan of Liquidation, which shall be undertaken as soon as reasonably practicable, and (ii) all other operating expenses of Holdings and AWWD until the time of such vote (and for a reasonable time thereafter to permit an orderly transition on the administration of Holdings' affairs), and (iii) if the requisite approval of the Holdings Plan of Liquidation is obtained, all costs and expenses of administering the performance and consummation of the Holdings Plan of Liquidation, including any taxes incurred by Holdings in connection therewith.

7.25 *Compliance with QSF Regulations.*

(a) *Tax Status of Asbestos PI Trust.* AWI shall timely seek a private letter ruling from the IRS substantially to the effect that, among other things, the Asbestos PI Trust shall be a "qualified settlement fund" within the meaning of section 468B of the Internal Revenue Code and the Treasury Regulations thereunder.

(b) *Qualified Appraisal.* Within sixty (60) days before or after the funding of the Asbestos PI Trust (but not later than February 14th of the following calendar year), AWI or Reorganized AWI shall obtain a Qualified Appraisal of the fair market value of the New Common Stock transferred (or to be transferred) to the Asbestos PI Trust.

(c) *Delivery of Statement of Transfers.* Following the funding of the Asbestos PI Trust and the receipt of the Qualified Appraisal (and in no event later than February 15th of the calendar year following the funding of the Asbestos PI Trust), Reorganized AWI shall provide a "§ 1.468B-3 Statement" to the Asbestos PI Trustees in accordance with Treasury Regulations section 1.468B-3(e).

7.26 *Effectuating Documents and Further Transactions.* Each of the officers of AWI and Reorganized AWI is authorized, in accordance with his or her authority under the resolutions of the Board of Directors, to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any notes or securities issued pursuant to the Plan.

7.27 *Allocation of Plan Distributions Between Principal and Interest.* To the extent that any Allowed Unsecured Claim or Allowed Convenience Claim entitled to a Distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall be allocated to the principal amount of the Claim (as determined for federal income tax purposes) first and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

ARTICLE VIII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 *Assumption of Executory Contracts and Unexpired Leases.* Any executory contracts or unexpired leases listed on Exhibit 8.1 to the Plan shall be deemed to have been assumed by Reorganized AWI as of the Effective Date, and the Plan shall constitute a motion to assume such executory contracts and unexpired leases. Subject to the occurrence of the Effective Date, entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such assumptions pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of AWI, its estate, and all parties in interest in the Chapter 11 Case. With respect to each such executory

contract or unexpired lease assumed by Reorganized AWI, unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, the dollar amount required to cure any defaults of AWI existing as of the Confirmation Date shall be conclusively presumed to be the amount set forth in Exhibit 8.1 with respect to such executory contract or unexpired lease. Subject to the occurrence of the Effective Date, any such cure amount shall be treated as an Allowed Administrative Expense under the Plan, and, upon payment of such Allowed Administrative Expense, all defaults of AWI existing as of the Confirmation Date with respect to such executory contract or unexpired lease shall be deemed cured.

8.2 *Rejection of Executory Contracts and Unexpired Leases*. Any executory contracts or unexpired leases of AWI that either (x) are set forth on Exhibit 8.2 to the Plan or (y)(i) are not listed on Exhibit 8.1 to the Plan, (ii) have not been assumed by AWI with the approval of the Bankruptcy Court, *and* (iii) are not the subject of pending motions to assume at the Confirmation Date shall be deemed to have been rejected by AWI, the Plan shall constitute a motion to reject such executory contracts and unexpired leases, and Reorganized AWI shall have no liability thereunder except as is specifically provided in the Plan. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such rejections pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interest of AWI, its estate, and all parties in interest in the Chapter 11 Case. Without limiting the foregoing, any agreement entered into prior to the Commencement Date by or on behalf of AWI with respect to the settlement of any Asbestos Personal Injury Claim shall be deemed rejected as of the Effective Date to the extent such settlement agreement is deemed to be an executory contract within the meaning of section 365(a) of the Bankruptcy Code.

8.3 *Claims Arising from Rejection, Termination or Expiration*. Claims created by the rejection of executory contracts or unexpired leases (including, without limitation, the rejection provided in section 8.2 of the Plan) or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date, other than Asbestos Personal Injury Claims, must be filed with the Bankruptcy Court and served on AWI no later than thirty (30) days after (i) in the case of an executory contract or unexpired lease that was terminated or expired by its terms prior to the Confirmation Date, the Confirmation Date, (ii) in the case of an executory contract or unexpired lease rejected by AWI, the entry of the order of the Bankruptcy Court authorizing such rejection, or (iii) in the case of an executory contract or unexpired lease that is deemed rejected pursuant to section 8.2 of the Plan, the Confirmation Date. Notwithstanding the foregoing, Exhibit 8.2 to the Plan sets forth AWI's value of the rejection claim for each executory contract or unexpired lease set forth thereon, which claim shall be deemed an Allowed Unsecured Claim if no proof of claim is timely filed and served in accordance with the immediately preceding sentence. Any Claims for which a rejection claim is not set forth on Exhibit 8.2 to the Plan and for which a proof of claim is not filed and served within the time provided herein will be forever barred from assertion and shall not be enforceable against AWI, its estate, assets, properties, or interests in property, or Reorganized AWI or its estate, assets, properties, or interests in property. Unless otherwise ordered by the Bankruptcy Court, all such Claims (other than Asbestos Personal Injury Claims) that are timely filed as provided herein shall be treated as Unsecured Claims under the Plan and shall be subject to the provisions of Article V of the Plan.

8.4 *Previously Scheduled Contracts*. Exhibit 8.4 to the Plan sets forth a list of agreements that were listed on the Schedules as executory contracts, but which AWI believes should not be considered executory contracts (either because they were not executory contracts as of the Commencement Date or because they have expired or terminated in accordance with their

terms prior to the Effective Date). If any such agreements are determined to be executory contracts, AWI or Reorganized AWI, as the case may be, reserves the right to seek the assumption or rejection of any such contract, and the time within which AWI or Reorganized AWI, as the case may be, may seek to assume or reject any such agreements shall be tolled until twenty (20) Business Days after the date on which an order determining that any such agreement is an executory contract becomes a Final Order. Set forth on Exhibit 8.4 to the Plan is the amount that AWI intends to treat as an Allowed Unsecured Claim for each such agreement. Such amount and the treatment of each such agreement shall be binding unless, on or before ten (10) days after the Confirmation Date, the other party to any such agreement either (i) files a proof of claim (which proof of claim shall be deemed timely filed) or (ii) files a motion seeking to compel assumption or rejection of such agreement.

8.5 *Insurance Policies and Agreements.*

(a) *Assumed Insurance Policies and Agreements.* AWI does not believe that the insurance policies issued to, or insurance agreements entered into by, AWI prior to the Commencement Date constitute executory contracts. To the extent that such insurance policies or agreements are considered to be executory contracts, then, notwithstanding anything contained in sections 8.1 or 8.2 of the Plan to the contrary, the Plan shall constitute a motion to assume such insurance policies and agreements, and, subject to the occurrence of the Effective Date, the entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such assumption pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of AWI, its estate, and all parties in interest in the Chapter 11 Case. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments are required to cure any defaults of AWI existing as of the Confirmation Date with respect to each such insurance policy or agreement. In accordance with section 10.1 hereof, the rights under the insurance policies and agreements constituting the Asbestos PI Insurance Asset shall, to the extent necessary, be deemed assigned to the Asbestos PI Trust as of the Effective Date and, pursuant to section 365 of the Bankruptcy Code, AWI shall have no further liability thereunder from and after the Effective Date.

(b) *Reservation of Rights.* Nothing contained in the Plan, including this section 8.5, shall constitute a waiver of any claim, right, or cause of action that AWI, the Asbestos PI Trust, or Reorganized AWI, as the case may be, may hold against the insurer under any policy of insurance or insurance agreement.

8.6 *Indemnification and Reimbursement Obligations.* For purposes of the Plan, the obligations of AWI to indemnify and reimburse persons who are or were directors, officers, or employees of Holdings, AWWD, or AWI on the Commencement Date or at any time thereafter against and for any obligations (including, without limitation, fees and expenses incurred by the board of directors of Holdings, or the members thereof, in connection with the Chapter 11 Case) pursuant to articles of incorporation, codes of regulations, bylaws, applicable state law, or specific agreement, or any combination of the foregoing, shall survive confirmation of the Plan, remain unaffected thereby, and not be discharged in accordance with section 1141 of the Bankruptcy Code, irrespective of whether indemnification or reimbursement is owed in connection with an event occurring before, on, or after the Commencement Date. In furtherance of the foregoing, Reorganized AWI shall maintain insurance for the benefit of such directors, officers, or employees at levels no less favorable than those existing as of the date of entry of the Confirmation Order for a period of no less than four years following the Effective Date.

8.7 *Compensation and Benefit Programs*. (a) Except as set forth below in sections 8.7(b) and 8.7(c) of the Plan, all employment and severance policies, workers' compensation programs, and all compensation and benefit plans, policies and programs of AWI applicable to its present and former employees, officers, and directors, including, without express or implied limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit plans, incentive plans, and life, accidental death, and dismemberment insurance plans, shall be deemed to be, and shall be treated as though they are, executory contracts that are deemed assumed under the Plan, and AWI's obligations under such plans, policies, and programs shall be deemed assumed pursuant to section 365(a) of the Bankruptcy Code, survive confirmation of the Plan, remain unaffected thereby, and not be discharged in accordance with section 1141 of the Bankruptcy Code. Any defaults existing under any of such plans, policies, and programs shall be cured promptly after they become known by Reorganized AWI.

(b) Notwithstanding section 8.7(a) of the Plan, on the Effective Date (unless an earlier date is specified herein),

(i) the Employment Protection Plan for Salaried Employees will be deemed to have been terminated, cancelled, and of no further force and effect prior to the Effective Date, and the participants thereunder shall have no further rights thereunder;

(ii) the 1993 Long-Term Stock Incentive Plan will be deemed terminated, cancelled, and of no further force and effect, and the participants thereunder shall have no further rights thereunder; *provided* that any and all remaining restrictions on restricted stock awards under the 1993 Long-Term Stock Incentive Plan will lapse on the Effective Date to the extent participants do not elect to waive their right to such awards prior to such date;

(iii) the 1999 Long-Term Incentive Plan will be deemed terminated, cancelled, and of no further force and effect, and the participants thereunder shall have no further rights thereunder; *provided* that any and all remaining restrictions on restricted stock awards under the 1999 Long-Term Incentive Plan will lapse on the Effective Date to the extent participants do not elect to waive their right to such awards prior to such date; and

(iv) the Armstrong Holdings Stock Award Plan will be deemed terminated, cancelled, and of no further force and effect, and the participants thereunder shall have no further rights thereunder; *provided* that any and all remaining restrictions on restricted stock awards under the Armstrong Holdings Stock Award Plan will lapse on the Effective Date to the extent participants do not elect to waive their right to such awards prior to such date.

(c) Notwithstanding section 8.7(a) of the Plan, on the Effective Date (unless an earlier date is specified herein),

(i) the Armstrong Deferred Compensation Plan will be modified so that Reorganized AWI, and not Holdings, will be the sponsor of such plan and to provide that Reorganized AWI has the right, in its sole discretion, not to honor single-sum withdrawal requests, and the Armstrong Deferred Compensation Plan will be assumed, as amended; *provided, however*, as to any party that objects to such amendment by the deadline for filing objections to confirmation of the Plan,

the Armstrong Deferred Compensation Plan will be deemed rejected, and such party will have an Unsecured Claim for any benefits thereunder in accordance with section 8.3 of the Plan, and, as of any date immediately prior to the Effective Date designated by Holdings, the Armstrong Deferred Compensation Plan will be deemed amended to exclude the occurrence of the Effective Date, the creation of the Asbestos PI Trust, and the issuance of the New Common Stock to the Asbestos PI Trust from triggering a change in control thereunder;

(ii) the Severance Pay Plan for Salaried Employees will be amended as of the Effective Date as follows: If the participant is in a position at a grade level of 15 or higher on Reorganized AWI's organizational management system on the date of termination, the participant will be eligible for severance benefits based on two weeks of pay for each year of service, subject to a minimum of 8 weeks pay and a maximum of 52 weeks pay, and the Severance Pay Plan for Salaried Employees will be assumed, as amended;

(iii) the Retirement Income Plan (Pension) will be amended prior to the Effective Date in the manner described below and, as amended, will be assumed as of the Effective Date:

1. to eliminate the Social Security retirement enhancement that may become payable due to job loss following a Change in Control (as defined in the Retirement Income Plan (Pension)), and

2. to eliminate future accruals of all other retirement enhancements that may become payable due to job loss following a Change in Control to the fullest extent permitted by applicable law; and

(iv) the Retirement Benefit Equity Plan will be amended as of any date prior to the Effective Date designated by AWI in the manner described below and, as amended, will be assumed as of the Effective Date:

1. to exclude in the definition of Change in Control (as defined in the Retirement Benefit Equity Plan) the occurrence of the Effective Date, the creation of the Asbestos PI Trust, and the issuance of the New Common Stock to the Asbestos PI Trust,

2. to eliminate the Extraordinary Event provisions as covered under the Retirement Income Plan,

3. to eliminate any and all retirement enhancements, related to past and future service, that may become payable due to job loss following a Change in Control as covered under the Retirement Income Plan, and

4. to terminate any right or obligation of Reorganized AWI to honor single-sum withdrawal requests;

provided, however, as to any party that objects to such amendments by the deadline for filing objections to confirmation of the Plan, such plan will be

deemed rejected, and such party will have an Unsecured Claim for any benefits thereunder in accordance with section 8.3 of the Plan.

(d) On the Effective Date, the assumption, rejection, and amendment of the foregoing plans provided in this section 8.7 shall be deemed to have occurred as of such date or earlier date specified in such section, shall be authorized, and shall be deemed approved in all respects, and shall be in effect from and after the Effective Date or such other date in each case without requiring further action under applicable law, regulation, order, or rule, including, without express or implied limitation, any action by any party or Entity, including any administrative committee of any plan or the stockholders or directors of AWI or Reorganized AWI. On the Effective Date or as soon thereafter as is practicable, Reorganized AWI shall restate the plans amended above as provided in section 8.7(c) and shall communicate such amendments in such manner and as may be required without any further order of the Bankruptcy Court. Each of the officers of AWI and Reorganized AWI is authorized, in accordance with his or her authority under the resolutions of the Board of Directors, to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the plan amendments set forth in this section of the Plan.

8.8 *Management Agreements.* On the Effective Date, all employment contracts between AWI and any employee of AWI who was employed by AWI as of the date immediately preceding the Effective Date (including, without limitation, any offer letters issued to any such employees to the extent such offer letters are not superseded by formal employment contracts) shall be deemed assumed by Reorganized AWI. In addition, Reorganized AWI shall enter into new employment contracts with those persons listed on Exhibit 8.8-A substantially in the form of Exhibit 8.8-B to the Plan, which employment contracts shall be deemed authorized without any further approval of the Board of Directors of AWI or Reorganized AWI and automatically shall become effective on the Effective Date.

ARTICLE IX

RETENTION OF JURISDICTION

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall retain and shall have exclusive jurisdiction over any matter (a) arising under the Bankruptcy Code, (b) arising in or related to the Chapter 11 Case or the Plan, or (c) to perform any of the following actions:

9.1 To interpret, enforce, and administer the terms of the Asbestos PI Trust Agreement (including all annexes and exhibits thereto), and the restrictions on transfer of Asbestos Personal Injury Claims contained in the Confirmation Order.

9.2 To hear and determine any and all motions or applications pending on the Confirmation Date (or thereafter if a contract listed on Exhibit 8.4 of the Plan is thereafter determined to be executory, and AWI is required to assume or reject it) for the assumption and/or assignment or rejection of executory contracts or unexpired leases to which AWI is a party or with respect to which AWI may be liable, and to hear and determine any and all Claims resulting therefrom or from the expiration or termination prior to the Confirmation Date of any executory contract or unexpired lease;

9.3 To determine any and all adversary proceedings, applications, motions, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by Reorganized AWI after the Effective Date, including, without express or implied limitation, any claims to avoid any preferences, fraudulent transfers, or other voidable transfers, or otherwise to recover assets for the benefit of AWI's estate;

9.4 To hear and determine any objections to the allowance of Claims arising prior to the Effective Date (other than Asbestos Personal Injury Claims), whether filed, asserted, or made before or after the Effective Date, including, without express or implied limitation, to hear and determine any objections to the classification of any Claim and to allow or disallow any Disputed Claim in whole or in part;

9.5 To issue such orders in aid of execution of the Plan to the extent authorized or contemplated by section 1142 of the Bankruptcy Code;

9.6 To consider any modifications of the Plan, remedy any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without express or implied limitation, the Confirmation Order;

9.7 To hear and determine all applications for allowances of compensation and reimbursement of expenses of professionals under sections 330 and 331 of the Bankruptcy Code and any other fees and expenses authorized to be paid or reimbursed under the Plan;

9.8 To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with the Plan (and all Exhibits to the Plan) or its interpretation, implementation, enforcement, or consummation;

9.9 To the extent that Bankruptcy Court approval is required, to consider and act on the compromise and settlement of any Claim (other than an Asbestos Personal Injury Claim) or cause of action by or against AWI's estate;

9.10 To determine such other matters that may be set forth in the Plan, the Confirmation Order, the Claims Trading Injunction, or the Asbestos PI Permanent Channeling Injunction, or that may arise in connection with the Plan, the Confirmation Order, the Claims Trading Injunction, or the Asbestos PI Permanent Channeling Injunction;

9.11 To hear and determine any proceeding that involves the validity, application, construction, enforceability, or modification of the Claims Trading Injunction or the Asbestos PI Permanent Channeling Injunction or of the application of section 524(g) of the Bankruptcy Code to the Asbestos PI Permanent Channeling Injunction;

9.12 To hear and determine matters concerning state, local, and federal taxes, fines, penalties, or additions to taxes for which AWI, as Debtor or Debtor in Possession, or the Disputed Unsecured Claims Reserve may be liable, directly or indirectly, in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including any request for expedited determination under section 505(b) of the Bankruptcy Code);

9.13 To enter an order or final decree closing the Chapter 11 Case; and

9.14 To hear and determine all objections to the termination of the Asbestos PI Trust.

To the extent that the Bankruptcy Court is not permitted under applicable law to preside over any of the foregoing matters, the reference to the "Bankruptcy Court" in this ARTICLE IX shall be deemed to be replaced by the "District Court." Notwithstanding anything in this ARTICLE IX to the contrary, (i) the allowance of Asbestos Personal Injury Claims and the forum in which such allowance will be determined will be governed by and in accordance with the Asbestos PI Trust Distribution Procedures and the Asbestos PI Trust Agreement; and (ii) the Bankruptcy Court and/or the District Court shall have concurrent rather than exclusive jurisdiction with respect to (x) disputes relating to rights under insurance policies issued to AWI that are included in the Asbestos PI Insurance Asset, (y) disputes relating to AWI's claim for costs, expenses and fees incurred in connection with an Alternative Dispute Resolution Proceeding initiated in 1996, as referenced in section 1.20 of the Plan, and (z) disputes relating to AWI's rights to insurance with respect to workers' compensation claims.

ARTICLE X

TRANSFERS OF PROPERTY TO AND ASSUMPTION OF CERTAIN LIABILITIES BY THE ASBESTOS PI TRUST

10.1 *Transfer of Certain Property to the Asbestos PI Trust.*

(a) *Transfer of Books and Records.* On the Effective Date or as soon thereafter as is practicable, at the sole cost and expense of the Asbestos PI Trust and in accordance with written instructions provided to Reorganized AWI by the Asbestos PI Trust, Reorganized AWI shall transfer and assign, or cause to be transferred and assigned, to the Asbestos PI Trust the books and records of AWI that pertain directly to Asbestos Personal Injury Claims that have been asserted against AWI. AWI will request that the Bankruptcy Court, in the Confirmation Order, rule that such transfer does not result in the destruction or waiver of any applicable privileges pertaining to such books and records. If the Bankruptcy Court does not so rule, at the option of the Asbestos PI Trust, Reorganized AWI will, at the sole cost and expense of the Asbestos PI Trust, retain the books and records and enter into arrangements to permit the Asbestos PI Trust to have access to such books and records. If the Asbestos PI Trust does not issue written instructions for the transfer or retention of such books and records within one hundred eighty (180) days after the later of the Effective Date and the date by which all the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement, or if the Asbestos PI Trust so requests, Reorganized AWI may (and shall, if the Asbestos PI Trust so requests, but at the sole cost and expense of the Asbestos PI Trust) destroy any such books and records, and the order of the District Court entered during the Chapter 11 Case with respect to the retention of books and records shall be deemed superseded by this section of the Plan.

(b) *Transfer of Plan Consideration.* On the later of the Effective Date and the date by which all the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement, AWI shall transfer to the Asbestos PI Trust the Asbestos PI Insurance Asset and the following assets:

(i) 65.57% of the New Common Stock,

(ii) 65.57% of the first $1.05 billion of (x) up to $300 million of Available Cash and (y) principal amount of each series of Plan Notes and/or 144A Offering Proceeds,

(iii) 40% of the first $50 million of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan,

(iv) 40% of an amount of each series of Plan Notes and/or 144A Offering Proceeds equal to the difference (if positive) of $50 million *less* the amount of Available Cash remaining after making provision for the Distribution provided in section 3.2(f)(ii)2 of the Plan and the funding of the Asbestos PI Trust in section 10.1(b)(ii) of the Plan, and

(v) 65.57% of the remaining Available Cash and each series of Plan Notes and/or 144A Offering Proceeds after making provision for the Distribution provided in sections 3.2(f)(ii)2, 3.2(f)(ii)3, and 3.2(f)(ii)4 of the Plan and the funding of the Asbestos PI Trust in sections 10.1(b)(ii), 10.1(b)(iii), and 10.1(b)(iv) of the Plan.

Notwithstanding the foregoing, if AWI intends to complete a 144A Offering and the 144A Offering has not been completed as of the time for the Distribution to the Asbestos PI Trust specified herein, then the Distribution of the Plan Notes and/or 144A Offering Proceeds to the Asbestos PI Trust shall be made as soon as practicable after the 144A Offering is completed or Reorganized AWI determines not to complete a 144A Offering, but in no event shall such Distribution occur after the Initial Distribution Date. In addition, if Class 6 has voted to reject the Plan, the New Warrants shall be issued by Reorganized AWI on account of the Asbestos Personal Injury Claims; however, such claimants have waived on behalf of themselves and the Asbestos PI Trust any right to the New Warrants. The New Warrants shall be issued by Reorganized AWI to AWWD (or to Holdings as the successor to AWWD under the Holdings Plan of Liquidation), consistent with section 7.24 hereof (and shall never be issued or delivered to the Asbestos PI Trust), without any action being required of, or any direction by, the Asbestos PI Trust or the Asbestos PI Trustees in such regard.

10.2 *Assumption of Certain Liabilities by the Asbestos PI Trust.* In consideration for the property transferred to the Asbestos PI Trust pursuant to section 10.1 hereof and in furtherance of the purposes of the Asbestos PI Trust and the Plan, the Asbestos PI Trust shall assume all liability and responsibility for all Asbestos Personal Injury Claims, and Reorganized AWI shall have no further financial or other responsibility or liability therefor. The Asbestos PI Trust shall also assume all liability for premiums, deductibles, retrospective premium adjustments, security or collateral arrangements, or any other charges, costs, fees, or expenses (if any) that become due to any insurer in connection with the Asbestos PI Insurance Asset as a result of Asbestos Personal Injury Claims, asbestos-related personal injury claims against Entities insured under policies included in the Asbestos PI Insurance Asset by reason of vendor's endorsements, or under the indemnity provisions of settlement agreements that AWI made with various insurers prior to the Commencement Date to the extent that those indemnity provisions relate to Asbestos Personal Injury Claims, and Reorganized AWI shall have no further financial or other responsibility or liability for any of the foregoing.

10.3 *Cooperation with Respect to Insurance Matters.* Reorganized AWI shall cooperate with the Asbestos PI Trust and use commercially reasonable efforts to take or cause to be taken all appropriate actions and to do or cause to be done all things necessary or appropriate to effectuate the transfer of the Asbestos PI Insurance Asset to the Asbestos PI Trust. By way of enumeration and not of limitation, Reorganized AWI shall be obligated (i) to provide the Asbestos PI Trust with copies of insurance policies and settlement agreements included within or

relating to the Asbestos PI Insurance Asset; (ii) to provide the Asbestos PI Trust with information necessary or helpful to the Asbestos PI Trust in connection with its efforts to obtain insurance coverage for Asbestos Personal Injury Claims: and (iii) to execute further assignments or allow the Asbestos PI Trust to pursue claims relating to the Asbestos PI Insurance Asset in its name (subject to appropriate disclosure of the fact that the Asbestos PI Trust is doing so and the reasons why it is doing so), including by means of arbitration, alternative dispute resolution proceedings or litigation, to the extent necessary or helpful to the efforts of the Asbestos PI Trust to obtain insurance coverage under the Asbestos PI Insurance Asset for Asbestos Personal Injury Claims. To the extent that the transfer of the Asbestos PI Insurance Asset to the Asbestos PI Trust is determined to be invalid by a court or arbitrator of competent jurisdiction, upon the request of the Asbestos PI Trust, Reorganized AWI shall (i) pursue any rights to the Asbestos PI Insurance Asset for the benefit of, and to the fullest extent required by, the Asbestos PI Trust, and (ii) immediately transfer any amounts recovered under or on account of the Asbestos PI Insurance Asset to the Asbestos PI Trust. The Asbestos PI Trust shall be obligated to compensate Reorganized AWI for costs reasonably incurred in connection with providing assistance to the Asbestos PI Trust or in pursuing recovery for the benefit of the Asbestos PI Trust pursuant to this section 10.3, including, but not limited to, out-of-pocket costs and expenses, consultant fees, and attorneys' fees.

10.4 *Authority of AWI.* Effective on the Confirmation Date, AWI shall be empowered and authorized to take or cause to be taken, prior to the Effective Date, all actions necessary to enable it to implement effectively the provisions of the Plan and the Asbestos PI Trust Agreement.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 *Payment of Statutory Fees.* All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the hearing on confirmation of the Plan, shall be paid by AWI on or before the Effective Date.

11.2 *Discharge of AWI.* The rights afforded in the Plan and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued thereon from and after the Commencement Date, against AWI, or its estate, assets, properties, or interests in property. Except as otherwise provided herein, on the Effective Date, all Claims against and Equity Interests in AWI shall be satisfied, discharged, and released in full. Reorganized AWI shall not be responsible for any obligations of AWI except those expressly assumed by Reorganized AWI in the Plan. All Entities shall be precluded and forever barred from asserting against AWI, Reorganized AWI, their successors or assigns, or their assets, properties, or interests in property any other or further Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not the facts of or legal bases therefor were known or existed prior to the Effective Date.

11.3 *Rights of Action.* Any rights, claims, or causes of action accruing to AWI pursuant to the Bankruptcy Code or pursuant to any statute or legal theory, including, without express or implied limitation, any avoidance or recovery actions under sections 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code and (except as provided in Articles X and XI hereof) any rights to, claims or causes of action for recovery under any policies of

insurance issued to or on behalf of AWI shall remain assets of AWI's estate and, on the Effective Date, shall be transferred to Reorganized AWI. Reorganized AWI shall be deemed the appointed representative to, and may, pursue, litigate, and compromise and settle any such rights, claims, or causes of action, as appropriate, in accordance with what is in the best interests of and for the benefit of Reorganized AWI.

11.4 *Third Party Agreements*. The Distributions to the various classes of Claims hereunder shall not affect the right of any Entity to levy, garnish, attach, or employ any other legal process with respect to such Distributions by reason of any claimed subordination rights or otherwise. All of such rights and any agreements relating thereto shall remain in full force and effect.

11.5 *Dissolution of Committees*. On the Effective Date, the Future Claimants' Representative, the Asbestos PI Claimants' Committee, the Asbestos PD Committee, and the Unsecured Creditors' Committee shall thereupon be released and discharged of and from all further authority, duties, responsibilities, and obligations relating to and arising from and in connection with the Chapter 11 Case, and, except for the limited purpose of presenting final applications for fee and expenses, all such committees shall be deemed dissolved, and the Future Claimants' Representative shall continue to serve through the termination of the Asbestos PI Trust in order to perform the functions required by the Asbestos PI Trust Agreement; *provided, however*, (i) if the Effective Date occurs before the Confirmation Order becomes a Final Order, the Asbestos PI Claimants' Committee, the Future Claimants' Representative, and, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee may continue to exist and to serve for the purposes of pursuing any appeal of the Confirmation Order, and (ii) if any adversary proceeding to which any of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, or, if Class 6 votes to accept the Plan, the Unsecured Creditors' Committee is participating is pending as of the Effective Date, any such committee may continue to exist or the Future Claimants' Representative may continue to serve for the limited purpose of litigating such adversary proceeding. The fees and expenses of the Future Claimants' Representative from and after the Effective Date relating to the role of the Future Claimants' Representative in the Asbestos PI Trust, pursuant to the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures (including, without limitation, the fees and expenses of any professionals retained by the Future Claimants' Representative), shall be the sole responsibility of the Asbestos PI Trust.

11.6 *Exculpation*. None of Reorganized AWI, any of the members of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, any of the members of the Unsecured Creditors' Committee, any members of the Asbestos PD Committee, AWWD, Holdings, or any of their officers, directors, employees, or agents shall have or incur any liability to any Entity for any act or omission in connection with or arising out of the Chapter 11 Case, including, without limitation, the commencement of the Chapter 11 Case, the negotiation of the Plan, pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for gross negligence or willful misconduct, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under, or in connection with, the Plan.

11.7 *Title to Assets; Discharge of Liabilities.* Except as otherwise provided in the Plan, on the Effective Date, title to all assets and properties and interests in property dealt with by the Plan shall vest in Reorganized AWI free and clear of all Claims, Equity Interests, Encumbrances, and other interests, and the Confirmation Order shall be a judicial determination

of discharge of the liabilities of AWI arising prior to the Effective Date, except as may be otherwise provided in the Plan.

11.8 *Surrender and Cancellation of Instruments.* Except as otherwise provided in section 7.11 of the Plan with respect to Debt Security Claims issued under the Indentures, and in addition to the provisions of section 3.2(f) hereof, each holder of a promissory note or other instrument evidencing an Unsecured Claim shall surrender such promissory note or instrument to Reorganized AWI, and Reorganized AWI shall distribute or cause to be distributed to the holder thereof the appropriate Distribution hereunder. At the option of Reorganized AWI (in its sole and absolute discretion), no Distribution hereunder shall be made to or on behalf of any holder of such Unsecured Claim unless and until such promissory note or instrument is received or the unavailability of such note or instrument is reasonably established to the satisfaction of Reorganized AWI. In accordance with section 1143 of the Bankruptcy Code, any such holder of such a Claim that fails to surrender or cause to be surrendered such promissory note or instrument or to execute and deliver an affidavit of loss and indemnity reasonably satisfactory to Reorganized AWI and, in the event that Reorganized AWI requests, furnish a bond in form and substance (including, without limitation, amount) reasonably satisfactory to Reorganized AWI within the Retention Period shall be deemed to have forfeited all rights, claims, and interests and shall not participate in any Distribution hereunder.

11.9 *Notices.* Any notices, requests, and demands required or permitted to be provided under the Plan, in order to be effective, shall be in writing (including, without express or implied limitation, by facsimile transmission), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to AWI:

Armstrong World Industries, Inc.
Corporate Center
Post Office Box 3666
Lancaster, Pennsylvania 17604-3666
Attention: General Counsel

and

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attention: Stephen Karotkin, Esq.
Telecopier: (212) 310-8007
Telephone Confirmation: (212) 310-8888

If to the Asbestos PI Claimants' Committee:

Caplin & Drysdale
399 Park Avenue
New York, New York 10022
Attention: Elihu Inselbuch, Esq.
Telecopier: (212) 644-6755
Telephone Confirmation: (212) 319-7125

If to the Future Claimants' Representative:

Dean M. Trafelet, Esq.
9130 Wild Lane
Baileys Harbor, Wisconsin 54292
Telecopier: (920) 839-9438
Telephone Confirmation: (920) 839-1485

and

Kaye Scholer LLP
425 Park Avenue
New York, New York 10022
Telecopier: (212) 836-7157
Telephone Confirmation: (212) 836-8781
Attention: Michael J. Crames, Esq.

If to the Unsecured Creditors' Committee:

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064
Telecopier: (212) 757-3990
Telephone Confirmation: (212) 373-3000
Attention: Andrew N. Rosenberg, Esq.

11.10 *Headings*. The headings used in the Plan are inserted for convenience only and neither constitute a portion of the Plan nor in any manner affect the construction of the provisions of the Plan.

11.11 *Severability*. At the unanimous option of AWI, the Asbestos PI Trust, the Future Claimant's Representative, and the Unsecured Creditors' Committee, each acting in its or his sole discretion, any provision of the Plan, the Claims Trading Injunction, the Confirmation Order, the Asbestos PI Permanent Channeling Injunction, or any of the Exhibits to the Plan that is prohibited, unenforceable, or invalid shall, as to any jurisdiction in which such provision is prohibited, unenforceable, or invalidated, be ineffective to the extent of such prohibition, unenforceability, or invalidation without invalidating the remaining provisions of the Plan, the Claims Trading Injunction, the Confirmation Order, the Asbestos PI Permanent Channeling Injunction, and the Exhibits to the Plan or affecting the validity or enforceability of such provisions in any other jurisdiction.

11.12 *Governing Law*. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or by Pennsylvania corporate law, the laws of the State of Delaware, without giving effect to the conflicts of laws principles thereof, shall govern the construction of the Plan and any agreements, documents, and instruments executed in connection with the Plan, except as otherwise expressly provided in such instruments, agreements or documents.

11.13 *Compliance with Tax Requirements.* In connection with the Plan, AWI and the Disbursing Agent will comply with all withholding and reporting requirements imposed by federal, state and local taxing authorities, and all distributions hereunder shall be subject to such withholding and reporting requirements.

11.14 *Exemption from Transfer Taxes.* Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without express or implied limitation, any liens granted in connection with the exit finance facility referred to in section 7.16(g) hereof, shall not be subject to any sales and use, stamp, real estate transfer, mortgage recording, or other similar tax.

11.15 *Expedited Determination of Postpetition Taxes.* AWI and Reorganized AWI are authorized (but not required) to request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all tax returns filed for, or on behalf of, AWI for all taxable periods (or portions thereof) from the Commencement Date through (and including) the Effective Date.

Dated: Wilmington, Delaware
May 23, 2003

Respectfully submitted,

ARMSTRONG WORLD INDUSTRIES, INC.

By: /s/ John N. Rigas
Name: John N. Rigas
Title: Senior Vice President, Secretary, and General Counsel

WEIL, GOTSHAL & MANGES LLP
Co-Attorneys for Armstrong World Industries, Inc., *et al.*
Chapter 11 Debtor in Possession
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

and

RICHARDS, LAYTON & FINGER
Co-Attorneys for Armstrong World Industries, Inc., *et al.*
Chapter 11 Debtor in Possession
One Rodney Square
P.O. Box 551
Wilmington, Delaware 19899
(302) 658-6541

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	**Chapter 11 Case No.**
	:	
ARMSTRONG WORLD INDUSTRIES, INC., *et al*,	:	**00-4471 (RJN)**
	:	
Debtors.	:	**(Jointly Administered)**

Exhibit List

Exhibit 1.13:	Amended and Restated Articles of Incorporation (*to be included in Exhibit Volume*)
Exhibit 1.14:	Amended and Restated By-Laws (*to be included in Exhibit Volume*)
Exhibit 1.23:	Asbestos PI Trust Agreement (*attached*)
Exhibit 1.24:	Asbestos PI Trust Distribution Procedures (*attached*)
Exhibit 1.39:	Claims Settlement Guidelines (*to be included in Exhibit Volume*)
Exhibit 1.90:	New Long-Term Incentive Plan (*to be included in Exhibit Volume*)
Exhibit 1.91:	New Warrants (*to be included in Exhibit Volume*)
Exhibit 1.96:	Plan Note Indenture (*to be included in Exhibit Volume*)
Exhibit 1.109:	Stockholder and Registration Rights Agreement (*to be included in Exhibit Volume*)
Exhibit 7.2:	Individuals Appointed as Asbestos PI Trustees (*to be included in Exhibit Volume*)
Exhibit 7.21:	Board of Directors of Reorganized AWI (*to be included in Exhibit Volume*)
Exhibit 8.1:	Assumed Executory Contracts and Unexpired Leases (*attached*)
Exhibit 8.2:	Rejected Executory Contracts and Unexpired Leases (*attached*)
Exhibit 8.4:	Previously Listed Executory Contracts No Longer Considered Executory Contracts (*attached*)
Exhibit 8.8:	Management Agreements (*to be included in Exhibit Volume*) Exhibit 8.8-A: Identity of Persons Entering into Management Agreements (*to be included in Exhibit Volume*) Exhibit 8.8-B: Form of Management Agreement (*to be included in Exhibit Volume*)

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	)	
	)	
	)	
ARMSTRONG WORLD INDUSTRIES,	)	Chapter 11
INC., *et al.*,	)	Case No. 00-4471 (RJN)
	)	(Jointly Administered)
Debtors	)	
_____	)	

Exhibit 1.23

FORM OF ASBESTOS PI TRUST AGREEMENT

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ARMSTRONG WORLD INDUSTRIES, INC.
ASBESTOS PERSONAL INJURY SETTLEMENT TRUST AGREEMENT

This Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust Agreement ("***PI Trust Agreement***"), dated the date set forth on the signature page hereof and effective as of the Effective Date, is entered into by Armstrong World Industries, Inc. ("***AWI***," the "***Settlor***," or the "***Debtor***"), the Debtor and debtor-in-possession in Case No. 00-4471 (RJN) in the United States Bankruptcy Court for the District of Delaware as Settlor; the Legal Representative for Asbestos-Related Future Claimants ("***Future Claimants' Representative***"); the Official Committee of Asbestos Creditors ("***ACC***"); and the Trustees ("***Trustees***") and the members of the PI Trust Advisory Committee ("***TAC***") identified on the signature page hereof and appointed at Confirmation pursuant to Armstrong World Industries, Inc. Fourth Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code, dated May 23, 2003 ("***Plan***"), as such Plan may be amended, modified or supplemented from time to time. All capitalized terms not otherwise defined herein shall have their respective meanings as set forth in the Plan, and such definitions are incorporated herein by reference. All capitalized terms not defined herein or defined in the Plan, but defined in the Bankruptcy Code or Rules, shall have the meanings ascribed to them by the Bankruptcy Code and Rules, and such definitions are incorporated herein by reference.

WHEREAS, at the time of the entry of the order for relief in the Chapter 11 case, AWI was named as a defendant in actions involving personal injury ("***PI***") or death claims caused by exposure to asbestos-containing products for which AWI, its predecessors, successors and assigns have legal liability ("***Asbestos Personal Injury Claims***" as defined in the Plan); and

WHEREAS, AWI has reorganized under the provisions of Chapter 11 of the Bankruptcy Code in a case pending in the United States Bankruptcy Court for the District of Delaware, known as *In re Armstrong World Industries, Inc., Debtor*, Case No. 00-4471 (RJN); and

WHEREAS, the Plan has been confirmed by the Bankruptcy Court; and

WHEREAS, the Plan provides, *inter alia*, for the creation of the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust ("***PI Trust***"); and

WHEREAS, pursuant to the Plan, the PI Trust is to use its assets and income to satisfy all Asbestos Personal Injury Claims; and

WHEREAS, it is the intent of AWI, the Trustees, the ACC, the TAC, and the Future Claimants' Representative that the PI Trust be administered, maintained, and operated at all times through mechanisms that provide reasonable assurance that the PI Trust will satisfy all Asbestos Personal Injury Claims pursuant to the AWI Asbestos Personal Injury Settlement Trust Distribution Procedures ("***TDP***") that are attached to the Plan as Exhibit 1.24 in substantially the same manner, and in strict compliance with the terms of this PI Trust Agreement; and

WHEREAS, pursuant to the Plan, the PI Trust is intended to qualify as a "qualified settlement fund" within the meaning of section 1.468B-1 *et seq.* of the Treasury Regulations promulgated under section 468B of the Internal Revenue Code ("***IRC***"); and

WHEREAS, the Bankruptcy Court has determined that the PI Trust and the Plan satisfy all the prerequisites for an injunction pursuant to section 524(g) of the Bankruptcy Code, and such injunction has been entered in connection with the Confirmation Order;

NOW, THEREFORE, it is hereby agreed as follows:

SECTION 1

AGREEMENT OF TRUST

1.1 **Creation and Name**. AWI as Settlor hereby creates a trust known as the "Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust," which is the PI Trust provided for and referred to in the Plan. The Trustees of the PI Trust may transact the business and affairs of the PI Trust in the name of the PI Trust.

1.2 **Purpose**. The purpose of the PI Trust is to assume the liabilities of AWI, its predecessors and successors in interest, for all Asbestos Personal Injury Claims (as defined in the Plan), and to use the PI Trust's assets and income to pay the holders of all Asbestos Personal Injury Claims in accordance with this PI Trust Agreement and the TDP in such a way that such holders of Asbestos Personal Injury Claims are treated fairly, equitably and reasonably in light of the limited assets available to satisfy such claims, and to otherwise comply in all respects with the requirements of a trust set forth in section 524(g)(2)(B) of the Bankruptcy Code.

1.3 **Transfer of Assets**. Pursuant to the Plan, certain assets have been transferred and assigned to the PI Trust to settle and discharge all Asbestos Personal Injury Claims (***"PI Trust Assets"***). Pursuant to the Plan, AWI, its successors in interest thereto, from and after the Effective Date (***"Reorganized AWI"***) and others may also transfer and assign additional assets to the PI Trust from time to time, which will be added to the PI Trust Assets. In all events, the PI Trust Assets will be transferred to the PI Trust free and clear of any liens or other claims by AWI, Reorganized AWI, any creditor, or other entity. AWI, Reorganized AWI, and any other transferors shall also execute and deliver such documents to the PI Trust as the Trustees reasonably request to transfer and assign the PI Trust Assets to the PI Trust.

1.4 **Acceptance of Assets and Assumption of Liabilities**

(a) In furtherance of the purposes of the PI Trust, the Trustees, on behalf of the PI Trust, hereby expressly accept the transfer and assignment to the PI Trust of the PI Trust Assets in the time and manner contemplated in the Plan.

(b) In furtherance of the purposes of the PI Trust, the Trustees, on behalf of the PI Trust, expressly assume all liability for all Asbestos Personal Injury Claims. Except as otherwise provided in this PI Trust Agreement and the TDP, the PI Trust shall have all defenses, cross-claims, offsets, and recoupments, as well as rights of indemnification, contribution, subrogation, and similar rights, regarding such claims that AWI or Reorganized AWI has or would have had under applicable law. Regardless of the foregoing, however, a claimant must meet otherwise applicable federal, state and foreign statutes of limitations and repose, except as otherwise provided in Section 5.1(a)(2) of the TDP.

(c) No provision herein or in the TDP shall be construed to mandate distributions on any claims or other actions that would contravene the PI Trust's compliance with the requirements of a qualified settlement fund within the meaning of section 1.468B-1 *et seq.* of the Treasury Regulations promulgated under section 468B of the IRC.

(d) AWI and Reorganized AWI shall be entitled to indemnification from the PI Trust for any expenses, costs, and fees (including attorneys' fees and costs, but excluding any such expenses, costs, and fees incurred prior to the Effective Date), judgments, settlements, or other liabilities arising from or incurred in connection with any action related to Asbestos Personal Injury Claims, including, but not limited to, indemnification or contribution for such claims prosecuted against Reorganized AWI.

(e) Nothing in this PI Trust Agreement shall be construed in any way to limit the scope, enforceability, or effectiveness of the Section 524(g) injunction issued in connection with the Plan or the PI Trust's assumption of all liability for Asbestos Personal Injury Claims, subject to the provisions of Section 1.4(b) above.

SECTION 2

POWERS AND TRUST ADMINISTRATION

2.1 Powers.

(a) The Trustees are and shall act as the fiduciaries to the PI Trust in accordance with the provisions of this PI Trust Agreement and the Plan. The Trustees shall, at all times, administer the PI Trust and the PI Trust Assets in accordance with the purposes set forth in Section 1.2 above. Subject to the limitations set forth in this PI Trust Agreement, the Trustees shall have the power to take any and all actions that, in the judgment of the Trustees, are necessary or proper to fulfill the purposes of the PI Trust, including, without limitation, each power expressly granted in this Section 2.1, any power reasonably incidental thereto, and any trust power now or hereafter permitted under the laws of the State of Delaware.

(b) Except as required by applicable law or otherwise specified herein, the Trustees need not obtain the order or approval of any court in the exercise of any power or discretion conferred hereunder.

(c) Without limiting the generality of Section 2.1(a) above, and except as limited below, the Trustees shall have the power to:

(i) receive and hold the PI Trust Assets, vote the Reorganized AWI common stock, and exercise all rights with respect to, and sell, any securities issued by Reorganized AWI that are included in the PI Trust Assets, subject to any restrictions set forth in the Restated Certificate of Reorganized AWI;

(ii) invest the monies held from time to time by the PI Trust;

(iii) sell, transfer, or exchange any or all of the PI Trust Assets at such prices and upon such terms as the Trustees may consider proper, consistent with the other terms of this PI Trust Agreement;

(iv) enter into leasing and financing agreements with third parties to the extent such agreements are reasonably necessary to permit the PI Trust to operate;

(v) pay liabilities and expenses of the PI Trust, including, but not limited to, PI Trust expenses;

(vi) establish such funds, reserves and accounts within the PI Trust estate, as deemed by the Trustees to be useful in carrying out the purposes of the PI Trust;

(vii) sue and be sued and participate, as a party or otherwise, in any judicial, administrative, arbitrative, or other proceeding;

(viii) establish, supervise and administer the PI Trust in accordance with the TDP and the terms thereof;

(ix) appoint such officers and hire such employees and engage such legal, financial, accounting, investment, auditing and forecasting, and other consultants and agents as the business of the PI Trust requires, and delegate to such persons such powers and authorities as the fiduciary duties of the Trustees permit and as the Trustees, in their discretion, deem advisable or necessary in order to carry out the terms of this PI Trust;

(x) pay employees, legal, financial, accounting, investment, auditing, and forecasting, and other consultants, advisors, and agents, including those engaged by the PI Trust in connection with its alternative dispute resolution activities, reasonable compensation;

(xi) compensate the Trustees, the TAC members, and the Future Claimants' Representative as provided below, and their employees, legal, financial, accounting, investment and other advisors, consultants, independent contractors, and agents, and reimburse the Trustees,

the TAC members and the Future Claimants' Representative all reasonable out-of-pocket costs and expenses incurred by such persons in connection with the performance of their duties hereunder;

(xii) execute and deliver such instruments as the Trustees consider proper in administering the PI Trust;

(xiii) enter into such other arrangements with third parties as are deemed by the Trustees to be useful in carrying out the purposes of the PI Trust, provided such arrangements do not conflict with any other provision of this PI Trust Agreement;

(xiv) in accordance with Section 4.6 below, defend, indemnify and hold harmless (and purchase insurance indemnifying) (A) the Trustees and (B) the TAC, the Future Claimants' Representative, the officers and employees of the PI Trust, and any agents, advisors and consultants of the PI Trust, the TAC or the Future Claimants' Representative (the "***Additional Indemnitees***"), to the fullest extent that a corporation or trust organized under the law of the PI Trust's situs is from time to time entitled to indemnify and/or insure its directors, trustees, officers, employees, agents, advisors and representatives;

(xv) delegate any or all of the authority herein conferred with respect to the investment of all or any portion of the PI Trust Assets to any one or more reputable individuals or recognized institutional investment advisors or investment managers without liability for any action taken or omission made because of any such delegation, except as provided in Section 4.4 below;

(xvi) consult with Reorganized AWI, the TAC and the Future Claimants' Representative at such times and with respect to such issues relating to the conduct of the PI Trust as the Trustees consider desirable; and

(xvii) make, pursue (by litigation or otherwise), collect, compromise or settle, in the name of the PI Trust or the name of Reorganized AWI, any claim, right, action, or cause of action included in the PI Trust Assets including, but not limited to, insurance recoveries, before any court of competent jurisdiction; provided that settlement of actions before the Bankruptcy Court require the approval of the Bankruptcy Court after notice to Reorganized AWI.

(d) The Trustees shall not have the power to guarantee any debt of other persons.

(e) The Trustees shall give the TAC, the Future Claimants' Representative and Reorganized AWI prompt notice of any act performed or taken pursuant to Sections 2.1(c)(i), (iii), (vii), or (xv) above, and any act proposed to be performed or taken pursuant to Section 2.2(f) below.

2.2 General Administration.

(a) The Trustees shall adopt and act in accordance with the PI Trust Bylaws. To the extent not inconsistent with the terms of this PI Trust Agreement, the PI Trust Bylaws shall govern the affairs of the PI Trust. In the event of an inconsistency between the PI Trust Bylaws and this PI Trust Agreement, the PI Trust Agreement shall govern.

(b) The Trustees shall (i) timely file such income tax and other returns and statements and shall timely pay all taxes required to be paid, (ii) comply with all withholding obligations, as required under the applicable provisions of the IRC and of any state law and the regulations promulgated thereunder, (iii) meet without limitation all requirements necessary to qualify and maintain qualification of the PI Trust as a qualified settlement fund within the meaning of section 1.468B-1 *et seq.* of the Treasury Regulations promulgated under section 468B of the IRC, and (iv) take no action that could cause the PI Trust to fail to qualify as a qualified settlement fund within the meaning of section 1.468B-1 et seq. of the Treasury Regulations promulgated under section 468B of the IRC.

(c) The Trustees shall timely account to the Bankruptcy Court as follows:

(i) The Trustees shall cause to be prepared and filed with the Bankruptcy Court, as soon as available, and in any event within one hundred and twenty (120) days following the end of each fiscal year, an annual report containing financial statements of the PI Trust (including, without limitation, a balance sheet of the PI Trust as of the end of such fiscal year and a statement of operations for such fiscal year) audited by a firm of independent certified public accountants selected by the Trustees and accompanied by an opinion of such firm as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with generally accepted accounting principles. The Trustees shall provide a copy of such report to the TAC, the Future Claimants' Representative, and Reorganized AWI when such reports are filed with the Bankruptcy Court.

(ii) Simultaneously with delivery of each set of financial statements referred to in Article 2.2(c)(i) above, the Trustees shall cause to be prepared and filed with the Bankruptcy Court a report containing a summary regarding the number and type of claims disposed of during the period covered by the financial statements. The Trustees shall provide a copy of such report to the TAC, the Future Claimants' Representatives, and Reorganized AWI when such report is filed.

(iii) All materials required to be filed with the Bankruptcy Court by this Section 2.2(c) shall be available for inspection by the public in accordance with procedures established by the Bankruptcy Court and shall be filed with the Office of the United States Trustee for the District of Delaware.

(d) The Trustees shall cause to be prepared as soon as practicable prior to the commencement of each fiscal year a budget and cash flow projections covering such fiscal year and the succeeding four fiscal years. The budget and cash flow projections shall include determining the Maximum Annual Payment pursuant to Section 2.4 of the TDP, and the Asbestos Personal Injury Claims Payment Ratio pursuant to Section 2.5 of the TDP. The Trustees shall provide a copy of the budget and cash flow projections to the TAC and the Future Claimants' Representative.

(e) The Trustees shall consult with the TAC and the Future Claimants' Representative (i) on the general implementation and administration of the PI Trust; (ii) on the general implementation and administration of the TDP; and (iii) on such other matters as may be required under this PI Trust Agreement and the TDP.

(f) The Trustees shall be required to obtain the consent of the TAC and the Future Claimants' Representative pursuant to the Consent Process set forth in Section 5.7(b) and 6.6(b) below, in addition to any other instances elsewhere enumerated, in order:

(i) to change the Claims Payment Ratio described in Section 2.5 of the TDP in the event that the requirements for such a change as set forth in said provision have been met;

(ii) to change the Scheduled Diseases, Disease Levels and/or Medical/Exposure Criteria set forth in Section 5.3(a)(3) of the TDP, and/or the Maximum Values set forth in Section 5.3(b)(4) and Section 5.4(a) of the TDP;

(iii) to change the Payment Percentage described in Section 2.3 of the TDP as provided in Section 4.2 of the TDP;

(iv) to establish and/or to change the Claims Materials to be provided holders of Asbestos Personal Injury Claims under Section 6.1 of the TDP;

(v) to require that claimants provide additional kinds of medical and/or exposure evidence pursuant to Section 7.1 of the TDP;

(vi) to change the form of release to be provided pursuant to Section 7.8 of the TDP;

(vii) to terminate the PI Trust pursuant to Section 7.2 below;

(viii) to settle the liability of any insurer under any insurance policy or legal action related thereto;

(ix) to change the compensation of the members of the TAC, the Future Claimants' Representative or Trustees, other than to reflect cost-of-living increases or changes approved by the Bankruptcy Court as otherwise provided herein;

(x) to take structural or other actions to minimize any tax on the PI Trust Assets; or

(xi) to amend the PI Trust Bylaws in accordance with the terms thereof;

(xii) to amend any provision of this PI Trust Agreement or the TDP in accordance with the terms thereof;

(xiii) to vote the stock of the Reorganized Debtor for the purpose of electing members of the Board of Directors of the Reorganized Debtor; or

(xiv) to merge any asbestos claims resolution organization formed by the PI Trust with another asbestos claims resolution organization that is not specifically created by this PI Trust Agreement or the TDP, or to contract with another asbestos claims resolution organization or other entity that is not specifically created by this PI Trust Agreement or the TDP, or permit any other party to join in any asbestos claims resolution organization that is formed by the PI Trust pursuant to the PI Trust Agreement or the TDP; provided that such merger, contract or joinder shall not (a) subject Reorganized AWI or any successors in interest thereto, to any risk of having any PI Trust Claim asserted against it or them, or (b) otherwise jeopardize the validity or enforceability of the section 524(g) injunction; and provided further that the terms of such merger will require the surviving organization to make decisions about the allowability and value of claims in accordance with Section 2.1 of the TDP which requires that such decisions be based on the provisions of the TDP.

(g) The Trustees shall meet with the TAC and the Future Claimants' Representative no less often than quarterly. The Trustees shall meet in the interim with the TAC and the Future Claimants' Representative when so requested by either.

(h) The Trustees, upon notice from either the TAC or the Future Claimants' Representative, if practicable in view of pending business, shall at their next meeting with the TAC or the Future Claimants' Representative consider issues submitted by the TAC or the Future Claimants' Representative.

(i) Periodically, but not less often than once a year, the Trustees shall make available to claimants and other interested parties the number of claims by disease levels that have been resolved both by individual review and by arbitration, as well as by trial, indicating the amounts of the awards and the averages of the awards by jurisdiction pursuant to Section 7.10 of the TDP.

2.3 Claims Administration.

The Trustees shall promptly proceed to implement the TDP.

SECTION 3

ACCOUNTS, INVESTMENTS, AND PAYMENTS

3.1 Accounts. The Trustees may, from time to time, create such accounts and reserves within the PI Trust estate as they may deem necessary, prudent, or useful in order to provide for the payment of expenses and payment of Asbestos Personal Injury Claims and may, with respect to any such account or reserve, restrict the use of monies therein.

3.2 Investments. Investment of monies held in the PI Trust shall be administered in the manner in which individuals of ordinary prudence, discretion, and judgment would act in the management of their own affairs, subject to the following limitations and provisions:

(a) The PI Trust shall not acquire, directly or indirectly, equity in any entity (other than Reorganized AWI or any successor to Reorganized AWI) or business enterprise if, immediately following such acquisition, the PI Trust would hold more than 5% of the equity in such entity or business enterprise. The PI Trust shall not hold, directly or indirectly, more than 10% of the equity in any entity (other than Reorganized AWI or any successor to Reorganized AWI) or business enterprise.

(b) The PI Trust shall not acquire or hold any long-term debt securities unless (i) such securities are PI Trust Assets under the Plan, (ii) such securities are rated "Baa" or higher by Moody's, "BBB" or higher by Standard & Poor's ("***S&P's***"), or have been given an equivalent investment grade rating by another nationally recognized statistical rating agency, or (iii) have been issued or fully guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof.

(c) The PI Trust shall not acquire or hold for longer than ninety (90) days any commercial paper unless such commercial paper is rated "Prime-1" or higher by Moody's or "A-1" or higher by S&P's or has been given an equivalent rating by another nationally recognized statistical rating agency.

(d) Excluding any securities by the Debtor or Reorganized AWI, the PI Trust shall not acquire or hold any common or preferred stock or convertible securities unless such stock or securities are rated "A" or high by Moody's or "A" or higher by S&P's or have been given an equivalent investment grade rating by another nationally recognized statistical rating agency.

(e) The PI Trust shall not acquire any debt securities or other instruments issued by any entity (other than debt securities or other instruments issued or fully guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof) if, following such acquisition, the aggregate market value of all debt securities and instruments issued by such entity held by the PI Trust would exceed 2% of the aggregate value of the PI Trust estate. The PI Trust shall not hold any debt securities or other instruments issued by any entity (other than debt securities or other instruments issued or fully guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof and other than debt securities or other instruments of Reorganized AWI or any successor to Reorganized AWI) to the extent that the aggregate market value of all securities and instruments issued by such entity held by the PI Trust would exceed 5% of the aggregate value of the PI Trust Assets.

(f) The PI Trust shall not acquire or hold any certificates of deposit unless all publicly held, long-term debt securities, if any, of the financial institution issuing the certificate of deposit and the holding company, if any, of which such financial institution is a subsidiary, meet the standards set forth in Section 3.2(b) above.

(g) The PI Trust may acquire and hold any securities or instruments issued by Reorganized AWI or any successor to Reorganized AWI, or obtained as proceeds of litigation or otherwise to resolve disputes, without regard to the limitations set forth in Subsections (a)-(f) above.

(h) The PI Trust shall not acquire or hold any repurchase obligations unless, in the opinion of the Trustees, they are adequately collateralized.

(i) The PI Trust shall not acquire or hold any options.

3.3 **Source of Payments.** All PI Trust expenses and payments and all liabilities with respect to claims shall be payable solely by the Trustees out of the PI Trust Assets. Neither AWI, Reorganized AWI, their subsidiaries, any successor in interest, the present or former directors, officers, employees or agents of AWI, Reorganized AWI, nor the Trustees, the TAC or Future Claimants' Representative, or any of their officers, agents, advisors, or employees shall be liable for the payment of any PI Trust expense or any other liability of the PI Trust.

SECTION 4

TRUSTEES

4.1 **Number.** There shall be five (5) Trustees. The initial Trustees shall be those persons named on the signature page hereof.

4.2 **Term of Service.**

(a) The five initial Trustees named pursuant to Article 4.1 above shall each serve an initial two (2) year term. At the expiration of these initial two (2) year terms, the number of Trustees shall be reduced from five (5) to three (3). At that time, the five initial Trustees, after consultation with the TAC and the Future Claimants' Representative, shall decide which three individuals among their number shall continue to serve, and the three (3) Trustees so selected shall then serve staggered terms of three (3), four (4), and five (5) years each. Thereafter, each Trustee's term of service shall be five (5) years. The initial Trustees shall serve from the Effective Date until the earlier of (i) the end of his or her term, (ii) his or her death, (iii) his or her resignation pursuant to Section 4.2(b) below, (iv) his or her removal pursuant to Section 4.2(c) below, or (v) the termination of the PI Trust pursuant to Section 7.2 below.

(b) A PI Trustee may resign at any time by written notice to the remaining Trustees, the TAC and the Future Claimants' Representative. Such notice shall specify a date when such resignation shall take place, which shall not be less than 90 days after the date such notice is given, where practicable.

(c) A Trustee may be removed by unanimous vote of the remaining Trustees in the event that he or she becomes unable to discharge his or her duties hereunder due to accident or physical or mental deterioration, or for other good cause. Good cause shall be deemed to include, without limitation, any substantial failure to comply with the general administration provisions of Section 2.2 above, a consistent pattern of neglect and failure to perform or participate in performing the duties of the Trustees hereunder, or repeated non-attendance at scheduled meetings. Such removal shall require the approval of the Bankruptcy Court and shall take effect at such time as the Bankruptcy Court shall determine.

4.3 **Appointment of Successor Trustees.**

(a) In the event of a vacancy in the position of PI Trustee, whether by term expiration, resignation or removal, the remaining Trustees shall consult with the TAC and the Future Claimants' Representative concerning appointment of a successor PI Trustee. The vacancy shall be filled by the unanimous vote of the remaining Trustees unless a majority of the TAC or the Future Claimants' Representative vetoes the appointment. In the event that the remaining Trustees cannot agree on a Successor PI Trustee, or a majority of the TAC or the Future Claimants' Representative vetoes the appointment of a successor PI Trustee, the Bankruptcy Court shall make the appointment. Nothing shall prevent the reappointment of a PI Trustee for an additional term or terms.

(b) Immediately upon the appointment of any Successor PI Trustee, all rights, titles, duties, powers and authority of the predecessor PI Trustee hereunder shall be vested in, and undertaken by, the Successor PI Trustee without any further act. No Successor PI Trustee shall be liable personally for any act or omission of his or her predecessor Trustees.

(c) Each Successor PI Trustee shall serve until the earlier of (i) the end of a full term of five (5) years if the predecessor PI Trustee completed his or her term, (ii) the end of the remainder of the term of the PI Trustee whom he or she is replacing if said predecessor PI Trustee did not complete said term, (iii) his or her death, (iv) his or her resignation pursuant to Section 4.2(b) above, (v) his or her removal pursuant to Section 4.2(c) above, or (vi) the termination of the PI Trust pursuant to Section 7.2 below.

4.4 Liability of Trustees, Officers and Employees. The Trustees and the individuals identified as Additional Indemnitees in Section 2.1(c)(xiv) above shall not be liable to the PI Trust, to any individual holding an asbestos claim, or to any other person, except for such individual's own breach of trust committed in bad faith or willful misappropriation. In addition, the Trustees and the Additional Indemnitees shall not be liable for any act or omission of any other Trustee or Additional Indemnitee unless such person acted with bad faith in the selection or retention of such other Trustee or Additional Indemnitee.

4.5 Compensation and Expenses of Trustees.

(a) The Trustees shall receive compensation from the PI Trust for their services as Trustees in the amount of $_____ per annum, plus a per diem allowance for meetings or other PI Trust business performed in the amount of $_____. For purposes of the per diem allowance, PI Trust business includes, but is not limited to, attendance at meetings of Reorganized AWI's Board of Directors. For purposes of section 7.4 below, the Trustees shall determine the scope and duration of activities that constitute a meeting and, if the Trustees elect to provide for payment for activities of less than a full day's duration, may provide for partial payment of per diem amounts on a proportional basis for activities of less than a full day's duration. The per annum and per diem compensation payable to the Trustees hereunder shall be reviewed every three (3) years and appropriately adjusted for changes in the cost of living. Any other changes in compensation of the Trustees shall be made subject to the approval of the Bankruptcy Court.

(b) The PI Trust will promptly reimburse the Trustees for all reasonable out-of-pocket costs and expenses incurred by the Trustees in connection with the performance of their duties hereunder.

(c) The PI Trust shall include a description of the amounts paid under this Section 4.5 in the accounts to be filed with the Bankruptcy Court and provided to the TAC, the Future Claimants' Representative, and Reorganized AWI pursuant to Section 2.2(c)(i).

4.6 Indemnification of Trustees and Additional Indemnitees.

(a) The PI Trust shall indemnify and defend the Trustees, as well as the Additional Indemnitees in the performance of their duties hereunder to the fullest extent that a corporation or trust organized under the laws of the PI Trust's situs is from time to time entitled to indemnify and defend such persons against any and all liabilities, expenses, claims, damages or losses incurred by them in the performance of their duties. Notwithstanding the foregoing, the Trustees and the Additional Indemnitees shall not be indemnified or defended in any way for any liability, expense, claim, damage, or loss for which he or she is ultimately liable under Section 4.4 above.

(b) Reasonable expenses, costs and fees (including attorneys' fees and costs) incurred by or on behalf of a PI Trustee or Additional Indemnitee in connection with any action, suit, or proceeding, whether civil, administrative or arbitrative from which they are indemnified by the PI Trust pursuant to Section 4.6(a) above, shall be paid by the PI Trust in advance of the final disposition thereof upon receipt of an undertaking, by or on behalf of the Trustees or Additional Indemnitee, to repay such

amount in the event that it shall be determined ultimately by final order that such PI Trustee or Additional Indemnitee is not entitled to be indemnified by the PI Trust.

(c) The Trustees may purchase and maintain reasonable amounts and types of insurance on behalf of an individual who is or was a PI Trustee or Additional Indemnitee including against liability asserted against or incurred by such individual in that capacity or arising from his or her status as a PI Trustee, TAC member, Future Claimants' Representative, officer, employee, agent or other representative.

4.7 **Trustees' Lien.** The Trustees and the Additional Indemnitees shall have a first priority lien upon the PI Trust Assets to secure the payment of any amounts payable to them pursuant to Section 4.6 above.

4.8 **Trustees' Employment of Experts.** The Trustees may, but shall not be required to, retain and/or consult with counsel, accountants, appraisers, auditors and forecasters, and other parties deemed by the Trustees to be qualified as experts on the matters submitted to them, and the written opinion of or information provided by any such parties on any matters submitted to them by the Trustees shall be full and complete authorization and protection in respect of any action taken or not taken by the Trustees hereunder in good faith and in accordance with the written opinion of or information provided by any such party.

4.9 **Trustees' Independence.** The Trustees shall not, during the term of their service, hold a financial interest in, act as attorney or agent for, or serve as any other professional for Reorganized AWI. Notwithstanding the foregoing, any PI Trustee may serve, without any additional compensation other than the per diem compensation to be paid by the PI Trust pursuant to Section 4.5(a) above, as a director of Reorganized AWI. No PI Trustee shall act as an attorney for any person who holds an asbestos claim.

4.10 **Bond.** The Trustees shall not be required to post any bond or other form of surety or security unless otherwise ordered by the Bankruptcy Court.

SECTION 5

TRUST ADVISORY COMMITTEE

5.1 **Members.** The TAC shall consist of five (5) members, who shall initially be the persons named on the signature page hereof.

5.2 **Duties.** The members of the TAC shall serve in a fiduciary capacity representing all holders of present Asbestos Personal Injury Claims. The Trustees must consult with the TAC on matters identified in Section 2.2(e) above and in other provisions herein, and must obtain the consent of the TAC on matters identified in Section 2.2(f) above. Where provided in the TDP, certain other actions by the Trustees are also subject to the consent of the TAC.

5.3 **Term of Office.**

(a) Each member of the TAC shall serve until the earlier of (i) his or her death, (ii) his or her resignation pursuant to Section 5.3(b) below, (iii) his or her removal pursuant to Section 5.3(c) below, or (iv) the termination of the PI Trust pursuant to Section 7.2 below.

(b) A member of the TAC may resign at any time by written notice to the other members of the TAC, the Trustees and the Future Claimants' Representative. Such notice shall specify a date when such resignation shall take effect, which shall not be less than ninety (90) days after the date such notice is given, where practicable.

(c) A member of the TAC may be removed in the event that he or she becomes unable to discharge his or her duties hereunder due to accident, physical deterioration, mental incompetence, or a consistent pattern of neglect and failure to perform or to participate in performing the duties of such member hereunder, such as repeated non-attendance at scheduled meetings, or for other good

cause. Such removal shall be made at the recommendation of the remaining members of the TAC with the approval of the Bankruptcy Court.

5.4 Appointment of Successor.

(a) In the event of a vacancy caused by the resignation of a TAC member, his or her successor shall be selected by the TAC member who is resigning, unless the remaining members unanimously veto the selection, in which case, the successor shall be selected by a unanimous vote of the remaining members. If the remaining members cannot unanimously agree, the Bankruptcy Court shall appoint the successor. In the event of a vacancy caused by removal or death of a TAC member, or in the event that a resigning or retiring member does not name his or her successor, the remaining members of the TAC by unanimous vote shall name the successor. If the remaining members of the TAC cannot reach unanimous agreement, the Bankruptcy Court shall appoint the successor.

(b) Each successor TAC member shall serve until the earlier of (i) his or her death, (ii) his or her resignation pursuant to Section 5.3(b) above, (iii) his or her removal pursuant to Section 5.3(c) above, or (iv) the termination of the PI Trust pursuant to Section 7.2 below.

5.5 TAC's Employment of Professionals.

(a) The TAC may but is not required to retain and/or consult counsel, accountants, appraisers, auditors, forecasters, experts, and financial and investment advisors, and such other parties deemed by the TAC to be qualified as experts on matters submitted to the TAC (the "***Professionals***"). The TAC and its Professionals shall at all times have complete access to the PI Trust's officers, employees and agents, as well as to the Professionals retained by the PI Trust, and shall also have complete access to all information generated by them or otherwise available to the PI Trust or the Trustees. In the absence of gross negligence, the written opinion of or information provided by any Professional deemed by the TAC to be qualified as an expert on the particular matter submitted to the TAC shall be full and complete authorization and protection in support of any action taken or not taken by the TAC in good faith and in accordance with the written opinion of or information provided by the Professional.

(b) The Trust shall promptly reimburse, or pay directly if so instructed, the TAC for all reasonable fees and costs associated with the TAC's employment of legal counsel pursuant to this provision in connection with the TAC's performance of its duties hereunder. The Trust shall also promptly reimburse, or pay directly if so instructed, the TAC for all reasonable fees and costs associated with the TAC's employment of any other Professional pursuant to this provision in connection with the TAC's performance of its duties hereunder; provided, however, that (i) the TAC has first submitted to the Trust a written request for such reimbursement setting forth the reasons (A) why the TAC desires to employ such Professional, and (B) why the TAC cannot rely on Professionals retained by the Trust to meet the need of the TAC for such expertise or advice, and (ii) the Trust has approved the TAC's request for reimbursement in writing. If the Trust agrees to pay for the TAC Professional, such reimbursement shall be treated as a Trust expense. If the Trust declines to pay for the TAC Professional, it must set forth its reasons in writing. If the TAC still desires to employ such Professional at Trust expense, the TAC and/or the Trustees shall resolve their dispute pursuant to Section 7.13 below.

5.6 Compensation and Expenses of TAC. The members of the TAC shall receive compensation from the PI Trust for their services as TAC members in the form of a reasonable hourly rate set by the Trustees for attendance at meetings or other conduct of PI Trust business. The members of the TAC shall also be reimbursed promptly for all reasonable out-of-pocket costs and expenses incurred in connection with the performance of their duties hereunder. Such reimbursement or direct payment shall be deemed a PI Trust expense. The PI Trust shall include a description of the amounts paid under this Section 5.6 in the accounts to be filed with the Bankruptcy Court and provided to the Trustees, the Future Claimants' Representative, and Reorganized AWI pursuant to Section 2.2(c)(i).

5.7 **Procedures for Consultation with and Obtaining the Consent of the TAC.**

(a) **Consultation Process.**

(i) In the event the Trustees are required to consult with the TAC pursuant to Section 2.2(e) above or on other matters as provided herein, the Trustees shall provide the TAC with written advance notice of the matter under consideration, and with all relevant information concerning the matter as is reasonably practicable under the circumstances. The Trustees shall also provide the TAC with such reasonable access to Professionals and other experts retained by the PI Trust and its staff (if any) as the TAC may reasonably request during the time that the Trustees are considering such matter, and shall also provide the TAC the opportunity, at reasonable times and for reasonable periods of time, to discuss and comment on such matter with the Trustees.

(ii) The Trustees shall take into consideration the time required for the TAC, if its members so wish, to engage and consult with its own independent financial or investment advisors as to such matter.

(b) **Consent Process.**

(i) In the event the Trustees are required to obtain the consent of the TAC pursuant to Section 2.2(f) above, the Trustees shall provide the TAC with a written notice stating that their consent is being sought pursuant to that provision, describing in detail the nature and scope of the action the Trustees propose to take, and explaining in detail the reasons why the Trustees desire to take such action. The Trustees shall provide the TAC as much relevant additional information concerning the proposed action as is reasonably practicable under the circumstances. The Trustees shall also provide the TAC with such reasonable access to Professionals and other experts retained by the PI Trust and its staff (if any) as the TAC may reasonably request during the time that the Trustees are considering such action, and shall also provide the TAC the opportunity, at reasonable times and for reasonable periods of time, to discuss and comment on such action with the Trustees.

(ii) The TAC must consider in good faith and in a timely fashion any request for its consent by the Trustees, and must in any event advise the Trustees in writing of its consent or its objection to the proposed action within 30 days of receiving the original request for consent from the Trustees. The TAC may not withhold its consent unreasonably. If the TAC decides to withhold its consent, it must explain in detail its objections to the proposed action. If the TAC does not advise the Trustees in writing of its consent or its objections to the action within 30 days of receiving notice regarding such request, the TAC's consent to the proposed actions shall be deemed to have been affirmatively granted.

(iii) If, after following the procedures specified in this Section 5.7(b), the TAC continues to object to the proposed action and to withhold its consent to the proposed action, the Trustees and/or the TAC shall resolve their dispute pursuant to Section 7.13. However, the

burden of proof with respect to the validity of the TAC's objection and withholding of its consent shall be on the TAC.

SECTION 6

THE FUTURE CLAIMANTS' REPRESENTATIVE

6.1 Duties. The initial Future Claimants' Representative shall be the individual identified on the signature pages hereto, namely Dean M. Trafalet, Esquire. He shall serve in a fiduciary capacity, representing the interests of the holders of future Asbestos Personal Injury Claims for the purpose of protecting the rights of such persons. The Trustees must consult with the Future Claimants' Representative on matters identified in Section 2.2(e) above and on certain other matters provided herein, and must obtain the consent of the Future Claimants' Representative on matters identified in Section 2.2(f) above. Where provided in the TDP, certain other actions by the Trustees are also subject to the consent of the Future Claimants' Representative.

6.2 Term of Office.

(a) The Future Claimants' Representative shall serve until the earlier of (i) his or her death, (ii) his or her resignation pursuant to Section 6.2(b) below, (iii) his or her removal pursuant to Section 6.2(c) below, or (iv) the termination of the PI Trust pursuant to Section 7.2 below.

(b) The Future Claimants' Representative may resign at any time by written notice to the Trustees. Such notice shall specify a date when such resignation shall take effect, which shall not be less than ninety (90) days after the date such notice is given, where practicable.

(c) The Future Claimants' Representative may be removed by the Bankruptcy Court in the event he or she becomes unable to discharge his or her duties hereunder due to accident, physical deterioration, mental incompetence, or a consistent pattern of neglect and failure to perform or to participate in performing the duties hereunder, such as repeated non-attendance at scheduled meetings, or for other good cause.

6.3 Appointment of Successor. A vacancy caused by resignation shall be filled with an individual nominated prior to the effective date of the resignation by the resigning Future Claimants' Representative, and a vacancy caused by death or removal of the Future Claimants' Representative shall be filled with an individual nominated by the Trustees, the TAC or both. In any case, the nominee shall be subject to the approval of the Court.

6.4 Future Claimants' Representative 's Employment of Professionals.

(a) The Future Claimants' Representative may but is not required to retain and/or consult counsel, accountants, appraisers, auditors, forecasters, experts, and financial and investment advisors, and such other parties deemed by the Future Claimants' Representative to be qualified as experts on matters submitted to the Future Claimants' Representative (the "***Professionals***"). The Future Claimants' Representative and his or her experts shall at all times have complete access to the PI Trust's officers, employees and agents, as well as to the Professionals retained by the PI Trust, and shall also have complete access to all information generated by them or otherwise available to the PI Trust or the Trustees. In the absence of gross negligence, the written opinion of or information provided by any Professional deemed by the Future Claimants' Representative to be qualified as an expert on the particular matter submitted to the Future Claimants' Representative shall be full and complete authorization and protection in support of any action taken or not taken by the Future Claimants' Representative in good faith and in accordance with the written opinion of or information provided by the Professional.

(b) The Trust shall promptly reimburse, or pay directly if so instructed, the Future Claimants' Representative for all reasonable fees and costs associated with the Future Claimants' Representative's employment of legal counsel pursuant to this provision in connection with the Future Claimants' Representative's performance of his or her duties hereunder. The Trust shall also promptly reimburse, or pay directly if so instructed, the Future Claimants' Representative for all reasonable fees and

costs associated with the Future Claimants' Representative's employment of any other Professionals pursuant to this provision in connection with the Future Claimants' Representative's performance of his or her duties hereunder; provided, however, that (i) the Future Claimants' Representative has first submitted to the Trust a written request for such reimbursement setting forth the reasons (A) why the Future Claimants' Representative desires to employ the Professional, and (B) why the Future Claimants' Representative cannot rely on Professionals retained by the Trust to meet the need of the Future Claimants' Representative for such expertise or advice, and (ii) the Trust has approved the Future Claimants' Representative's request for reimbursement in writing. If the Trust agrees to pay for the Future Claimants' Representative's Professional, such reimbursement shall be treated as a Trust Expense. If the Trust declines to pay for the Future Claimants' Representative's Professional, it must set forth its reasons in writing. If the Future Claimants' Representative still desires to employ the Professional at Trust expense, the Future Claimants' Representative and/or the Trustees shall resolve their dispute pursuant to Section 7.13 below.

6.5 **Compensation and Expenses of the Future Claimants' Representative**. The Future Claimants' Representative shall receive compensation from the PI Trust in the form of the Future Claimants' Representative's normal hourly rate for services performed. The PI Trust will promptly reimburse the Future Claimants' Representative for all reasonable out-of-pocket costs and expenses incurred by the Future Claimants' Representative in connection with the performance of his or her duties hereunder. Such reimbursement or direct payment shall be deemed a PI Trust expense. The PI Trust shall include a description of the amounts paid under this Section 6.5 in the accounts to be filed with the Bankruptcy Court and provided to the Trustees, the Future Claimants' Representative, and Reorganized AWI pursuant to Section 2.2(c)(i).

6.6 **Procedures for Consultation with and Obtaining the Consent of the Future Claimants Representative.**

(a) **Consultation Process.**

(i) In the event the Trustees are required to consult with the Future Claimants' Representative pursuant to Section 2.2(e) above or on any other matters specified herein, the Trustees shall provide the Future Claimants' Representative with written advance notice of the matter under consideration, and with all relevant information concerning the matter as is reasonably practicable under the circumstances. The Trustees shall also provide the Future Claimants' Representative with such reasonable access to Professionals and other experts retained by the PI Trust and its staff (if any) as the Future Claimants' Representative may reasonably request during the time that the Trustees are considering such matter, and shall also provide the Future Claimants' Representative the opportunity, at reasonable times and for reasonable periods of time, to discuss and comment on such matter with the Trustees.

(ii) The Trustees shall take into consideration the time required for the Future Claimants' Representative, if he or she so wishes, to engage and consult with his or her own independent financial or investment advisors as to such matter.

(b) **Consent Process.**

(i) In the event the Trustees are required to obtain the consent of the Future Claimants' Representative pursuant to Section 2.2(f) above, the Trustees shall provide the Future Claimants' Representative with a written notice stating that his or her consent is being sought

pursuant to that provision, describing in detail the nature and scope of the action the Trustees propose to take, and explaining in detail the reasons why the Trustees desire to take such action. The Trustees shall provide the Future Claimants' Representative as much relevant additional information concerning the proposed action as is reasonably practicable under the circumstances. The Trustees shall also provide the Future Claimants' Representative with such reasonable access to Professional and other experts retained by the PI Trust and its staff (if any) as the Future Claimants' Representative may reasonably request during the time that the Trustees are considering such action, and shall also provide the Future Claimants' Representative the opportunity, at reasonable times and for reasonable periods of time, to discuss and comment on such action with the Trustees.

(ii) The Future Claimants' Representative must consider in good faith and in a timely fashion any request for his or her consent by the Trustees, and must in any event advise the Trustees in writing of his or her consent or objection to the proposed action within 30 days of receiving the original request for consent from the Trustees. The Future Claimants' Representative may not withhold his or her consent unreasonably. If the Future Claimants' Representative decides to withhold consent, he or she must explain in detail his or her objections to the proposed action. If the Future Claimants' Representative does not advise the Trustees in writing of his or her consent or objections to the proposed action within 30 days of receiving the notice from the Trustees regarding such consent, the Future Claimants' Representative's consent shall be deemed to have been affirmatively granted.

(iii) If, after following the procedures specified in this Section 5.7(b), the Future Claimants' Representative continues to object to the proposed action and to withhold its consent to the proposed action, the Trustees and/or the Future Claimants' Representative shall resolve their dispute pursuant to Section 7.13. However, the burden of proof with respect to the validity of the Future Claimants' Representative's objection and withholding of his or her consent shall be on the Future Claimants' Representative.

SECTION 7

GENERAL PROVISIONS

7.1 **Irrevocability.** The PI Trust is irrevocable.

7.2 **Termination.**

(a) The PI Trust shall automatically terminate on the date ninety (90) days after the first to occur of the following events:

(i) the Trustees decide to terminate the PI Trust because (A) they deem it unlikely that new asbestos claims will be filed against the PI Trust, (B) all Asbestos Personal Injury Claims duly filed with the PI Trust have been liquidated and paid to the extent provided in this PI Trust Agreement and the TDP or disallowed by a final, non-appealable order, to the extent possible based upon the funds

available through the Plan, and (C) twelve (12) consecutive months have elapsed during which no new asbestos claim has been filed with the PI Trust; or

(ii) if the Trustees have procured and have in place irrevocable insurance policies and have established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the PI Trust in a manner consistent with this PI Trust Agreement and the TDP, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements and such order becomes a final order; or

(iii) to the extent that any rule against perpetuities shall be deemed applicable to the PI Trust, twenty-one (21) years less ninety-one (91) days pass after the death of the last survivor of all of the descendants of the late Joseph P. Kennedy, Sr., father of the late President John F. Kennedy, living on the date hereof.

(b) On the Termination Date, after payment of all the PI Trust's liabilities have been provided for, all monies remaining in the PI Trust estate shall be given to such organization(s) exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, which tax-exempt organization(s) shall be selected by the Trustees using their reasonable discretion; provided, however, that (i) if practicable, the activities of the selected tax-exempt organization(s) shall be related to the treatment of, research on, or the relief of suffering of individuals suffering from asbestos related lung disorders, and (ii) the tax-exempt organization(s) shall not bear any relationship to Reorganized AWI within the meaning of section 468B(d)(3) of the Internal Revenue Code. Notwithstanding any contrary provision of the Plan and related documents, this Section 7.2(b) cannot be modified or amended.

7.3 **Amendments**. The Trustees, after consultation with the TAC and the Future Claimants' Representative, and subject to the unanimous consent of the TAC and the Future Claimants' Representative, may modify or amend this PI Trust Agreement and the PI Trust By-laws. The Trustees, after consultation with the TAC and the Future Claimants' Representative, and subject to the consent of the TAC and the Future Claimants' Representative, may modify or amend the TDP; provided, however, that no amendment to the TDP shall be inconsistent with the provisions limiting amendments to that document provided therein, and in particular the provisions limiting amendment of the Claims Payment Ratio set forth in Section 2.5 of the TDP and of the Payment Percentage set forth in Section 4.2 of the TDP. Any modification or amendment made pursuant to this Article must be done in writing. Notwithstanding anything contained in this PI Trust Agreement to the contrary, neither this PI Trust Agreement, the PI Trust Bylaws, the TDP, nor any document annexed to the foregoing shall be modified or amended in any way that could jeopardize, impair, or modify the applicability of section 524(g) of the Bankruptcy Code, the efficacy or enforceability of the injunction entered thereunder, or the PI Trust's qualified settlement fund status under Section 468B of the Internal Revenue Code.

7.4 **Meetings**. The Trustees, the TAC, and the Future Claimants' Representative, shall be deemed to have attended a meeting in the event such person spends a substantial portion of the day conferring, in person or by telephone conference call, on PI Trust matters with the TAC, the Future Claimants' Representative, or Trustees, as applicable. A Trustee shall also be deemed to have attended a meeting in the event he or she spends a substantial portion of the day engaging in activities related to Reorganized AWI, including attendance at its Board of Directors meetings. The Trustees, the TAC and the Future Claimants' Representative shall have complete discretion to determine whether a meeting, as described herein, occurred for purposes of Sections 4.5, 5.6, and 6.5 above.

7.5 **Severability.** Should any provision in this PI Trust Agreement be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of this PI Trust Agreement.

7.6 **Notices.** Notices to persons asserting claims shall be given by first class mail, postage prepaid, at the address of such person, or, where applicable, such person's legal representative, in each case as provided on such person's claim form submitted to the PI Trust with respect to his or her PI Trust Claim.

(a) Any notices or other communications required or permitted hereunder to the following parties shall be in writing and delivered at the addresses designated below, or sent by telex, telecopy or facsimile pursuant to the instructions listed below, or mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows, or to such other address or addresses as may hereafter be furnished in writing to each of the other parties listed below in compliance with the terms hereof.

To the PI Trust through the Trustees:

To the TAC:

To the Future Claimants' Representative:

To Reorganized AWI:

(b) All such notices and communications if mailed shall be effective when physically delivered at the designated addresses or, if electronically transmitted, when the communication is received at the designated addresses and confirmed by the recipient by return transmission.

7.7 **Successors and Assigns.** The provisions of this PI Trust Agreement shall be binding upon and inure to the benefit of AWI, the PI Trust, the Trustees and Reorganized AWI, and their respective successors and assigns, except that neither AWI, the PI Trust, the Trustees nor Reorganized AWI may assign or otherwise transfer any of its, or their, rights or obligations under this PI Trust Agreement except, in the case of the PI Trust and the Trustees, as contemplated by Section 2.1 above.

7.8 **Limitation on Claim Interests for Securities Laws Purposes.** Asbestos Personal Injury Claims, and any interests therein (a) shall not be assigned, conveyed, hypothecated, pledged or otherwise transferred, voluntarily or involuntarily, directly or indirectly, except by will or under the laws of descent and distribution; (b) shall not be evidenced by a certificate or other instrument; (c) shall not possess any voting rights; and (d) shall not be entitled to receive any dividends or interest; provided,

however, that clause (a) of this Section 7.8 shall not apply to the holder of a claim that is subrogated to a PI Trust Claim as a result of its satisfaction of such PI Trust Claim.

7.9 **Entire Agreement; No Waiver**. The entire agreement of the parties relating to the subject matter of this PI Trust Agreement is contained herein and in the documents referred to herein, and this PI Trust Agreement and such documents supersede any prior oral or written agreements concerning the subject matter hereof. No failure to exercise or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of rights under law or in equity.

7.10 **Headings**. The headings used in this PI Trust Agreement are inserted for convenience only and do not constitute a portion of this PI Trust Agreement, nor in any manner affect the construction of the provisions of this PI Trust Agreement.

7.11 **Governing Law**. This PI Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to Delaware conflict of law principles.

7.12 **Settlor Representative and Cooperation**. AWI is hereby irrevocably designated as the Settlor, and it is hereby authorized to take any action required of the Settlor in connection with the PI Trust Agreement. AWI agrees to cooperate in implementing the goals and objectives of this PI Trust.

7.13 **Dispute Resolution**. Any disputes that arise under this PI Trust Agreement or under the TDP shall be resolved by submission of the matter to an alternative dispute resolution ("***ADR***") process mutually agreeable to the parties involved. Should any party to the ADR process be dissatisfied with the decision of the arbitrator(s), that party may apply to the Bankruptcy Court for a judicial determination of the matter. In either case, if the dispute arose pursuant to the consent provision set forth in Section 5.7(b) (in the case of the TAC) or Section 6.6(b) (in the case of the Future Claimants' Representative), the burden of proof shall be on the party or parties who withheld consent to show that the objection was valid. Should the dispute not be resolved by ADR process within thirty (30) days after submission, the parties are relieved of the requirement to pursue ADR prior to application to the Bankruptcy Court. Notwithstanding anything else herein contained, to the extent any provision of this PI Trust Agreement is inconsistent with any provision of the Plan or the TDP, the Plan or the TDP shall control.

7.14 **Enforcement and Administration**. The provisions of this PI Trust Agreement and the TDP attached hereto shall be enforced by the Bankruptcy Court pursuant to the Plan. The parties hereby further acknowledge and agree that the Bankruptcy Court shall have exclusive jurisdiction over the settlement of the accounts of the Trustees and over any disputes hereunder not resolved by alternative dispute resolution in accordance with Section 7.13 above.

7.15 **Effectiveness**. This PI Trust Agreement shall not become effective until it has been executed and delivered by all the parties hereto.

7.16 **Counterpart Signatures**. This PI Trust Agreement may be executed in any number of counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this PI Trust Agreement this

_____ day of _____, _____.

ARMSTRONG WORLD INDUSTRIES, INC., SETTLOR, by

Name:_____

Title:_____

TRUSTEES

_____

_____

_____

_____

_____

ASBESTOS CLAIMANTS' COMMITTEE

By:_____

TRUST ADVISORY COMMITTEE

_____

_____

_____

_____

_____

FUTURE CLAIMANTS' REPRESENTATIVE

_____
Dean M. Trafelet, Esq.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	)	
	)	
	)	
ARMSTRONG WORLD INDUSTRIES	)	Chapter 11
INC., *et al.*,	)	Case No. 00-4471 (RJN)
	)	(Jointly Administered)
Debtors	)	
	)	

Exhibit 1.24

FORM OF ARMSTRONG WORLD INDUSTRIES, INC.
ASBESTOS PERSONAL INJURY SETTLEMENT TRUST
DISTRIBUTION PROCEDURES

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ARMSTRONG WORLD INDUSTRIES, INC.

ASBESTOS PERSONAL INJURY SETTLEMENT TRUST DISTRIBUTION PROCEDURES

The Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust Distribution Procedures ("***TDP***") contained herein provide for resolving all Asbestos Personal Injury Claims (as that term is defined in the Armstrong World Industries, Inc. Plan of Reorganization ("***Plan***")) caused by exposure to asbestos-containing products for which Armstrong World Industries, Inc. ("***AWI***") and its predecessors, successors, and assigns have legal responsibility (hereinafter for all purposes of this TDP referred to as "***PI Trust Claims***"), as provided in and required by the Plan and by the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust Agreement ("***PI Trust Agreement***"). The Plan and PI Trust Agreement establish the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust ("***PI Trust***"). The Trustees of the PI Trust ("***Trustees***") shall implement and administer this TDP in accordance with the PI Trust Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Plan and the PI Trust Agreement.

SECTION I

Introduction

1.1 Purpose. This TDP has been adopted pursuant to the PI Trust Agreement. It is designed to provide fair, equitable and substantially similar treatment for all PI Trust Claims that may presently exist or may arise in the future in substantially the same manner.

1.2 Interpretation. Nothing in this TDP shall be deemed to create a substantive right for any claimant.

SECTION II

Overview

2.1 PI Trust Goals. The goal of the PI Trust is to treat all claimants equitably. This TDP furthers that goal by setting forth procedures for processing and paying claims generally on an impartial, first-in-first-out ("***FIFO***") basis, with the intention of paying all claimants over time as equivalent a share as possible of the value of their claims based on historical values for substantially similar claims in the tort system. To this end, the TDP establishes a schedule of eight asbestos-related diseases ("***Disease Levels***"), seven of which have presumptive medical and exposure requirements ("***Medical/Exposure Criteria***"), specific liquidated values ("***Scheduled Values***"), anticipated average values ("***Average Values***") and caps on their liquidated values ("***Maximum Values***"). The Disease Levels, Medical/Exposure Criteria, Scheduled Values, Average Values and Maximum Values, which are set forth in Sections 5.3 and 5.4 below, have all been selected and derived with the intention of achieving a fair allocation of the PI Trust funds as among claimants suffering from different disease processes in light of the best available information considering the settlement history of AWI and the rights claimants would have in the tort system absent the bankruptcy.

2.2 Claims Liquidation Procedures. PI Trust Claims shall be processed based on their place in the FIFO Processing Queue to be established pursuant to Section 5.1(a) below. The PI Trust shall take all reasonable steps to resolve PI Trust Claims as efficiently and expeditiously as possible at each stage of claims processing and arbitration. To this end, the PI Trust, in its sole discretion, may conduct settlement discussions with claimants' representatives with respect to more than one claim at a time, provided that the claimants' respective positions in the FIFO Processing Queue are maintained and each claim is individually evaluated pursuant to the valuation factors set forth in Section 5.3(b)(2) below. The PI Trust shall also make every effort to resolve each year at least that number of PI Trust Claims required to exhaust the Maximum Annual Payment and the Maximum Available Payment for Category A and Category B claims, as those terms are defined below.

The PI Trust shall liquidate all PI Trust Claims that meet the presumptive Medical/Exposure Criteria of Disease Levels I – V, VII and VIII under the Expedited Review Process described in Section 5.3(a) below. Claims involving Disease Levels I – V, VII and VIII that do not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level may undergo the PI Trust's Individual Review Process described in Section 5.3(b) below. In such a case, notwithstanding that the claim does not meet the presumptive Medical/Exposure Criteria for the relevant

Disease Level, the PI Trust can offer the claimant an amount up to the Scheduled Value of that Disease Level if the PI Trust is satisfied that the claimant has presented a claim that would be cognizable and valid in the tort system.

PI Trust Claims involving Disease Levels II - VIII may in addition or alternatively seek to establish a liquidated value for the claim that is greater than its Scheduled Value by electing the PI Trust's Individual Review Process. However, the liquidated value of a PI Trust Claim that undergoes the Individual Review Process for valuation purposes may be determined to be less than its Scheduled Value, and in any event shall not exceed the Maximum Value for the relevant Disease Level set forth in Section 5.3(b)(4) below, unless the claim qualifies as an Extraordinary Claim as defined in Section 5.4(a) below, in which case its liquidated value cannot exceed the Maximum Value specified in that provision for such claims. Level VI (Lung Cancer 2) claims may be liquidated only pursuant to the PI Trust's Individual Review Process.

Based upon AWI's claims settlement history in light of applicable tort law, and current projections of present and future unliquidated claims, the Scheduled Values and Maximum Values set forth in Section 5.3(b)(4) have been established for each of the Disease Levels that are eligible for Individual Review of their liquidated values, with the expectation that the combination of settlements at the Scheduled Values and those resulting from the Individual Review Process will result in the Average Values also set forth in that provision.

All unresolved disputes over a claimant's medical condition, exposure history and/or the liquidated value of the claim shall be subject to binding or non-binding arbitration as set forth in Section 5.10 below, at the election of the claimant, under procedures that are provided in Attachment A hereto. PI Trust Claims that are the subject of a dispute with the PI Trust that cannot be resolved by non-binding arbitration may enter the tort system as provided in Sections 5.11 and 7.6 below. However, if and when a claimant obtains a judgment in the tort system, the judgment will be payable (subject to the Payment Percentage, Maximum Available Payment, and Claims Payment Ratio provisions set forth below) as provided in Section 7.7 below.

2.3 Application of the Payment Percentage. After the liquidated value of a PI Trust Claim other than a claim involving Other Asbestos Disease (Disease Level I – Cash Discount Payment), as defined in Section 5.3(a)(3) below, is determined pursuant to the procedures set forth herein for Expedited Review, Individual Review, arbitration, or litigation in the tort system, the claimant will ultimately receive a pro-rata share of that value based on a Payment Percentage described in Section 4.2 below. The Payment Percentage shall also apply to all Pre-Petition Liquidated Claims as provided in Section 5.2 below. The Initial Payment Percentage has been set at twenty percent (20%), and shall apply to all PI Trust Voting Claims accepted as valid by the PI Trust, unless adjusted by the PI Trust pursuant to the consent of the PI Trust Advisory Committee ("***TAC***") and the Legal Representative for Future Asbestos Claimants ("***Future Claimants' Representative***") (who are described in Section 3.1 below) pursuant to Section 4.2 below. The term "***PI Voting Trust Claims***" includes (i) Pre-Petition Liquidated Claims as defined in Section 5.2(a) below; (ii) claims filed against AWI in the tort system or actually submitted to AWI pursuant to an administrative settlement agreement prior to the Petition Date of December 6, 2000; and (iii) all claims filed against another defendant in the tort system prior to the date the Plan was filed with the Bankruptcy Court (November 1, 2002 (the "***Plan Filing Date***")), *provided, however*, that the holder of a claim described in subsection (i), (ii) or (iii) above or his or her authorized agent, actually voted to accept or reject the Plan pursuant to the voting procedures established by the Bankruptcy Court, and provided further that the claim was subsequently filed with the PI Trust pursuant to Section 6.1 below by the Initial Claims Filing Date defined in Section 5.1(a) below. The Initial Payment Percentage has been calculated on the assumption that the Average Values set forth in Section 5.3(b)(4) below will be achieved with respect to existing present claims and projected future claims involving Disease Levels II – VIII.

The Payment Percentage may be adjusted upwards or downwards from time to time by the PI Trust with the consent of the TAC and the Future Claimants' Representative to reflect then-current estimates of the PI Trust's assets and its liabilities, as well as the then-estimated value of pending and future claims. However, any adjustment to the Initial Payment Percentage shall be made only pursuant to Section 4.2 below. If the Payment Percentage is increased over time, claimants whose claims were liquidated and paid in prior periods under the TDP will not receive additional payments, except as provided in Section 4.2 below relating to circumstances in which the PI Trust has received a substantial recovery of insurance proceeds. Because there is uncertainty in the prediction of both the number and severity of future claims, and the amount of the PI Trust's assets, no guarantee can be made of any Payment Percentage of a PI Trust Claim's liquidated value.

2.4 PI Trust's Determination of the Maximum Annual Payment and Maximum Available Payment. The PI Trust shall estimate or model the amount of cash flow anticipated to be necessary over its entire

life to ensure that funds will be available to treat all present and future claimants as similarly as possible. In each year, the PI Trust will be empowered to pay out all of the interest earned during the year, together with a portion of its principal, calculated so that the application of PI Trust funds over its life shall correspond with the needs created by the anticipated flow of claims (the "***Maximum Annual Payment***"), taking into account the Payment Percentage provisions set forth in Sections 2.3 above and 4.2 below. The PI Trust's distributions to all claimants for that year shall not exceed the Maximum Annual Payment determined for that year.

In distributing the Maximum Annual Payment, the PI Trust shall first allocate the amount in question to outstanding Pre-Petition Liquidated Claims and to liquidated PI Trust Claims involving Disease Level I (Cash Discount Payment), in proportion to the aggregate value of each group of claims. The remaining portion of the Maximum Annual Payment (the "***Maximum Available Payment***"), if any, shall then be allocated and used to satisfy all other liquidated PI Trust Claims, subject to the Claims Payment Ratio set forth in Section 2.5 below. In the event there are insufficient funds in any year to pay the total number of outstanding Pre-Petition Liquidated Claims and/or previously liquidated Disease Level I Claims, the available funds allocated to that group of claims shall be paid to the maximum extent to claimants in the particular group based on their place in their respective FIFO Payment Queue. Claims in either group for which there are insufficient funds shall be carried over to the next year and placed at the head of their FIFO Payment Queue.

2.5 Claims Payment Ratio. Based upon AWI's claims settlement history and analysis of present and future claims, a Claims Payment Ratio has been determined which, as of the Effective Date, has been set at 65% for Category A claims, which consist of PI Trust Claims involving severe asbestosis and malignancies (Disease Levels IV – VIII) that were unliquidated as of the Petition Date, and at 35% for Category B claims, which are PI Trust Claims involving non-malignant Asbestosis or Pleural Disease (Disease Levels II and III) that were similarly unliquidated as of the Petition Date. The Claims Payment Ratio shall not apply to any Pre-Petition Liquidated Claims or to any claims for Other Asbestos Disease (Disease Level I - Cash Discount Payment). In each year, after the determination of the Maximum Available Payment described in Section 2.4 above, 65% of that amount will be available to pay Category A claims and 35% will be available to pay Category B claims that have been liquidated since the Petition Date.

In the event there are insufficient funds in any year to pay the liquidated claims within either or both of the Categories, the available funds allocated to the particular Category shall be paid to the maximum extent to claimants in that Category based on their place in the FIFO Payment Queue described in Section 5.1(c) below, which will be based upon the date of claim liquidation. Claims for which there are insufficient funds allocated to the relevant Category shall be carried over to the next year where they will be placed at the head of the FIFO Payment Queue. If there are excess funds in either or both Categories, because there is an insufficient amount of liquidated claims to exhaust the respective Maximum Available Payment amount for that Category, then the excess funds for either or both Categories will be rolled over and remain dedicated to the respective Category to which they were originally allocated.

The 65%/35% Claims Payment Ratio and its rollover provision shall apply to all PI Trust Voting Claims as defined in Section 2.3 above except Pre-Petition Liquidated Claims and Other Asbestos Disease claims (Disease Level I – Cash Discount Payment), and shall not be amended until the fifth anniversary of the Effective Date. Thereafter, both the Claims Payment Ratio and its rollover provision shall be continued absent circumstances, such as a significant change in law or medicine, necessitating amendment to avoid a manifest injustice. However, the accumulation, rollover and subsequent delay of claims resulting from the application of the Claims Payment Ratio, shall not, in and of itself, constitute such circumstances. Nor may an increase in the numbers of Category B claims beyond those predicted or expected be considered as a factor in deciding whether to reduce the percentage allocated to Category A claims.

In considering whether to make any amendments to the Claims Payment Ratio and/or its rollover provisions, the Trustees shall consider the reasons for which the Claims Payment Ratio and its rollover provisions were adopted, the settlement history that gave rise to its calculation, and the foreseeability or lack of foreseeability of the reasons why there would be any need to make an amendment. In that regard, the Trustees should keep in mind the interplay between the Payment Percentage and the Claims Payment Ratio as it affects the net cash actually paid to claimants.

In any event, no amendment to the Claims Payment Ratio may be made without the consent of the TAC and the Future Claimants' Representative pursuant to the consent process set forth in Sections 5.7(b) and 6.6(b) of the PI Trust Agreement. However, the Trustees, with the consent of the TAC and the Future Claimants' Representative,

may offer the option of a reduced Payment Percentage to holders of claims in either Category A or Category B in return for prompter payment (the "***Reduced Payment Option***").

2.6 Indirect PI Trust Claims. As set forth in Section 5.6 below, Indirect PI Trust Claims (as such term is defined in the Plan) ("***Indirect PI Trust Claims***"), if any, shall be subject to the same categorization, evaluation, and payment provisions of this TDP as all other PI Trust Claims.

SECTION III

TDP Administration

3.1 PI Trust Advisory Committee and Future Claimants' Representative. Pursuant to the Plan and the PI Trust Agreement, the PI Trust and this TDP shall be administered by the Trustees in consultation with the TAC, which represents the interests of holders of present PI Trust Claims, and the Future Claimants' Representative, who represents the interests of holders of PI Trust Claims that will be asserted in the future. The Trustees shall obtain the consent of the TAC and the Future Claimants' Representative on any amendments to these Procedures pursuant to Section 8.1 below, and on such other matters as are otherwise required below and in Section 2.2(f) of the PI Trust Agreement. The Trustees shall also consult with the TAC and the Future Claimants' Representative on such matters as are provided below and in Section 2.2(e) of the PI Trust Agreement. The initial members of the TAC and the initial Future Claimants' Representative are identified in the PI Trust Agreement.

3.2 Consent and Consultation Procedures. In those circumstances in which consultation or consent is required, the Trustees will provide written notice to the TAC and the Future Claimants' Representative of the specific amendment or other action that is proposed. The Trustees will not implement such amendment nor take such action unless and until the parties have engaged in the Consultation Process described in Sections 5.7(a) and 6.6(a), or the Consent Process described in Sections 5.7(b) and 6.6(b) of the PI Trust Agreement, respectively.

SECTION IV

Payment Percentage; Periodic Estimates

4.1 Uncertainty of AWI's Personal Injury Asbestos Liabilities. As discussed above, there is inherent uncertainty regarding AWI's total asbestos-related tort liabilities, as well as the total value of the assets available to the PI Trust to pay PI Trust Claims. Consequently, there is inherent uncertainty regarding the amounts that holders of PI Trust Claims will receive. To seek to ensure substantially equivalent treatment of all present and future PI Trust Claims, the Trustees must determine from time to time the percentage of full liquidated value that holders of present and future PI Trust Claims will be likely to receive, *i.e.* the "Payment Percentage" described in Section 2.3 above and Section 4.2 below.

4.2 Computation of Payment Percentage. As provided in Section 2.3 above, the Initial Payment Percentage shall be twenty percent (20%), and shall apply to all PI Trust Voting Claims as defined in Section 2.3 above, unless the Trustees, with the consent of the TAC and the Future Claimants' Representative, determine that the Initial Payment Percentage should be changed to assure that the PI Trust will be in a financial position to pay holders of unliquidated and/or unpaid PI Trust Voting Claims and present and future PI Trust Claims in substantially the same manner.

In making any such adjustment, the Trustees, the TAC and the Future Claimants' Representative shall take into account the fact that the holders of PI Trust Voting Claims voted on the Plan relying on the findings of experts that the Initial Payment Percentage represented a reasonably reliable estimate of the PI Trust's total assets and liabilities over its life based on the best information available at the time, and shall thus give due consideration to the expectations of PI Trust Voting Claimants that the Initial Payment Percentage would be applied to their PI Trust Claims.

Except with respect to PI Trust Voting Claims to which the Initial Payment Percentage applies, the Payment Percentage shall be subject to change pursuant to the terms of this TDP and the PI Trust Agreement if the Trustees determine that an adjustment is required. No less frequently than once every three years, commencing with the first

day of January occurring after the Plan is consummated, the Trustees shall reconsider the then applicable Payment Percentage to assure that it is based on accurate, current information and may, after such reconsideration, change the Payment Percentage if necessary with the consent of the TAC and the Future Claimants' Representative. The Trustees shall also reconsider the then applicable Payment Percentage at shorter intervals if they deem such reconsideration to be appropriate or if requested to do so by the TAC or the Future Claimants' Representative.

The Trustees must base their determination of the Payment Percentage on current estimates of the number, types, and values of present and future PI Trust Claims, the value of the assets then available to the PI Trust for their payment, all anticipated administrative and legal expenses, and any other material matters that are reasonably likely to affect the sufficiency of funds to pay a comparable percentage of full value to all holders of PI Trust Claims. When making these determinations, the Trustees shall exercise common sense and flexibly evaluate all relevant factors. The Payment Percentage applicable to Category A or Category B claims may not be reduced to alleviate delays in payments of claims in the other Category; both Categories of claims shall receive the same Payment Percentage, but the payment may be deferred as needed, and a Reduced Payment Option may be instituted as described in Section 2.5 above.

The uncertainty surrounding the amount of the PI Trust's future assets is due in significant part to the fact that the estimates of those assets do not take into account the possibility that the PI Trust may receive substantial additional funds from successful recoveries of insurance proceeds that have been assigned to the PI Trust with respect to which the coverage is presently in dispute or the solvency of the carrier is in doubt. If the PI Trust successfully resolves an insurance coverage dispute or otherwise receives a substantial recovery of insurance proceeds, the PI Trust will use those proceeds first to maintain the Payment Percentage then in effect. If the insurance recovery exceeds the amount estimated to be reasonably necessary to maintain the Payment Percentage then in effect, the PI Trust, with the consent of the TAC and the Future Claimants' Representative, shall adjust the Payment Percentage upward to reflect the increase in available assets, and shall also make supplemental payments to claimants who previously liquidated their claims against the PI Trust and received payments based on a lower Payment Percentage. The amount of any such supplemental payment shall be the liquidated value of the claim in question times the newly adjusted Payment Percentage, less all amounts previously paid the claimant with respect to the claim.

4.3 Applicability of the Payment Percentage. No holder of a PI Trust Voting Claim, other than a PI Trust Claim for Other Asbestos Disease (Disease Level I - Cash Discount Payment) as defined in Section 5.3(a)(3) below shall receive a payment that exceeds the Initial Payment Percentage times the liquidated value of the claim. Except as otherwise provided in Section 5.1(c) below for PI Trust Claims involving deceased or incompetent claimants for which approval of the PI Trust's offer by a court or through a probate process is required, no holder of any other PI Trust Claim, other than a PI Trust Claim for Other Asbestos Disease (Disease Level I - Cash Discount Payment), shall receive a payment that exceeds the liquidated value of the claim times the Payment Percentage in effect at the time of payment. PI Trust Claims involving Other Asbestos Disease (Disease Level I - Cash Discount Payment) shall not be subject to the Payment Percentage, but shall instead be paid the full amount of their Scheduled Value as set forth in Section 5.3(a)(3) below.

If a redetermination of the Payment Percentage has been proposed in writing by the Trustees to the TAC and the Future Claimants' Representative but has not yet been adopted, the claimant shall receive the lower of the current Payment Percentage or the proposed Payment Percentage. However, if the proposed Payment Percentage was the lower amount but was not subsequently adopted, the claimant shall thereafter receive the difference between the lower proposed amount and the higher current amount. Conversely, if the proposed Payment Percentage was the higher amount and was subsequently adopted, the claimant shall thereafter receive the difference between the lower current amount and the higher adopted amount.

SECTION V

Resolution of PI Trust Claims.

5.1 Ordering, Processing and Payment of Claims.

5.1(a) Ordering of Claims.

5.1(a)(1) Establishment of the FIFO Processing Queue. The PI Trust will order claims that are sufficiently complete to be reviewed for processing purposes on a FIFO basis except as otherwise provided herein (the "***FIFO Processing Queue***"). For all claims filed on or before the date six months after the

Effective Date (the "***Initial Claims Filing Date***"), a claimant's position in the FIFO Processing Queue shall be determined as of the earlier of (i) the date prior to the Petition Date (if any) that the specific claim was either filed against AWI in the tort system or was actually submitted to AWI pursuant to an administrative settlement agreement; (ii) the date before the Petition Date that a claim was filed against another defendant in the tort system if at the time the claim was subject to a tolling agreement with AWI; (iii) the date after the Petition Date (if any) but before the Effective Date that the claim was filed against another defendant in the tort system; (iv) the date after the Petition Date (if any) but before the Effective Date that a proof of claim was filed against AWI in AWI's Chapter 11 case; (v) the date a ballot was submitted in AWI's Chapter 11 case for purposes of voting on the Plan in accordance with the voting procedures adopted by the Bankruptcy Court; or (vi) the date after the Effective Date but on or before the Initial Claims Filing Date that the claim was filed with the PI Trust.

Following the Initial Claims Filing Date, the claimant's position in the FIFO Processing Queue shall be determined by the date the claim was filed with the PI Trust. If any claims are filed on the same date, the claimant's position in the FIFO Processing Queue shall be determined by the date of the diagnosis of the claimant's asbestos-related disease. If any claims are filed and diagnosed on the same date, the claimant's position in the FIFO Processing Queue shall be determined by the date of the claimant's birth, with older claimants given priority over younger claimants.

5.1(a)(2) Effect of Statutes of Limitations and Repose. To be eligible for a place in the FIFO Processing Queue, a claim must meet either (i) for claims first filed in the tort system against AWI prior to the Petition Date, the applicable federal, state and foreign statute of limitation and repose that was in effect at the time of the filing of the claim in the tort system, or (ii) for claims that were not filed against AWI in the tort system prior to the Petition Date, the applicable statute of limitation and repose that was in effect at the time of the filing with the PI Trust. However, the running of the relevant statute of limitation shall be tolled as of the earliest of (A) the actual filing of the claim against AWI prior to the Petition Date, whether in the tort system or by submission of the claim to AWI pursuant to an administrative settlement agreement; (B) the filing of the claim against another defendant in the tort system prior to the Petition Date if the claim was tolled against AWI at the time by an agreement or otherwise; (C) the filing of a claim after the Petition Date but prior to the Effective Date against another defendant in the tort system; (D) the date after the Petition Date (if any) but before the Effective Date that a proof of claim was filed against AWI in AWI's Chapter 11 case; (E) the date a ballot was submitted in AWI's Chapter 11 case for purposes of voting on the Plan in accordance with the voting procedures adopted by the Bankruptcy Court; or (F) the filing of a proof of claim with the requisite supporting documentation with the PI Trust after the Effective Date.

If a PI Trust Claim meets any of the tolling provisions described in the preceding sentence and the claim was not barred by the applicable statute of limitation at the time of the tolling event, it will be treated as timely filed if it is actually filed with the PI Trust within three (3) years after the Effective Date. In addition, any claims that were first diagnosed after the Petition Date, irrespective of the application of any relevant statute of limitation or repose, may be filed with the PI Trust within three (3) years after the date of diagnosis or within three (3) years after the Effective Date, whichever occurs later. However, the processing of any PI Trust Claim by the PI Trust may be deferred at the election of the claimant pursuant to Section 6.3 below.

5.1(b) Processing of Claims. As a general practice, the PI Trust will review its claims files on a regular basis and notify all claimants whose claims are likely to come up in the FIFO Processing Queue in the near future. However, claims that were not filed (i) against AWI in the tort system or actually submitted to AWI pursuant to an administrative settlement agreement prior to the Petition Date, or (ii) against another defendant in the tort system prior to the Plan Filing Date, shall not be processed until after the Initial Claims Filing Date.

5.1(c) Payment of Claims. PI Trust Claims that have been liquidated by the Expedited Review Process as provided in Section 5.3(a) below, by the Individual Review Process as provided in Section 5.3(b) below, by arbitration as provided in Section 5.10 below, or by litigation in the tort system provided in Section 5.11 below, shall be paid in FIFO order based on the date their liquidation became final (the "***FIFO Payment Queue***"), all such payments being subject to the applicable Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio, except as otherwise provided herein.

Where the claimant is deceased or incompetent, and the settlement and payment of his or her claim must be approved by a court of competent jurisdiction or through a probate process prior to acceptance of the claim by the claimant's representative, an offer made by the PI Trust on the claim shall remain open so long as proceedings

before that court or in that probate process remain pending, provided that the PI Trust has been furnished with evidence that the settlement offer has been submitted to such court or probate process for approval. If the offer is ultimately approved by the court or through the probate process and accepted by the claimant's representative, the PI Trust shall pay the claim in the amount so offered, multiplied by the Payment Percentage in effect at the time the offer was first made.

If any claims are liquidated on the same date, the claimant's position in the FIFO Payment Queue shall be determined by the date of the diagnosis of the claimant's asbestos-related disease. If any claims are liquidated on the same date and the respective claimants' asbestos-related diseases were diagnosed on the same date, the position of those claimants in the FIFO Payment Queue shall be determined by the PI Trust based on the dates of the claimants' birth, with older claimants given priority over younger claimants.

5.2 Resolution of Pre-Petition Liquidated PI Trust Claims.

5.2(a) Processing and Payment. As soon as practicable after the Effective Date, the PI Trust shall pay, upon submission by the claimant of the applicable PI Trust proof of claim form (included in Attachment B) together with all documentation required thereunder, all PI Trust Claims that were liquidated by (i) a binding settlement agreement for the particular claim entered into prior to the Petition Date that is judicially enforceable by the claimant, (ii) a jury verdict or non-final judgment in the tort system obtained prior to the Petition Date, or (iii) by a judgment that became final and non-appealable prior to the Petition Date (collectively "***Pre-Petition Liquidated Claims***").

The liquidated value of a Pre-Petition Liquidated Claim shall be AWI's share of the unpaid portion of the amount agreed to in the binding settlement agreement, the unpaid portion of the amount awarded by the jury verdict or non-final judgment, or the unpaid portion of the amount of the final judgment, as the case may be, plus interest, if any, that has accrued on that amount in accordance with the terms of the agreement, if any, or under applicable state law for settlements or judgments as of the Petition Date; however, pursuant to Section 7.4 below, the liquidated value of a Pre-Petition Liquidated Claim shall not include any punitive or exemplary damages. In the absence of a final order of the Bankruptcy Court determining whether a settlement agreement is binding and judicially enforceable, a dispute between the claimant and the PI Trust over this issue shall be resolved pursuant to the same procedures in this TDP that are provided for resolving the validity and/or liquidated value of a PI Trust Claim (*i.e.*, arbitration and litigation in the tort system as set forth in Sections 5.10 and 5.11 below).

Pre-Petition Liquidated Claims shall be processed and paid in accordance with their order in a separate FIFO queue to be established by the PI Trust based on the date the PI Trust received a completed proof of claim form with all required documentation for the particular claim; *provided, however*, the amounts payable with respect to such claims shall not be subject to or taken into account in consideration of the Claims Payment Ratio, but shall be subject to the Maximum Annual Payment and Payment Percentage provisions set forth above. If any Pre-Petition Liquidated Claims were filed on the same date, the claimants' position in the FIFO queue for such claims shall be determined by the date on which the claim was liquidated. If any Pre-Petition Liquidated Claims were both filed and liquidated on the same dates, the position of those claimants in the FIFO queue shall be determined by the dates of the claimants' birth, with older claimants given priority over younger claimants.

5.2(b) Marshalling of Security. Holders of Pre-Petition Liquidated Claims that are secured by letters of credit, appeal bonds, or other security or sureties shall first exhaust their rights against any applicable security or surety before making a claim against the PI Trust. Only in the event that such security or surety is insufficient to pay the Pre-Petition Liquidated Claim in full shall the deficiency be processed and paid as a Pre-Petition Liquidated Claim.

5.3 Resolution of Unliquidated PI Trust Claims. Within six months after the establishment of the PI Trust, the Trustees with the consent of the TAC and the Future Claimants' Representative shall adopt procedures for reviewing and liquidating all unliquidated PI Trust Claims, which shall include deadlines for processing such claims. Such procedures shall also require claimants seeking resolution of unliquidated PI Trust claims to first file a proof of claim form, together with the required supporting documentation, in accordance with the provisions of Sections 6.1 and 6.2 below. It is anticipated that the PI Trust shall provide an initial response to the claimant within six months of receiving the proof of claim form.

The proof of claim form shall require the claimant to assert his or her claim for the highest Disease Level for which the claim qualifies at the time of filing. Irrespective of the Disease Level alleged on the proof of claim form, all claims shall be deemed to be a claim for the highest Disease Level for which the claim qualifies at the time of filing, and all lower Disease Levels for which the claim may also qualify at the time of filing or in the future shall be treated as subsumed into the higher Disease Level for both processing and payment purposes.

Upon filing of a valid proof of claim form with the required supporting documentation, the claimant shall be placed in the FIFO Processing Queue in accordance with the ordering criteria described in Section 5.1(a) above, and shall advise the PI Trust whether the claim should be liquidated under the PI Trust's Expedited Review Process described in Section 5.3(a) below or, in certain circumstances, the PI Trust's Individual Review Process described in Section 5.3(b) below.

5.3(a) Expedited Review Process.

5.3(a)(1) In General. The PI Trust's Expedited Review Process is designed primarily to provide an expeditious, efficient and inexpensive method for liquidating all claims (except those involving Lung Cancer 2 - Disease Level VI) where the claim can easily be verified by the PI Trust as meeting the presumptive Medical/Exposure Criteria for the relevant Disease Level. Expedited Review thus provides claimants with a substantially less burdensome process for pursuing PI Trust Claims than does the Individual Review Process described in Section 5.3(b) below. Expedited Review is also intended to provide qualifying claimants a fixed and certain claims payment.

Thus, claims that undergo Expedited Review and meet the presumptive Medical/Exposure Criteria for the relevant Disease Level shall be paid the Scheduled Value for such Disease Level set forth in Section 5.3(a)(3) below. However, except for claims involving Other Asbestos Disease (Disease Level I), all claims liquidated by Expedited Review shall be subject to the applicable Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio limitations set forth above. Claimants holding claims that cannot be liquidated by Expedited Review because they do not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level may elect the PI Trust's Individual Review Process set forth in Section 5.3(b) below.

5.3(a)(2) Claims Processing under Expedited Review. All claimants seeking liquidation of their claims pursuant to Expedited Review shall file the PI Trust's proof of claim form provided in Attachment B hereto. As a proof of claim form is reached in the FIFO Processing Queue, the PI Trust shall determine whether the claim described therein meets the Medical/Exposure Criteria for one of the seven Disease Levels eligible for Expedited Review, and shall advise the claimant of its determination. If a Disease Level is determined, the PI Trust shall tender to the claimant an offer of payment of the Scheduled Value (as adjusted by the applicable Payment Percentage) for the relevant Disease Level multiplied by the applicable Payment Percentage, together with a form of release approved by the PI Trust. If the claimant accepts the Scheduled Value and returns the release properly executed, the claim shall be placed in the FIFO Payment Queue, following which the PI Trust shall disburse payment subject to the limitations of the Maximum Available Payment and Claims Payment Ratio, if any.

5.3(a)(3) Disease Levels, Scheduled Values and Medical/Exposure Criteria. The eight Disease Levels covered by this TDP, together with the Medical/Exposure Criteria for each and the Scheduled Values for the seven Disease Levels eligible for Expedited Review, are set forth below. These Disease Levels, Scheduled Values, and Medical/Exposure Criteria shall apply to all PI Trust Voting Claims filed with the PI Trust on or before the Initial Claims Filing Date provided in Section 5.1 above. Thereafter, with the consent of the TAC and the Future Claimants' Representative, the Trustees may add to, change or eliminate Disease Levels, Scheduled Values, or Medical/Exposure Criteria; develop subcategories of Disease Levels, Scheduled Values or Medical/Exposure Criteria; or determine that a novel or exceptional asbestos personal injury claim is compensable even though it does not meet the Medical/Exposure Criteria for any of the then current Disease Levels.

Disease Level	Scheduled Value	Medical/Exposure Criteria
Mesothelioma (Level VIII)	$110,000	(1) Diagnosis[1] of mesothelioma; and (2) credible evidence of AWI Exposure (as defined in Section 5.7(b)(3) below).
Lung Cancer 1 (Level VII)	$ 42,500	(1) Diagnosis of a primary lung cancer plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease[2], (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos (as defined in Section 5.7(b)(2) below), and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question.
Lung Cancer 2 (Level VI)	None	(1) Diagnosis of a primary lung cancer; (2) AWI Exposure prior to December 31, 1982, and (3) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question. Lung Cancer 2 (Level VI) claims are claims that do not meet the more stringent medical and/or exposure requirements of Lung Cancer (Level VII) claims. All claims in this Disease Level will be individually evaluated. The estimated likely average of the individual evaluation awards for this category is $15,000, with such awards capped at $50,000, unless the claim qualifies for Extraordinary Claim treatment (as described in Section 5.4(a) below). Level VI claims that show no evidence of either an underlying Bilateral Asbestos-Related Non-malignant Disease or Significant Occupational Exposure may be individually evaluated, although it is not expected

[1] The requirements for a diagnosis of an asbestos-related disease that may be compensated under the provisions of this TDP are set forth in Section 5.7 below.

[2] Evidence of "Bilateral Asbestos-Related Nonmalignant Disease" for purposes of meeting the criteria for establishing Disease Levels I, II, III, V, and VII, means a report submitted by a qualified physician stating that the claimant has or had either (i) a chest X-ray read by a qualified B reader of 1/0 or higher on the ILO scale or, (ii) (x) a chest X-ray read by a qualified B reader, (y) a CT scan read by a qualified physician, or (z) pathology, in each case showing bilateral interstitial fibrosis, bilateral pleural plaques, bilateral pleural thickening, or bilateral pleural calcification. Solely for claims filed against AWI or another asbestos defendant in the tort system prior to the Petition Date, if an ILO reading is not available, either (i) a chest x-ray or a CT scan read by a qualified physician or, (ii) pathology, showing bilateral interstitial fibrosis, bilateral pleural plaques, bilateral pleural thickening, or bilateral pleural calcification consistent with, or compatible with, a diagnosis of asbestos-related disease shall be evidence of Bilateral Asbestos-Related Nonmalignant Disease for purposes of meeting the presumptive medical requirements of Disease Level I, II, III, V and VII. Pathological proof of asbestosis may be based on the pathological grading system for asbestosis described in the Special Issue of the Archives of Pathology and Laboratory Medicine, "Asbestos-associated Diseases," Vol. 106, No. 11, App. 3 (October 8, 1982).

		that such claims will be treated as having any significant value, especially if the claimant is also a Smoker.[3] In any event, no presumption of validity will be available for any claims in this category.
Other Cancer (Level V)	$ 21,500	(1) Diagnosis of a primary colo-rectal, laryngeal, esophageal, pharyngeal, or stomach cancer, plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease, (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the other cancer in question.
Severe Asbestosis (Level IV)	$ 42,500	(1) Diagnosis of asbestosis with ILO of 2/1 or greater, or asbestosis determined by pathological evidence of asbestos, plus (a)TLC less than 65%, or (b) FVC less than 65% and FEV1/FVC ratio greater than 65%, (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.
Asbestosis/ Pleural Disease (Level III)	$ 9,700	(1) Diagnosis of Bilateral Asbestos-Related Nonmalignant Disease, plus (a) TLC less than 80%, or (b) FVC less than 80% and FEV1/FVC ratio greater than or equal to 65%, and (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.
Asbestosis/ Pleural Disease (Level II)	$ 3,700	(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease, and (2) six months AWI Exposure prior to December 31, 1982, and (3) five years cumulative occupational exposure to asbestos.

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[3] There is no distinction between Non-Smokers and Smokers for either Lung Cancer (Level VII) or Lung Cancer (Level VI), although a claimant who meets the more stringent requirements of Lung Cancer (Level VII) (evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease plus Significant Occupational Exposure), and who is also a Non-Smoker, may wish to have his or her claim individually evaluated by the PI Trust. In such a case, absent circumstances that would otherwise reduce the value of the claim, it is anticipated that the liquidated value of the claim might well exceed the $42,500 Scheduled Value for Lung Cancer 1 (Level VII) shown above. "***Non-Smoker***" means a claimant who either (a) never smoked or (b) has not smoked during any portion of the twelve (12) years immediately prior to the diagnosis of the lung cancer.

Other Asbestos Disease (Level I - Cash Discount Payment)	$ 400	(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease or an asbestos-related malignancy other than mesothelioma, and (2) AWI Exposure prior to December 31, 1982.

5.3(b) Individual Review Process

5.3(b)(1) In General.

5.3(b)(1)(A) Review of Medical/Exposure Criteria. The PI Trust's Individual Review Process provides a claimant with an opportunity for individual consideration and evaluation of a PI Trust Claim that fails to meet the presumptive Medical/Exposure Criteria for Disease Levels I – V, and VII-VIII. In such a case, the PI Trust shall either deny the claim, or, if the PI Trust is satisfied that the claimant has presented a claim that would be cognizable and valid in the tort system, the PI Trust can offer the claimant a liquidated value amount up to the Scheduled Value for that Disease Level, unless the claim qualifies as an Extraordinary Claim as defined in Section 5.4(a) below, in which case its liquidated value cannot exceed the Maximum Value for such a claim.

5.3(b)(1)(B) Review of Liquidated Value. Claimants holding claims involving Disease Levels II – VIII shall also be eligible to seek Individual Review of the liquidated value of their claims, as well as of their medical/exposure evidence. The Individual Review Process is intended to result in payments equal to the full liquidated value for each claim multiplied by the Payment Percentage; however, the liquidated value of any PI Trust Claim that undergoes Individual Review may be determined to be less than the Scheduled Value the claimant would have received under Expedited Review. Moreover, the liquidated value for a claim involving Disease Levels II – VIII shall not exceed the Maximum Value for the relevant Disease Level set forth in Section 5.3(b)(4) below, unless the claim meets the requirements of an Extraordinary Claim described in Section 5.4(a) below, in which case its liquidated value cannot exceed the Maximum Value set forth in that provision for such claims. Because the detailed examination and valuation process pursuant to Individual Review requires substantial time and effort, claimants electing to undergo the Individual Review Process will necessarily be paid the liquidated value of their PI Trust Claims later than would have been the case had the claimant elected the Expedited Review Process.

5.3(b)(2) Valuation Factors to be Considered in Individual Review. The PI Trust shall liquidate the value of each PI Trust Claim that undergoes Individual Review based on the historic liquidated values of other similarly situated claims in the tort system for the same Disease Level. The PI Trust will thus take into consideration all of the factors that affect the severity of damages and values within the tort system including, but not limited to (i) the degree to which the characteristics of a claim differ from the presumptive Medical/Exposure Criteria for the Disease Level in question; (ii) factors such as the claimant's age, disability, employment status, disruption of household, family or recreational activities, dependencies, special damages, and pain and suffering; (iii) evidence that the claimant's damages were (or were not) caused by asbestos exposure, including exposure to an asbestos-containing product for which AWI has legal responsibility prior to December 31, 1982 (for example, alternative causes, and the strength of documentation of injuries); (iv) the industry of exposure; and (v) settlements, verdicts, and the claimant's and other law firms' experience in the Claimant's Jurisdiction for similarly situated claims.

For these purposes, the "***Claimant's Jurisdiction***" is the jurisdiction in which the claim was filed (if at all) against AWI in the tort system prior to the Petition Date. If the claim was not filed against AWI in the tort system prior to the Petition Date, the claimant may elect as the Claimant's Jurisdiction either (i) the jurisdiction in which the claimant resides at the time of diagnosis or when the claim is filed with the PI Trust; or (ii) a jurisdiction in which the claimant experienced exposure to an asbestos-containing product for which AWI has legal responsibility.

5.3(b)(3) Processing and Payment Limitations for Claims Involving Disease Levels III and II. The PI Trust shall administer Individual Review for Disease Levels III and II so that Individual Review does not reduce payments to claimants electing the Scheduled Value for such PI Trust Claims under Expedited Review. As one means of implementing this requirement, the following shall apply for Disease Levels III and II claims:

5.3(b)(3)(A) Disease Level III Claims. No more than 8 percent of Disease Level III claims paid in any year shall be PI Trust Claims allowed under Individual Review, and the total payments to such Disease Level III claims allowed under Individual Review shall be no more than 12 percent of payments to all Disease Level III claimants during any year.

5.3(b)(3)(B) Disease Level II Claims. No more than 15 percent of Disease Level II claims paid in any year shall be PI Trust Claims allowed under Individual Review, and the total payments to such Disease Level II claims allowed under Individual Review shall be no more than 25 percent of payments to all Disease Level II claimants during any year.

5.3(b)(4) Scheduled, Average and Maximum Values. The Scheduled, Average and Maximum Values for the Disease Levels compensable under this TDP are the following:

Scheduled Disease	Scheduled Value	Average Value	Maximum Value
Mesothelioma (Level VIII)	$110,000	$130,500	$400,000
Lung Cancer1 (Level VII)	$ 42,500	$ 43,800	$150,000
Lung Cancer 2 (Level VI)	None	$ 15,000	$ 50,000
Other Cancer (Level V)	$ 21,500	$ 21,800	$ 75,000
Severe Asbestosis (Level IV)	$ 42,500	$ 44,300	$140,000
Asbestosis/Pleural Disease (Level III)	$ 9,700	$ 10,100	$ 20,000
Asbestosis/Pleural Disease (Level II)	$ 3,700	$ 4,200	$ 10,000
Other Asbestos Disease Cash Discount Payment (Level I)	$ 400	None	None

These Scheduled Values, Average Values and Maximum Values shall apply to all PI Trust Voting Claims except Pre-Petition Liquidated Claims filed with the PI Trust on or before the Initial Claims Filing Date as provided in Section 5.1 above. Thereafter, the PI Trust, with the consent of the TAC and the Future Claimants' Representative pursuant to Sections 5.7(b) and 6.6(b) of the PI Trust Agreement, may change these valuation amounts for good cause and consistent with other restrictions on the amendment power.

5.4 Categorizing Claims as Extraordinary and/or Exigent Hardship

5.4(a) Extraordinary Claims. "***Extraordinary Claim***" means a PI Trust Claim that otherwise satisfies the Medical Criteria for Disease Levels II - VIII, and that is held by a claimant whose exposure to asbestos (i) occurred predominately as the result of working in a manufacturing facility of AWI during a period in which AWI was manufacturing asbestos-containing products at that facility, or (ii) was at least 75% the result of exposure to asbestos-containing product for which AWI has legal responsibility, and there is little likelihood of a substantial recovery elsewhere. All such Extraordinary Claims shall be presented for Individual Review and, if valid, shall be entitled to an award of up to a Maximum Value of five (5) times the Scheduled Value for claims qualifying for Disease Levels II – V, VII and VIII, and five (5) times the Average Value for claims in Disease Level VI, multiplied by the applicable Payment Percentage.

Any dispute as to Extraordinary Claim status shall be submitted to a special Extraordinary Claims Panel established by the PI Trust with the consent of the TAC and the Future Claimants' Representative. All decisions of the Extraordinary Claims Panel shall be final and not subject to any further administrative or judicial review. An Extraordinary Claim, following its liquidation, shall be placed in the PI Trust's FIFO Queue ahead of all other PI

Trust Claims except Exigent Hardship Claims, which shall be first in said Queue, based on its date of liquidation and shall be subject to the Maximum Available Payment and Claims Payment Ratio described above.

5.4(b) Exigent Hardship Claims. At any time the PI Trust may liquidate and pay PI Trust Claims that qualify as Exigent Hardship Claims as defined below. Such claims may be considered separately no matter what the order of processing otherwise would have been under this TDP. An Exigent Hardship Claim, following its liquidation, shall be placed first in the FIFO Payment Queue ahead of all other liquidated PI Trust Claims, and shall be subject to the Maximum Available Payment and Claims Payment Ratio described above. A PI Trust Claim qualifies for payment as an Exigent Hardship Claim if the claim meets the Medical/Exposure Criteria for Severe Asbestosis (Disease Level IV) or an asbestos-related malignancy (Disease Levels V-VIII), and the PI Trust, in its sole discretion, determines (i) that the claimant needs financial assistance on an immediate basis based on the claimant's expenses and all sources of available income, and (ii) that there is a causal connection between the claimant's dire financial condition and the claimant's asbestos-related disease.

5.5 Secondary Exposure Claims. If a claimant alleges an asbestos-related disease resulting solely from exposure to an occupationally exposed person, such as a family member, the claimant may seek Individual Review of his or her claim pursuant to Section 5.3(b) above. In such a case, the claimant must establish that the occupationally exposed person would have met the exposure requirements under this TDP that would have been applicable had that person filed a direct claim against the PI Trust. In addition, the claimant with secondary exposure must establish that he or she is suffering from one of the eight Disease Levels described in Section 5.3(a)(3) above or an asbestos-related disease otherwise compensable under the TDP, that his or her own exposure to the occupationally exposed person occurred within the same time frame as the occupationally exposed person was exposed to asbestos products produced by AWI, and that such secondary exposure was a cause of the claimed disease. The proof of claim form included in Attachment B hereto contains an additional section for Secondary Exposure Claims. All other liquidation and payment rights and limitations under this TDP shall be applicable to such claims.

5.6 Indirect PI Trust Claims. An Indirect PI Trust Claim may not be processed or paid by the PI Trust unless (a) such claim satisfied the requirements of the Bar Date established by the Bankruptcy Court for such claims, if applicable, and is not otherwise discharged by Section 502(e) of the Code, and (b) the holder of such claim (the "***Indirect Claimant***") establishes to the satisfaction of the Trustees that (i) the Indirect Claimant has paid in full the liability and obligations of the PI Trust to the individual claimant to whom the PI Trust would otherwise have had a liability or obligation under these Procedures (the "***Direct Claimant***"), (ii) the Direct Claimant and the Indirect Claimant have forever released the PI Trust from all liability to the Direct Claimant, and (iii) the claim is not otherwise barred by a statute of limitation or repose or by other applicable law. In no event shall any Indirect Claimant have any rights against the PI Trust superior to the rights of the related Direct Claimant against the PI Trust, including any rights with respect to the timing, amount or manner of payment. In addition, no Indirect Claim may be liquidated and paid in an amount that exceeds what the Indirect Claimant has actually paid the related Direct Claimant.

The PI Trust shall not pay any Indirect Claimant unless and until the Indirect Claimant's aggregate liability for the Direct Claimant's claim has been fixed, liquidated and paid fully by the Indirect Claimant by settlement (with an appropriate full release in favor of the PI Trust) or a Final Order (as defined in the Plan) provided that such claim is valid under the applicable state law. In any case where the Indirect Claimant has satisfied the claim of a Direct Claimant against the PI Trust under applicable law by way of a settlement, the Indirect Claimant shall obtain for the benefit of the PI Trust a release in form and substance satisfactory to the Trustees. The Trustees may develop and approve a separate proof of claim form for such Indirect PI Trust Claims.

Indirect PI Trust Claims that have not been disallowed, discharged, or otherwise resolved by prior order of the Bankruptcy Court shall be processed in accordance with procedures to be developed and implemented by the Trustees, which procedures (a) shall determine the validity, allowability and enforceability of such claims; and (b) shall otherwise provide the same liquidation and payment procedures and rights to the holders of such claims as the PI Trust would have afforded the holders of the underlying valid PI Trust Claims.

5.7 Evidentiary Requirements

5.7(a) Medical Evidence.

5.7(a)(1) In General. All diagnoses of a Disease Level shall be accompanied by either (i) a statement by the physician providing the diagnosis that at least 10 years have elapsed between the date of first exposure to asbestos or asbestos-containing products and the diagnosis, or (ii) a history of the claimant's exposure sufficient to establish a 10-year latency period. A finding by a physician after the Petition Date that a claimant's disease is "consistent with" or "compatible with" asbestosis will not alone be treated by the PI Trust as a diagnosis.

5.7(a)(1)(A). Disease Levels I-IV. Except for claims filed against AWI or another asbestos defendant in the tort system prior to the Petition Date, all diagnoses of a non-malignant asbestos-related disease (Disease Levels I-IV) shall be based (i) in the case of a claimant who was living at the time the claim was filed, upon (A) a physical examination of the claimant by the physician providing the diagnosis of the asbestos-related disease; (B) for Disease Levels I-III, evidence of Bilateral Asbestos-Related Nonmalignant Disease (as defined in Footnote 2 above), or for Disease Level IV, an ILO reading of 2/1 or greater or pathological evidence of asbestosis, and (C) pulmonary function testing[4] if the claim involves Asbestosis/Pleural Disease (Level III) or Severe Asbestosis (Level IV)[5], and (ii) in the case of a claimant who was deceased at the time the claim was filed, upon (A) a physical examination of the claimant by the physician providing the diagnosis of the asbestos-related disease, or (B) pathological evidence of the non-malignant asbestos-related disease, or (C) in the case of Disease Levels I-III, evidence of Bilateral Asbestos-Related Nonmalignant Disease (as defined in Footnote 2 above), or for Disease Level IV, pathological evidence of asbestosis.

5.7(a)(1)(B). Disease Levels V-VIII. Except for claims filed against AWI or another asbestos defendant in the tort system prior to the Petition Date, diagnoses of an asbestos-related malignancy (Disease Levels V – VIII) shall be based upon either (i) a physical examination of the claimant by the physician providing the diagnosis of the malignant asbestos-related disease, or (ii) on a diagnosis of such a malignant Disease Level by a board-certified pathologist.

5.7(a)(1)(C). Treatment of Certain Pre-Petition Claims. If the holder of a PI Trust Claim has available the medical evidence described in Sections 5.7(a)(1)(A) and 5.7(a)(1)(B), or if the holder has filed such medical evidence with another asbestos-related personal injury settlement trust that requires such evidence, the holder shall provide such medical evidence to the PI Trust notwithstanding the exceptions in Sections 5.7(a)(1)(A) and 5.7(a)(1)(B).

5.7(a)(2) Credibility of Medical Evidence. Before making any payment to a claimant, the PI Trust must have reasonable confidence that the medical evidence provided in support of the claim is credible and consistent with recognized medical standards. The PI Trust may require the submission of X-rays, CT scans, detailed results of pulmonary function tests, laboratory tests, tissue samples, results of medical examination or reviews of other medical evidence, and may require that medical evidence submitted comply with recognized medical standards regarding equipment, testing methods and procedures to assure that such evidence is reliable. Medical evidence (i) that is of a kind shown to have been received in evidence by a state or federal judge at trial, (ii) that is consistent with evidence submitted to AWI to settle for payment similar disease cases prior to AWI's bankruptcy, or (iii) a diagnosis by a physician shown to have previously qualified as a medical expert with respect to the asbestos-related disease in question before a state or federal judge, is presumptively reliable, although the PI Trust may seek to rebut the presumption.

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[4] "***Pulmonary Function Testing***" shall mean spirometry testing that is in material compliance with the quality criteria established by the American Thoracic Society ("***ATS***") and is performed on equipment which is in material compliance with ATS standards for technical quality and calibration.

[5] All diagnoses of Asbestos/Pleural Disease (Disease Levels II and III) not based on pathology shall be presumed to be based on findings of bilateral asbestosis or pleural disease, and all diagnoses of Mesothelioma (Disease Level VIII) shall be presumed to be based on findings that the disease involves a malignancy. However, the PI Trust may rebut such presumptions.

In addition, claimants who otherwise meet the requirements of this TDP for payment of a PI Trust Claim shall be paid irrespective of the results in any litigation at anytime between the claimant and any other defendant in the tort system. However, any relevant evidence submitted in a proceeding in the tort system involving another defendant, other than any findings of fact, a verdict, or a judgment, may be introduced by either the claimant or the PI Trust in any Individual Review proceeding conducted pursuant to Section 5.3(b) or any Extraordinary Claim proceeding conducted pursuant to Section 5.4(a).

5.7(b) Exposure Evidence

5.7(b)(1) In General. As set forth in Section 5.3(a)(3) above, to qualify for any Disease Level, the claimant must demonstrate a minimum exposure to an asbestos-containing product manufactured or distributed by AWI. Claims based on conspiracy theories that involve no exposure to an asbestos-containing product produced by AWI are not compensable under this TDP. To meet the presumptive exposure requirements of Expedited Review set forth in Section 5.3(a)(3) above, the claimant must show (i) for all Disease Levels, AWI Exposure as defined in Section 5.7(b)(3) below prior to December 31, 1982; (ii) for Asbestos/Pleural Disease Level II, six months AWI Exposure prior to December 31, 1982, plus five years cumulative occupational asbestos exposure; and (iii) for Asbestosis/Pleural Disease (Disease Level III), Severe Asbestosis (Disease Level IV), Other Cancer (Disease Level V) or Lung Cancer 1 (Disease Level VII), the claimant must show six months AWI Exposure prior to December 31, 1982, plus Significant Occupational Exposure to asbestos as defined below. If the claimant cannot meet the relevant presumptive exposure requirements for a Disease Level eligible for Expedited Review, the claimant may seek Individual Review of his or her claim based on exposure to an asbestos-containing product manufactured or distributed by AWI.

5.7(b)(2) Significant Occupational Exposure. "***Significant Occupational Exposure***" means employment for a cumulative period of at least five years, with a minimum of two years prior to December 31, 1982, in an industry and an occupation in which the claimant (a) handled raw asbestos fibers on a regular basis; (b) fabricated asbestos-containing products so that the claimant in the fabrication process was exposed on a regular basis to raw asbestos fibers; (c) altered, repaired or otherwise worked with an asbestos-containing product such that the claimant was exposed on a regular basis to asbestos fibers; or (d) was employed in an industry and occupation such that the claimant worked on a regular basis in close proximity to workers engaged in the activities described in (a), (b) and/or (c).

5.7(b)(3) AWI Exposure. The claimant must demonstrate meaningful and credible exposure prior to December 31, 1982, to asbestos or asbestos-containing products supplied, specified, manufactured, installed, maintained, or repaired by AWI and/or any entity, including an AWI contracting unit, for which AWI has legal responsibility. That meaningful and credible exposure evidence may be established by an affidavit of the claimant, by an affidavit of a co-worker or the affidavit of a family member in the case of a deceased claimant (providing the PI Trust finds such evidence reasonably reliable), by invoices, employment, construction or similar records, or by other credible evidence. The specific exposure information required by the PI Trust to process a claim under either Expedited or Individual Review is set forth on the proof of claim form to be used by the PI Trust, which is attached as Attachment B hereto. The PI Trust can also require submission of other or additional evidence of exposure when it deems such to be necessary.

5.8 Claims Audit Program. The PI Trust with the consent of the TAC and the Futures Claimants' Representative may develop methods for auditing the reliability of medical evidence, including additional reading of x-rays, CT scans and verification of pulmonary function tests, as well as the reliability of evidence of exposure to asbestos, including exposure to asbestos-containing products manufactured or distributed by AWI prior to December 31, 1982. In the event that the PI Trust reasonably determines that any individual or entity has engaged in a pattern or practice of providing unreliable medical evidence to the PI Trust, it may decline to accept additional evidence from such provider in the future.

Further, in the event that an audit reveals that fraudulent information has been provided to the PI Trust, the PI Trust may penalize any claimant or claimant's attorney by disallowing the PI Trust Claim or by other means including, but not limited to, requiring the source of the fraudulent information to pay the costs associated with the audit and any future audit or audits, reordering the priority of payment of all affected claimants' PI Trust Claims, raising the level of scrutiny of additional information submitted from the same source or sources, refusing to accept additional evidence from the same source or sources, seeking the prosecution of the claimant or claimant's attorney for presenting a fraudulent claim in violation of 18 U.S.C. § 152, and seeking sanctions from the Bankruptcy Court.

5.9 Second Disease (Malignancy) Claims. The holder of a PI Trust Claim involving a non-malignant asbestos-related disease (Disease Levels I through IV) may assert a new PI Trust Claim against the PI Trust for a malignant disease (Disease Levels V – VIII) that is subsequently diagnosed. Any additional payments to which such claimant may be entitled with respect to such malignant asbestos-related disease shall not be reduced by the amount paid for the non-malignant asbestos-related disease, provided that the malignant disease had not been diagnosed by the time the claimant was paid with respect to his or her original claim involving the non-malignant disease.

5.10 Arbitration.

5.10(a) Establishment of ADR Procedures. The PI Trust, with the consent of the TAC and the Future Claimants' Representative, shall institute binding and non-binding arbitration procedures in accordance with the Alternative Dispute Resolution ("***ADR***") Procedures included in Attachment A hereto for resolving disputes concerning whether a Pre-Petition settlement agreement with AWI is binding and judicially enforceable in the absence of a final order of the Bankruptcy Court determining the issue, whether the PI Trust's outright rejection or denial of a claim was proper, or whether the claimant's medical condition or exposure history meets the requirements of this TDP for purposes of categorizing a claim involving Disease Levels I – VIII. Binding and non-binding arbitration shall also be available for resolving disputes over the liquidated value of a claim involving Disease Levels II – VIII.

In all arbitrations, the arbitrator shall consider the same medical and exposure evidentiary requirements that are set forth in Section 5.7 above. In the case of an arbitration involving the liquidated value of a claim involving Disease Levels II – VIII, the arbitrator shall consider the same valuation factors that are set forth in Section 5.3(b)(2) above. With respect to all claims eligible for arbitration, the claimant, but not the PI Trust, may elect either non-binding or binding arbitration. The Arbitration Rules set forth in Attachment A hereto may be modified by the PI Trust with the consent of the TAC and the Future Claimants' Representative. Such amendments may include adoption of mediation procedures as well as establishment of an Extraordinary Claims Panel to review such claims pursuant to Section 5.4(a) above.

5.10(b) Claims Eligible for Arbitration. In order to be eligible for arbitration, the claimant must first complete the Individual Review Process as well as either Pro Bono Evaluation or Mediation under the ADR Procedures with respect to the disputed issue. Individual Review will be treated as completed for these purposes when the claim has been individually reviewed by the PI Trust, the PI Trust has made an offer on the claim, the claimant has rejected the liquidated value resulting from the Individual Review, and the claimant has notified the PI Trust of the rejection in writing. Individual Review will also be treated as completed if the PI Trust has rejected the claim.

5.10(c) Limitations on and Payment of Arbitration Awards. In the case of a non-Extraordinary Claim involving Disease Levels II – VIII, the arbitrator shall not return an award in excess of the Maximum Value for the appropriate Disease Level as set forth in Section 5.3(a)(4) above, and for an Extraordinary Claim involving one of those Disease Levels, the arbitrator shall not return an award greater than the Maximum Extraordinary Value for such a claim as set forth in Section 5.4(a) above. A claimant who submits to arbitration and who accepts the arbitral award will receive payments in the same manner as one who accepts the PI Trust's original valuation of the claim.

5.11 Litigation. Claimants who elect non-binding arbitration and then reject their arbitral awards retain the right to institute a lawsuit in the tort system against the PI Trust pursuant to Section 7.6 below. However, a claimant shall be eligible for payment of a judgment for monetary damages obtained in the tort system from the PI Trust's available cash only as provided in Section 7.7 below.

SECTION VI

Claims Materials

6.1 Claims Materials. The PI Trust shall prepare suitable and efficient claims materials ("***Claims Materials***") for all PI Trust Claims, and shall provide such Claims Materials upon a written request for such materials to the PI Trust. The proof of claim form to be submitted to the PI Trust shall require the claimant to assert the highest Disease Level for which the claim qualifies at the time of filing. The proof of claim form shall also include a certification by the claimant or his or her attorney sufficient to meet the requirements of Rule 11(b) of the

Federal Rules of Civil Procedure. A copy of the proof of claim form to be used by the PI Trust for Pre-Petition Liquidated Claims and unliquidated PI Trust Claims is included in Attachment B hereto. The proof of claim form may be changed by the PI Trust with the consent of the TAC and the Future Claimants' Representative.

6.2 Content of Claims Materials. The Claims Materials shall include a copy of this TDP, such instructions as the Trustees shall approve, and a detailed proof of claim form. If feasible, the forms used by the PI Trust to obtain claims information shall be the same or substantially similar to those used by other asbestos claims resolution organizations. Instead of collecting some or all of the claims information from a claimant or the claimant's attorney, the PI Trust may also obtain such information from electronic data bases maintained by any other asbestos claims resolution organization. However, the PI Trust shall inform the claimant that it plans to obtain information as available from such other organizations and may do so unless the claimant objects in writing or provides such information directly to the PI Trust. If requested by the claimant, the PI Trust shall accept information provided electronically. The claimant may, but will not be required to, provide the PI Trust with evidence of recovery from other asbestos defendants and claims resolution organizations.

6.3 Withdrawal or Deferral of Claims. A claimant can withdraw a PI Trust Claim at any time upon written notice to the PI Trust and file another such claim subsequently without affecting the status of the claim for statute of limitations purposes, but any such claim filed after withdrawal shall be given a place in the FIFO Processing Queue based on the date of such subsequent filing. A claimant can also request that the processing of his or her PI Trust Claim by the PI Trust be deferred for a period not to exceed three (3) years without affecting the status of the claim for statute of limitation purposes, in which case the claimant shall also retain his or her original place in the FIFO Processing Queue. Except for PI Trust Claims held by representatives of deceased or incompetent claimants for which court or probate approval of the PI Trust's offer is required, or a PI Trust Claim for which deferral status has been granted, a claim will be deemed to have been withdrawn if the claimant neither accepts, rejects, nor initiates arbitration within six months of the PI Trust's offer of payment or rejection of the claim. Upon written request and good cause, the PI Trust may extend either the deferral or withdrawal period for an additional six months.

6.4 Filing Requirements and Fees. The Trustees shall have the discretion to determine, with the consent of the TAC and the Futures Representative, (a) whether a claimant must have previously filed a PI Trust Claim in the tort system to be eligible to file the claim with the PI Trust and (b) whether a filing fee should be required for any PI Trust claims.

SECTION VII

General Guidelines for Liquidating and Paying Claims

7.1 Showing Required. To establish a valid PI Trust Claim, a claimant must meet the requirements set forth in this TDP. The PI Trust may require the submission of X-rays, CT scans, laboratory tests, medical examinations or reviews, other medical evidence, or any other evidence to support or verify the claim, and may further require that medical evidence submitted comply with recognized medical standards regarding equipment, testing methods, and procedures to assure that such evidence is reliable.

7.2 Costs Considered. Notwithstanding any provisions of this TDP to the contrary, the Trustees shall always give appropriate consideration to the cost of investigating and uncovering invalid PI Trust Claims so that the payment of valid PI Trust Claims is not further impaired by such processes with respect to issues related to the validity of the medical evidence supporting a PI Trust Claim. The Trustees shall also have the latitude to make judgments regarding the amount of transaction costs to be expended by the PI Trust so that valid PI Trust Claims are not unduly further impaired by the costs of additional investigation. Nothing herein shall prevent the Trustees, in appropriate circumstances, from contesting the validity of any claim against the PI Trust whatever the costs, or to decline to accept medical evidence from sources that the Trustees have determined to be unreliable pursuant to the Claims Audit Program described in Section 5.7 above.

7.3 Discretion to Vary the Order and Amounts of Payments in Event of Limited Liquidity. Consistent with the provisions hereof and subject to the FIFO Processing and Liquidation Queues, the Maximum Annual Payment, the Maximum Available Payment and the Claims Payment Ratio requirements set forth above, the Trustees shall proceed as quickly as possible to liquidate valid PI Trust Claims, and shall make payments to

holders of such claims in accordance with this TDP promptly as funds become available and as claims are liquidated, while maintaining sufficient resources to pay future valid claims in substantially the same manner.

Because the PI Trust's income over time remains uncertain, and decisions about payments must be based on estimates that cannot be done precisely, they may have to be revised in light of experiences over time, and there can be no guarantee of any specific level of payment to claimants. However, the Trustees shall use their best efforts to treat similar claims in substantially the same manner, consistent with their duties as Trustees, the purposes of the PI Trust, the established allocation of funds to claims in Categories A and B, and the practical limitations imposed by the inability to predict the future with precision. In the event that the PI Trust faces temporary periods of limited liquidity, the Trustees may, with the consent of the TAC and the Future Claimants' Representative, suspend the normal order of payment and may temporarily limit or suspend payments altogether, and may offer a Reduced Payment Option as described in Section 2.5 above.

7.4 Punitive Damages. In determining the value of any liquidated or unliquidated PI Trust Claim, punitive or exemplary damages, *i.e.*, damages other than compensatory damages, shall not be considered or allowed, notwithstanding their availability in the tort system.

7.5 Interest.

7.5(a) In General. Except for PI Trust Claim involving Other Asbestos Disease (Disease Level I – Cash Discount Payment) and subject to the limitations set forth below, interest shall be paid on all PI Trust Claims with respect to which the claimant has had to wait a year or more for payment, *provided, however*, that no claimant shall receive interest for a period in excess of seven (7) years. The initial interest rate shall be six percent (6%) simple interest per annum for the first five (5) years after the Effective Date; thereafter, the PI Trust shall have the discretion to change the annual interest rate with the consent of the TAC and the Future Claimants' Representative.

7.5(b) Unliquidated PI Trust Claims. Interest shall be payable on the Scheduled Value of any unliquidated PI Trust Claim that meets the requirements of Disease Levels II – V, VII and VIII, whether the claim is liquidated under Expedited Review, Individual Review, or by arbitration. No interest shall be paid on any claim liquidated in the tort system pursuant to section 5.11 above and 7.6 below. Interest on an unliquidated PI Trust Claim that meets the requirements of Disease Level VI shall be based on the Average Value of such a claim. Interest on all such unliquidated claims shall be measured from the date of payment back to the earliest of the date that is one year after the date on which (a) the claim was filed against AWI prior to the Petition Date; (b) the claim was filed against another defendant in the tort system on or after the Petition Date but before the Effective Date; or (c) the claim was filed with the PI Trust after the Effective Date.

7.5(c) Liquidated Pre-Petition Claims. Interest shall also be payable on the liquidated value of all Pre-Petition Liquidated Claims described in Section 5.2(a) above. In the case of Pre-Petition Liquidated Claims liquidated by verdict or judgment, interest shall be measured from the date of payment back to the date that is one year after the date that the verdict or judgment was entered. In the case of Pre-Petition Liquidated Claims liquidated by a binding, judicially enforceable settlement, interest shall be measured from the date of payment back to the date that is one year after the Petition Date.

7.6 Suits in the Tort System. If the holder of a disputed claim disagrees with the PI Trust's determination regarding the Disease Level of the claim, the claimant's exposure history or the liquidated value of the claim, and if the holder has first submitted the claim to non-binding arbitration as provided in Section 5.10 above, the holder may file a lawsuit in the Claimant's Jurisdiction as defined in Section 5.3(b)(2) above. Any such lawsuit must be filed by the claimant in her or her own right and name and not as a member or representative of a class, and no such lawsuit may be consolidated with any other lawsuit. All defenses (including, with respect to the PI Trust, all defenses which could have been asserted by AWI) shall be available to both sides at trial; however, the PI Trust may waive any defense and/or concede any issue of fact or law. If the claimant was alive at the time the initial pre-petition complaint was filed or on the date the proof of claim was filed with the PI Trust, the case will be treated as a personal injury case with all personal injury damages to be considered even if the claimant has died during the pendency of the claim.

7.7 Payment of Judgments for Money Damages. If and when a claimant obtains a judgment in the tort system, the claim shall be placed in the FIFO Payment Queue based on the date on which the judgment became

final. Thereafter, the claimant shall receive from the PI Trust an initial payment (subject to the applicable Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio provisions set forth above) of an amount equal to one-hundred percent (100%) of the greater of (i) the PI Trust's last offer to the claimant or (ii) the award that the claimant declined in non-binding arbitration. The claimant shall receive the balance of the judgment, if any, in five equal installments in years six (6) through ten (10) following the year of the initial payment (also subject to the applicable Payment Percentage, the Maximum Available Payment and the Claims Payment Ratio provisions set forth above).

In the case of non-Extraordinary claims involving Disease Levels II - VIII, the total amounts paid with respect to such claims shall not exceed the Maximum Values for such Disease Levels set forth in Section 5.3(b)(4). In the case of Extraordinary Claims, the total amounts paid with respect to such claims shall not exceed the Maximum Value for such claims set forth in Section 5.4(a) above. Under no circumstances shall interest be paid pursuant to Section 7.5 or under any statute on any judgments obtained in the tort system.

7.8 Releases. The Trustees shall have the discretion to determine the form and substance of the releases to be provided to the PI Trust in order to maximize recovery for claimants against other tortfeasors without increasing the risk or amount of claims for indemnification or contribution from the PI Trust. As a condition to making any payment to a claimant, the PI Trust shall obtain a general, partial, or limited release as appropriate in accordance with the applicable state or other law. If allowed by state law, the endorsing of a check or draft for payment by or on behalf of a claimant shall constitute such a release.

7.9 Third-Party Services. Nothing in this TDP shall preclude the PI Trust from contracting with another asbestos claims resolution organization to provide services to the PI Trust so long as decisions about the categorization and liquidated value of PI Trust Claims are based on the relevant provisions of this TDP, including the Disease Levels, Scheduled Values, Average Values, Maximum Values, and Medical/Exposure Criteria set forth above.

7.10 PI Trust Disclosure of Information. Periodically, but not less often than once a year, the PI Trust shall make available to claimants and other interested parties, the number of claims by disease levels that have been resolved both by the Individual Review Process and by arbitration as well as by litigation in the tort system indicating the amounts of the awards and the averages of the awards by jurisdiction.

SECTION VIII

Miscellaneous

8.1 Amendments. Except as otherwise provided herein, the Trustees may amend, modify, delete, or add to any provisions of this TDP (including, without limitation, amendments to conform this TDP to advances in scientific or medical knowledge or other changes in circumstances), provided they first obtain the consent of the TAC and the Future Claimants' Representative pursuant to the Consent Process set forth in Sections 5.7(b) and 6.6(b) of the PI Trust Agreement, except that the right to amend the Claims Payment Ratio is governed by the restrictions in Section 2.5 above, and the right to adjust the Payment Percentage is governed by Section 4.2 above.

8.2 Severability. Should any provision contained in this TDP be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of this TDP. Should any provision contained in this TDP be determined to be inconsistent with or contrary to AWI obligations to any insurance company providing insurance coverage to AWI in respect of claims for personal injury based on exposure to asbestos-containing products manufactured or produced by AWI, the PI Trust with the consent of the TAC and the Future Claimants' Representative, may amend this TDP and/or the PI Trust Agreement to make the provisions of either or both documents consistent with the duties and obligations of AWI to said insurance company.

8.3 Governing Law. Except for purposes of determining the liquidated value of any PI Trust Claim, administration of this TDP shall be governed by, and construed in accordance with, the laws of the State of Delaware. The law governing the liquidation of PI Trust Claims in the case of Individual Review, arbitration or litigation in the tort system shall be the law of the Claimant's Jurisdiction as described in Section 5.3(b)(2) above.

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ATTACHMENT "A"

ARMSTRONG WORLD INDUSTRIES, INC.

ALTERNATIVE DISPUTE RESOLUTION PROCEDURES

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ARMSTRONG WORLD INDUSTRIES, INC. ASBESTOS PI TRUST

ALTERNATIVE DISPUTE RESOLUTION PROCEDURES

Pursuant to Section 5.10 of the Armstrong World Industries, Inc. Asbestos PI Trust Distribution Procedures (the "TDP"), the Armstrong World Industries, Inc. Asbestos PI Trust (the "***PI Trust***") hereby establishes the following Alternative Dispute Resolution ("***ADR***") Procedures to resolve all present and future Asbestos Personal Injury Claims as that term is defined in the Armstrong World Industries, Inc. Plan of Reorganization (hereinafter referred to for all purposes "***PI Trust Claims***"). All capitalized terms herein shall be as defined and/or referenced within the TDP.

I. OVERVIEW

The PI Trust shall appoint a Private Adjudication Coordinator, at the cost of the PI Trust, to administer these ADR procedures. To initiate these procedures, the claimant must make a written request to the PI Trust. Within twenty (20) days of a claimant's request for ADR, the PI Trust will send the claimant an ADR packet containing the documents necessary to pursue the ADR process. These ADR procedures shall not be construed as imparting to any claimant any substantive or procedural rights beyond those conferred by the TDP.

The ADR process available to the claimant includes both non-binding and binding elements. In addition, there are mandatory as well as voluntary options to be utilized by the claimant and the PI Trust in proceeding toward settlement. These ADR procedures must be pursued by claimants on an individual basis. As a general matter, claims of different claimants cannot be grouped together even if the claimants are represented by the same counsel, unless the PI Trust, in its sole discretion, decides it would be expeditious to conduct ADR proceedings with respect to more than one claim involving differently exposed claimants with those claimants' representative. In such a case, however, the arbitrator, mediator or other neutral must individually value each such claim using the valuation factors set forth in Section 5.3(b)(2) of the TDP, and the claimants' positions in the PI Trust's FIFO Processing and Payment Queues must be separately maintained.

The requisite steps in the ADR process are as follows, in order:

Mandatory ADR Proceedings (Two Stages)

Stage One (Claimant Must Select One):

1. Pro Bono Evaluation
2. Mediation

Stage Two: Arbitration (Binding or Non-Binding)

Initiation of ADR

Within twenty (20) days of a claimant's request for ADR, the PI Trust will send the claimant an ADR packet containing a copy of these procedures and the following:

1. A Summary Outline of the ADR procedures with the time limits identified;
2. Form Affidavit of Completeness;
3. Election Form for Pro Bono Evaluation;
4. Request for Mediation Form;
5. Election Form and Agreement to submit to Binding Arbitration; and
6. Election Form and Agreement to submit to Non-binding Arbitration.

A claimant who wishes to proceed through the ADR process must engage in one of the two ADR options (pro bono evaluation or mediation) before any form of arbitration. Only after either party rejects a non-binding arbitration award may a claimant proceed to then commence a lawsuit in the tort system. It is the claimant's responsibility to comply with the ADR time deadlines. Although the deadlines may be extended by agreement or for cause shown, failure to comply with a deadline without obtaining an extension may result in withdrawal of the claim. Promptly after a claimant fails to comply with a specified deadline without obtaining an extension, the PI Trust shall send the claimant written notice of the failure to comply. If the claimant does not take any action on the claim, then thirty (30) days thereafter the claim will be deemed withdrawn.

If the claimant requests arbitration, either binding or non-binding, the PI Trust shall execute the appropriate election form and agreement. If both parties agree to binding arbitration, then the claimant and the PI Trust waive their respective rights to seek a jury trial as set forth in the TDP.

If either party rejects a non-binding arbitration award, and the claimant has otherwise complied with the requirements of these ADR procedures and the Plan, then the claimant may commence a lawsuit against the PI Trust in the Claimant's Jurisdiction, as that term is defined in Section 5.3(b)(2) of the TDP.

II. ADR PROCEEDINGS SUMMARY

A. Showing Required

As set forth in the TDP, in order to establish a valid PI Trust Claim, a claimant must make a demonstration of exposure to asbestos-containing products for which Armstrong World Industries, Inc. ("***AWI***") bears legal responsibility.

B. Pro Bono Evaluation

This ADR alternative consists of an evaluation of the claim by an evaluator selected from a pro bono panel. The panel shall be comprised of asbestos litigation attorneys as mutually agreed upon between the PI Trust Advisory Committee (the "***TAC***") and the PI Trustees. The TAC will be provided, on a quarterly basis, with a list of the pro bono panelists. Each evaluation will have a pro bono evaluator randomly selected by the Private Adjudication Coordinator from the list of pro bono panelists. Within fifteen (15) days of the claimant's request for the pro bono evaluation, the individual pro bono evaluator shall be randomly chosen from the approved panel.

A pro bono evaluation will be done by document submission. The identity of the pro bono evaluator will not be disclosed to the claimant or the claimant's attorney. The PI Trust encourages identification of and not anonymity as to the alleged injured party so that medical records can be transmitted in their original form. The Private Adjudication Coordinator will communicate to the parties the pro bono evaluator's written evaluation.

The parties will communicate their respective rejection or acceptance of settlement upon the terms of the written evaluation. If either or both parties reject settlement upon those terms, then the claimant may submit an Election Form and Agreement for Binding or Non-binding Arbitration.

C. Mediation

The claimant may request telephone mediation as an ADR alternative. This process will require the submission of detailed mediation briefs to familiarize the mediator with the respective positions. The PI Trust shall establish and maintain a list of qualified regional mediators compensated by the PI Trust. The Private Adjudication Coordinator shall select a qualified mediator from the list based upon location of claimant within fifteen (15) days after receipt of the Request for Mediation Form signed by the claimant and the PI Trust.

Claims shall be handled by each mediator in the order received by him or her, to the extent practicable. Any party may be represented by legal counsel. The mediator shall review the claim and the positions of the parties, such information as the parties may wish to submit as to a fair and equitable settlement, and all documents and medical reports relevant to the claim as submitted by the parties. At least five (5) business days prior to the mediation conference, claimant and the PI Trust shall each submit to the mediator a mediation brief consisting of a confidential statement outlining the claimant's medical condition, exposure to AWI products and each party's detailed position on overall claim value. The mediator shall confer with the parties and/or their legal representatives, individually and jointly. Such conference shall be conducted by telephone unless both parties agree otherwise. A representative of the PI Trust with settlement authority must participate in the conference. The mediator may request, but not require, that the claimant personally participate in the conference. Such conference shall be in the nature of a settlement conference. The mediator shall work with both sides toward reaching an acceptable, reasonable settlement. The mediator does not have the authority to impose a settlement on the parties. Ten (10) days after the conclusion of the mediation, if the parties have not settled the matter, the claimant may submit to the PI Trust an Election Form and Agreement for Binding or Non-binding Arbitration.

D. Binding and Non-Binding Arbitration Procedures

Upon completion of either pro bono evaluation or mediation, the claimant may request non-binding and/or binding arbitration. Binding arbitration will be conducted in the "final offer" format also known as "baseball style" arbitration. If the claim is arbitrated in either the binding or non-binding format, then the arbitrator shall return an award no greater than the Maximum Value for the relevant Disease Category set forth in Section 5.3(b)(4) of the TDP, unless the claim qualifies as an Extraordinary Claim pursuant to Section 5.4(a) of the TDP. In that case, the arbitrator shall return an award no greater than the Maximum Value for such claims as also set forth in Section 5.4(a) of the TDP.

If the claimant requests arbitration, either binding or non-binding, then the PI Trust shall execute the appropriate Election Form and Agreement. The PI Trust may not decline the claimant's election of either binding or non-binding arbitration, but reserves all rights to reject any award in a non-binding arbitration proceeding. If the parties agree to engage in binding arbitration, then the claimant and the PI Trust waive their respective rights to seek a jury trial as set forth in the TDP.

III. RULES GOVERNING PRO BONO EVALUATION AND MEDIATION

Within ninety (90) days of a claimant's receipt of the ADR packet from the PI Trust, the claimant must elect one of the two ADR procedures and return the appropriate form to the PI Trust along with an executed Affidavit of Completeness.

A. Rules Governing Pro Bono Evaluation

1. Election and Time Limits

a. If the claimant chooses pro bono evaluation, then within ninety (90) days of claimant's receipt of the ADR packet, the claimant must send the PI Trust the Election Form for Pro Bono Evaluation. (See Attachment A). The claimant or his/her attorney shall personally sign the Election Form for Pro Bono Evaluation.

b. The claimant must also sign an Affidavit of Completeness (*See* Attachment B) and return it to the PI Trust with a copy to the Private Adjudication Coordinator within ninety (90) days of receipt of the ADR packet. The claim will not proceed until the PI Trust has received a completed election form and Affidavit of Completeness from the claimant. The Affidavit of Completeness shall verify that all information to be considered in the ADR process has been provided to the PI Trust while the claim was under review by the PI Trust.

c. After receiving the signed election form and Affidavit of Completeness, the PI Trust shall review and sign the election form within five (5) business days of receipt.

d. Within fifteen (15) days from the date the PI Trust notifies the claimant's counsel of the PI Trust's consent to the election form, the PI Trust shall send a copy of the signed election form, the Affidavit of Completeness together with complete copies of all materials submitted to the PI Trust by the claimant and factual information in the PI Trust file, if any, gathered by the PI Trust from other sources, and a completed Affidavit of Accuracy to the claimant's counsel and the Private Adjudication Coordinator who will forward the materials to the selected pro bono evaluator at the time the evaluator is selected. The PI Trust may not send the Private Adjudication Coordinator any materials in the PI Trust file that have not previously been provided to the claimant.

2. Selection of the Pro Bono Evaluator

Within fifteen (15) days of the date the Private Adjudication Coordinator received the claimant's election agreement, the Private Adjudication Coordinator shall randomly select the pro bono evaluator from the list of pro bono panelists and notify the parties that the evaluator has been designated without disclosing the identity of the evaluator. The pro bono evaluator shall be selected from a panel of asbestos litigation plaintiff attorneys who have volunteered to serve the PI Trust at the request of the TAC. Pro bono assignments will be made on a rotating basis.

The identity of the pro bono evaluator shall not be disclosed to the claimant and the claimant's attorney. The identity of the claimant should be disclosed so that medical records can be transmitted in their original form.

3. Submission of Written Arguments

Fifteen (15) days after the PI Trust sends the complete file materials to the Private Adjudication Coordinator, the claimant and the PI Trust shall simultaneously exchange and submit written arguments to the Private Adjudication Coordinator. The Private Adjudication Coordinator will immediately forward the written arguments to the pro bono evaluator. The written arguments shall comply with the following rules:

a. The argument shall not exceed ten (10) double spaced typewritten pages. In order to preserve anonymity in a pro bono evaluation, the name of counsel should not be mentioned. The argument may not introduce factual matter not contained in the documents in the PI Trust's file. The evaluator shall disregard any argument that does not comply with this rule.

b. When a party fails to submit the written argument within the fifteen (15) days, the party waives written argument and the pro bono evaluator shall disregard any argument received after that time.

4. Evaluation of Documents

The pro bono evaluation is only a document review with complete anonymity preserved between claimant's counsel and the pro bono evaluator. The documents that the pro bono evaluator may consider shall be limited to the following:

a. The documents in PI Trust's file forwarded to the pro bono evaluator.

b. The claimant's Affidavit of Completeness and the PI Trust's Affidavit of Accuracy.

c. The written arguments of the claimant and the PI Trust that comply with the rules for written arguments set forth above.

d. Before the Private Adjudication Coordinator forwards any documents to the pro bono evaluator it will redact all references to claimant's counsel.

5. Written Evaluation and Procedure for Acceptance/Rejection

Within fifteen (15) days after the submission of written arguments, the pro bono evaluator shall submit a written evaluation of the claim to the Private Adjudication Coordinator who will promptly mail it to the parties.

Within fifteen (15) days after receipt of the pro bono evaluator's written evaluation, the claimant and the PI Trust will each communicate in writing to the

Private Adjudication Coordinator whether they will accept the amount of the pro bono evaluator's written evaluation to settle the claim. If both parties accept, then the Private Adjudication Coordinator will immediately inform both parties that they have achieved a settlement and the PI Trust shall pay the claim pursuant to the TDP. If either or both parties reject the pro bono evaluator's written evaluation, then within five (5) business days of receipt of both parties' written communication, the Private Adjudication Coordinator shall send each party a notice of rejection of pro bono evaluator's written evaluation that will not indicate whether the opposing party has accepted or rejected the pro bono evaluator's written evaluation amount.

6. Arbitration May Proceed After Rejection of Pro Bono Evaluator's Written Evaluation

Within sixty (60) days after receipt of the notice of rejection of pro bono evaluator's written evaluation, the claimant may request arbitration by returning to the PI Trust a signed Election Form and Agreement for either Binding or Non-binding Arbitration.

B. Rules Governing Mediation

1. Election

If the claimant chooses mediation, then the claimant shall submit to the PI Trust a signed Request for Mediation Form (Attachment C) along with an executed Affidavit of Completeness within ninety (90) days of claimant's receipt of the ADR packet. Within five (5) business days of the PI Trust's receipt of the signed Request for Mediation Form, the PI Trust shall review and sign the form and forward a signed copy along with an executed Affidavit of Accuracy to the claimant and the Private Adjudication Coordinator.

2. Selection of Mediator

Within fifteen (15) days of the signed Request for Mediation Form, the Private Adjudication Coordinator shall retain a mediator from the approved list of mediators. The Private Adjudication Coordinator shall select the mediator based upon the region in which the claimant is located. The mediator shall be compensated by the PI Trust. The Private Adjudication Coordinator shall schedule a mediation conference within sixty (60) days after receipt of the signed request for mediation form. The mediation will be conducted by telephone conference unless the parties agree otherwise. Scheduling of the conference shall be coordinated with the mediator and the conferences shall take place in the order received by the mediator, to the extent practicable.

3. Submission of Briefs and Other Materials to Mediator

At least five (5) business days prior to the mediation conference, the claimant and the PI Trust shall each submit to the mediator, mediation briefs consisting of a confidential statement outlining the claimant's medical condition, exposure to AWI products, and each party's position on overall claim value. The parties may also submit to the mediator documents and medical reports that they believe are

relevant to the claim. The mediator shall review the claim and the positions of the parties and the other information that the parties submit prior to the mediation conference. The mediation briefs shall comply with the following rules:

a. The brief should not exceed ten (10) double spaced typewritten pages exclusive of attachments.

b. The brief may not introduce factual matter not contained in the documents in the PI Trust's file as certified by the Affidavit of Completeness.

4. Mediation Conference

Any party may be represented by legal counsel at the mediation conference. The mediator shall confer with the parties legal representatives and, if the claimant is present and consents, with the claimant. A representative of the PI Trust with settlement authority must participate in the conference. The mediator may request, but not require, that the claimant personally participate in the conference.

5. Negotiations at the Mediation Conference

The mediator may facilitate settlement in any manner the mediator believes is appropriate. The mediator will help the parties focus on their underlying interests, explore resolution alternatives and develop settlement options. The mediator will decide when to hold joint conferences, and when to confer separately with each party.

The parties are expected to initiate and convey to the mediator proposals for settlement. Each party shall provide a rationale for any settlement terms proposed. Finally, if the parties fail to develop mutually acceptable settlement terms, before terminating the procedure, and only with the consent of the parties, (a) the mediator may submit to the parties a final settlement proposal; and (b) if the mediator believes he/she is qualified to do so, the mediator may give the parties an evaluation (which if all parties choose, and the mediator agrees, may be in writing) of the likely outcome of the case if it were tried to final judgment, subject to any limitations under the Plan, the TDP and ethical codes.

6. Confidentiality of Mediation

The entire mediation process is confidential. Unless agreed among all the parties or required to do so by law, the parties and the mediator shall not disclose to any person who is not associated with participants in the process, including any judicial officer, any information regarding the process (including pre-process exchanges and agreements), contents (including written and oral information), settlement terms or outcome of the proceeding.

Under this procedure, the entire process is a compromise negotiation subject to Federal Rule of Evidence 408 and all state counterparts, together with any applicable statute protecting the confidentiality of mediation. All offers, promises, conduct and statements, whether oral or written, made in the course of the proceeding by any of the parties, their agents, employees, experts and

attorneys, and by the mediator are confidential. Such offers, promises, conduct and statements are privileged under any applicable mediation privilege and are inadmissible and not discoverable for any purpose, including impeachment, in litigation between the parties. However, any written or oral information or other materials submitted to the mediator by either the PI Trust or the claimant may be submitted by either party to the arbitrator in an arbitration that takes place under these ADR procedures. In addition, evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable solely as a result of its presentation or use during the mediation.

The exchange of any tangible material shall be without prejudice to any claim that such material is privileged or protected as work-product within the meaning of Federal Rule of Civil Procedure 26 and all state and local counterparts.

The mediator and any documents and information in the mediator's possession will not be subpoenaed in any such investigation, action or proceeding, and all parties will oppose any effort to have the mediator or documents subpoenaed. The mediator will promptly advise the parties of any attempt to compel him/her to divulge information received in mediation.

7. Submission of Written Offers After Mediation

At the conclusion of the mediation, the mediator shall require the parties to exchange written settlement offers that shall remain open for ten (10) days. If after the expiration of that ten (10) day period neither party accepts the other's written offer or the parties do not otherwise settle the matter, then the claimant may request binding or non-binding arbitration by sending to the PI Trust the appropriate signed Election Form and Agreement for either Binding or Non-binding Arbitration.

IV. RULES GOVERNING NON-BINDING AND BINDING ARBITRATION

A. Election by the PI Trust

The PI Trust shall review the Election Form and Agreement for Binding or Non-binding Arbitration (Attachments D and E) and within five (5) business days of receipt the PI Trust shall sign the Agreement and shall immediately send a fully signed Arbitration Agreement to the Private Adjudication Coordinator.

B. Selection of the Arbitrator

1. As soon as reasonably possible after the receipt of the signed Arbitration Agreement, but no more than fifteen (15) days after the receipt of the signed arbitration agreement, the Private Adjudication Coordinator shall select three potential arbitrators from a rotating list kept by the Private Adjudication Coordinator. Arbitrator's assignments will be made on a rotating basis nationally, by the Private Adjudication Coordinator. The Private Adjudication Coordinator shall promptly notify the arbitrator and the parties of the potential arbitrators' selection. If a potential arbitrator is unable or unwilling to serve, then a replacement selection will be made prior to notifying the PI Trust and the claimant of the potential arbitrators selected.

2. Within seven (7) days of receipt of the list of potential arbitrators, the PI Trust may select, and identify to the Private Adjudication Coordinator, one potential arbitrator to be stricken from the list. The Private Adjudication Coordinator shall then promptly notify the claimant of the PI Trust's selection, whereupon, within seven (7) days of the receipt of such notification, the claimant may select, and identify to the Private Adjudication Coordinator, a second potential arbitrator to be stricken from the list. The Private Adjudication Coordinator shall then notify all parties which potential arbitrator remains and will conduct the arbitration. If either the PI Trust or the claimant, or both, fails to exercise the right to strike an arbitrator from the list of potential arbitrators, the Private Adjudication Coordinator shall appoint from those potential arbitrators remaining the arbitrator next in rotation on the PI Trust's rotating list.

3. Any appointed arbitrator shall disclose to the Private Adjudication Coordinator any circumstances likely to affect impartiality including any bias or any financial or personal interest in the result of the arbitration or any past or present relationship with the parties or representatives. Upon receipt of such information from the arbitrator or another source, the Private Adjudication Coordinator shall communicate the information to the parties and, if the administrator deems necessary, to the arbitrator and others. Upon objection of a party to the continued service, the Private Adjudication Coordinator shall determine whether the arbitrator should be disqualified and shall inform the parties of the decision, which shall be final.

C. Extraordinary Claims and Those Reviewed by the Extraordinary Claims Review Panel

In the event that the Extraordinary Claims Review Panel has deemed the claim worthy of extraordinary treatment, the Private Adjudication Coordinator shall forward to the arbitrator the written decision of the Extraordinary Claims Review Panel, and the parties may submit a final request that exceeds the values ascribed to the type of injury in the TDP. In such circumstances, the arbitrator may issue an award in accordance with such a final offer/request.

In the event that the Extraordinary Claims Review Panel declined to give extraordinary treatment to the claim, the arbitrator shall not be informed of the extraordinary claims review panel's decision, and the claimant must confine his/her award to the values ascribed to the type of injury in the TDP because the arbitrator may not award an amount in excess of the Maximum Value assigned to the appropriate category for the injury in the TDP. The PI Trust will not engage in non-binding or binding arbitration, and reserves the unilateral right to withdraw from a signed non-binding or binding arbitration agreement at any time, where the claimant's final offer and award demand exceeds the Maximum Value assigned to the type of injury in the TDP and the Extraordinary Claims Review Panel has declined to give extraordinary treatment to the claim.

D. Final Offer or "Baseball Style" Binding Arbitration

All binding arbitration shall be conducted in the "final offer" format also known as "baseball style" arbitration. In the course of submitting the arbitration materials, as explained in these rules, the parties shall submit their final offer of settlement which shall

also serve as the party's demand for arbitration award. The arbitrator must choose from one of these two demands in determining the amount of the arbitration award.

E. Submission of Pre-Hearing Briefs

Within twenty (20) days of the appointment of an arbitrator each party shall submit to the opposing party and to the arbitrator a brief (not to exceed ten (10) double spaced pages) containing that party's positions and arguments. Each party may then submit a supplement to its position paper (not to exceed five (5) double-spaced pages) following the initial pre-hearing conference to respond to the opposing party's positions and arguments and addressing issues raised at the initial pre-hearing conference. Supplements must be sent to the opposing party and to the arbitrator within ten (10) days after the date of the pre-hearing conference.

The Private Adjudication Coordinator will provide the arbitrator with a complete schedule of categories of injuries and Scheduled and Maximum Values therefor in the TDP.

F. Initial Pre-Hearing Conference, Scheduling Hearing Date, Optional Video Conference for Arbitration Hearing

1. Within fifteen (15) calendar days of the receipt of both party's briefs, the Private Adjudication Coordinator shall contact the claimant, the arbitrator, and the PI Trust to schedule the initial pre-hearing conference. The pre-hearing conference shall be presided over by the arbitrator and held by telephone conference call.

2. During the initial pre-hearing conference, the arbitrator shall schedule the date and select the location of the arbitration hearing either at the location of the arbitrator or a location mutually agreeable by the parties. The arbitration hearing should be scheduled not less than forty-five (45) days, and not more than sixty (60) days, from the date of the initial pre-hearing conference. The Private Adjudication Coordinator will mail a confirmation notice of this date to the claimant and the PI Trust.

3. At the election of the claimant, the arbitration hearing may be conducted by video conference. If the claimant so elects, then the claimant must state that election in writing prior to the initial pre-hearing conference. The Private Adjudication Coordinator will make appropriate arrangements for the PI Trust and the arbitrator to participate by video conference. The PI Trust shall pay for its and the arbitrator's cost for use of video conference equipment and facilities. The claimant shall only be responsible for his/her costs (including participation by claimant's counsel).

4. During the initial pre-trial conference, the arbitrator shall seek to achieve agreement between the parties on:

    a. narrowing the issues (through methods including but not limited to stipulation of facts);

    b. whether the claimant will appear at the hearing (at the claimant's sole discretion);

c. any legal issues;

d. and any other matters that will expedite the arbitration proceedings.

If appropriate or if the parties do not agree on these issues, then the arbitrator must issue orders governing the process.

G. No Discovery With Limited Exceptions

There shall be no discovery except as specifically provided below. The purpose of the arbitration is to resolve differences between the PI Trust and the claimant based only on the documents that have been previously submitted to the PI Trust by the claimant and upon the documents relied upon by the PI Trust to make a settlement offer to the claimant or to disallow the claim. Except, however, if the PI Trust commissions an independent medical examination or a third-party medical review upon which the PI Trust relies in evaluating the claimant's claim, then the claimant may depose the medical professional conducting the review or examination after having a reasonable opportunity to study any report or written opinion generated by the medical professional.

H. No Record of Proceedings Unless Requested by Arbitrator

There will be no record or transcript of the proceedings unless and except the arbitrator requests a transcript to assist him/her in reviewing the evidence or otherwise to aid in the decision making process. In the event an arbitrator requests a transcript prior to the arbitration, then the PI Trust shall arrange for a court reporter and shall pay all expenses associated with the preparation of the transcript. In no event, however, will the transcript be made available to the parties, nor shall any time required for preparation of the transcript affect the time for the arbitrator to render a decision.

I. Postponement of Hearing

The arbitrator for good cause may postpone any hearing upon the request of a party or upon the arbitrator's own initiative, and shall also grant such postponement when all of the parties agree.

J. Duration of Hearings

The arbitrator shall complete the hearing in one day except for good cause shown. The arbitrator shall set time limits on the respective presentations, and shall enforce those set limits. The parties shall request no more than three hours apiece for presentation of their cases.

K. Procedure at Arbitration Hearing

1. Testimony Under Oath or Affirmation

If the claimant or any other witness testifies such testimony shall be under oath or affirmation administered by the arbitrator.

2. **Conduct of Hearing**

At the opening of the arbitration hearing, the arbitrator shall make a written record of the time, place, and date of the hearing, and the presence of the parties and counsel.

3. **Evidence**

a. **Rules of Evidence:** The arbitrator is not required to apply the rules of evidence used in judicial proceedings, provided, however that the arbitrator shall apply the attorney-client privilege and the work product privilege. The arbitrator shall determine the applicability of any privilege or immunity and the admissibility, relevance, materiality and weight of the evidence offered.

b. **Admission of Evidence:** The evidence that the arbitrator may consider shall be limited to the following:

(i) The documents supplied to the PI Trust prior to the execution of the Affidavit of Completeness;

(ii) Non-binding or binding arbitration election agreement;

(iii) Testimony of the claimant. The claimant may offer evidence regarding the nature and extent of compensable damages, including physical injuries, and/or the market share of AWI products, if there is a claim of greater than average market share. The PI Trust may cross-examine on these issues. At the claimant's option, a claimant's deposition, including videotaped testimony, shall be admissible into evidence in lieu of live testimony.

(iv) Any additional deposition testimony taken by the PI Trust or the claimant, and provided to both sides, prior to the initiation of ADR.

(v) Any evidence submitted in mediation.

(vi) Arguments of the claimant and the PI Trust. The arguments shall be limited to the evidence contained and the issues raised in the documents or testimony referred to above and shall be limited to ½ hour. The arbitrator shall disregard any effort to introduce further evidence or issues in argument.

L. **Arbitration in the Absence of a Party or Representative**

The claimant may choose whether or not to attend the arbitration in person in his/her sole discretion. The arbitration may proceed in the absence of any party or representative who, after due notice, chooses not to be present, fails to be present or fails to obtain a postponement if he/she desires to be present but cannot. An award shall not be made against a party solely for the failure to appear. The arbitrator shall require the party who

is present to submit such evidence as the arbitrator may require for the making of an award.

M. Conclusion of Hearing and Submission of Post-Hearing Briefs

When the parties state that they have no further evidence or witnesses to offer, and after the parties have made their closing arguments, if any, the arbitrator shall declare the hearing closed. Post-hearing briefs will be permitted only upon order of the arbitrator and shall be served upon the arbitrator no later than ten (10) ten days after the hearing is closed. Such briefs shall be no longer than five (5) double spaced pages. The time limit within which the arbitrator is required to make the award shall commence to run upon the closing of the hearing or the submission of post-hearing briefs whichever is later.

N. Option to Waive Oral Hearings

The parties may request a waiver of oral hearings. Oral hearings will only be waived if all parties consent.

O. Arbitration Decision

1. The arbitrator shall issue a decision no later than fifteen (15) calendar days after the date of the close of the hearing or submission of post-hearing briefs, whichever is later.

2. The decision shall state only the amount of the award, if any.. The decision shall not state reasons for the award. An arbitrator shall not be permitted to make punitive, exemplary, trebled or other like damages or attorneys' fees, prejudgment and post-judgment interest and costs shall not be sought or allowed. The award shall dispose of all monetary claims presented to the arbitrator and shall determine fully the only issue to be decided pursuant to the arbitration agreement: the amount, if any, at which the claim value should be fixed. To assist the arbitrator, the Private Adjudication Coordinator will provide the arbitrator with a schedule setting forth the Disease Levels and the Scheduled, Average and Maximum Values associated with each category. Unless the Extraordinary Claims Review Panel has determined that a claim is entitled to extraordinary treatment during the claims review process, the arbitrator's award shall not exceed the Maximum Value amount for the appropriate Category in the TDP.

P. Payment of Award

Pursuant to the terms of the arbitration agreement, the PI Trust will promptly send to the claimant the appropriate release. The PI Trust will then pay the claim based upon the binding or, if accepted by both parties, the non-binding award, in accordance with the TDP provisions in effect at that time.

Q. Rejection of Non-Binding Award

1. A party in a non-binding arbitration proceeding that wishes to reject the award must notify the other party within thirty (30) days from the date a non-binding award is issued. If no rejection is received or sent by the PI Trust, then the decision will stand and

the award will be deemed accepted by both parties and the PI Trust will promptly send to the claimant the appropriate release. The PI Trust will then pay the claim in accordance with the TDP in effect at that time.

2. Procedure for Rejected Award

a. Rejection by Claimant

If claimant has sent the PI Trust timely notification of rejection of a non-binding award and wishes to pursue the claim, then the claimant must notify the PI Trust through correspondence postmarked no later than sixty (60) days from the date of the non-binding award. If notification is received within the sixty (60) day deadline and claimant wishes to pursue the claim, then the PI Trust will within fifteen (15) days of receipt of this notification send the claimant an authorization to commence litigation.

b. Rejection by PI Trust

If the PI Trust rejects the non-binding award, then claimant may elect binding arbitration or request that the PI Trust forward the authorization to commence litigation.

V. GENERAL ADR PROCEDURES GOVERNING PRO BONO EVALUATION, MEDIATION, NON-BINDING ARBITRATION, AND BINDING ARBITRATION

A. ADR Submissions

The claimant's submissions (with the exception of the binding arbitration's written argument) will be reviewed by the ADR administrator before they are submitted to the pro bono evaluator, mediator or arbitrator. If they contain materials not previously submitted in support of the claim, then the PI Trust claims department will review the additional information and determine the effect, if any, it would have on the PI Trust's evaluation of the claim. In appropriate situations, a new offer may be made to the claimant.

If an attorney or other agent represents the claimant, both the attorney *and* the claimant must also sign the Election and Agreement for Binding Arbitration. The attorney or agent may not sign in place of, or for, the claimant unless the claimant is incapacitated, incompetent or deceased and the attorney or agent has been designated legally to act on the claimant's behalf. Documentation of this legal designation will be required.

B. No Grouping or Bundling of Claims

As a general matter, there shall be no grouping or bundling of claims by separate claimants at any stage of the ADR or arbitrations even if the claims are related and/or the claimants have the same counsel. Each claimant must proceed individually through the ADR and arbitration processes with all claims that claimant may have or represent. This provision is intended to separate claims of different exposed persons and has no effect upon multiple claims brought by a claimant's representative, such as heirs of a deceased worker. However, the PI Trust, in its sole discretion, may decide that it would be expeditious to allow the conduct of arbitration proceeding with respect to more than one

claim of different exposed persons, provided that the arbitrator individually values each such claim in accordance with the valuation factors set forth in Section 5.3(b)(2) of the TDP, and the respective claimants' separate positions in the PI Trust's FIFO Processing and Payment Queues are maintained.

C. No *Ex Parte* Communication

There shall be no *ex parte* communication between the arbitrator or pro bono evaluator and any counsel or party in any matter. All correspondence between the arbitrator or pro bono evaluator and the parties will be facilitated by the Private Adjudication Coordinator.

D. Claims and Defenses

All available claims and defenses which exist under the law subject to the claimant's election under the TDP shall be available to both sides.

E. Costs of ADR

1. ADR Expenses

The PI Trust will pay the arbitrator's fee for non-binding or binding arbitration up to two thousand dollars ($2,000.00) per claim depending on the length of the hearing. The pro bono evaluator is a volunteer and thus no fee will be incurred. The PI Trust will assume costs of meeting and hearing facilities for arbitration. Claimants will pay their costs and attorney fees including any expenses incurred should the claimant testify.

2. Filing Fee

No filing fee is required of the claimant for any ADR selection, unless the PI Trust with the consent of the TAC and the Future Claimants' Representative decide that it would be in the best interests of the PI Trust and its beneficiaries to adopt such a fee.

F. Waiver of Objection to Rules Infraction

Either party who continues with the pro bono evaluation, mediation, non-binding arbitration, or binding arbitration proceeding after knowing that any provision or requirement of the applicable rules has not been complied with, and who fails to state a timely objection in writing to the arbitrator, mediator or pro bono evaluator, shall be deemed to have waived the right to object. A timely objection by a claimant must be stated in writing and mailed to the PI Trust with instructions to forward the objection to the Private Adjudication Coordinator and to the arbitrator, mediator or pro bono evaluator. A timely objection by the PI Trust will be mailed to the claimant and to the Private Adjudication Coordinator with instructions to forward to the arbitrator, mediator or pro bono evaluator.

G. Serving of Notices and Other Papers

Each party to the ADR and arbitration agreements shall be deemed to have consented that any papers, notices, or processes necessary or proper for the initiation or continuation of

ADR and Arbitration proceedings under these rules may be served upon such party as follows:

1. By regular U.S. mail or overnight courier addressed to such party or their attorneys at their last known address;

2. By facsimile, transmission, if a copy of the transmitted papers is mailed addressed to the party or their attorney at their last known address within twenty-four (24) hours of the facsimile transmission; or,

3. By personal service, within or without the state where the pro bono evaluation, mediation or arbitration is to be held, whether the party is within or without the United States of America.

H. Time Limits Triggered Upon Receipt

1. Documents sent by U.S. mail under these rules shall be deemed received three (3) business days after the date of postmark. Documents sent via overnight mail shall be deemed received on the next business day after mailing.

2. Documents sent via facsimile transmission shall be deemed received on the business day that the transmission is received.

I. Exclusion of Liability

Neither the Private Adjudication Coordinator nor the mediator, nor the arbitrator nor pro bono evaluator shall be liable to any party for any act or omission in connection with any evaluation conducted under these rules.

J. Relationship of Rules to Election Form for Pro Bono Evaluation, Request for Mediation, Non-binding Arbitration Agreement or Binding Arbitration Agreement

These Rules shall be deemed a part of, and incorporated by reference in, every duly executed ADR agreement or arbitration agreement and shall be binding on all parties.

K. Arbitrator/Pro Bono Evaluator Immunity

Arbitrators or pro bono evaluators who serve pursuant to these rules shall have the same immunity as judges for their official acts.

L. Jurisdiction

Any dispute under these rules shall be subject to the jurisdiction of the United States Bankruptcy Court for the District of Delaware.

M. Statement of Confidentiality

1. All ADR and arbitration proceedings and information relating to the proceeding will be confidential. Neither party shall disclose the information obtained during the proceedings, nor the valuation placed on the case by an arbitrator or pro bono evaluator to anyone or use such information or valuation in any further

proceeding except as necessary to maintain the PI Trust's obligation to report to the Bankruptcy Court and to provide ongoing evaluation by the PI Trust and TAC. Except for documents prepared by a non-party which are introduced as evidence before an arbitrator or pro bono evaluator, any document prepared by another party, attorney or other participant in anticipation of the ADR is privileged and shall not be disclosed to any court or arbitrator/pro bono evaluator or construed for any purpose as an admission against interest.

2. All ADR and arbitration proceedings shall be deemed a settlement conference pursuant to Rule 408 of the Federal Rules of Evidence. Except by agreement of the parties, the parties will not introduce into evidence in any other proceedings the fact that there was an arbitration, the nature or amount of the award, and written submissions, may be used for purposes of showing accord and satisfaction or res judicata. In binding arbitration, the decision of the arbitrator may be admissible in the event the claimant improperly seeks to litigate the claim. The binding arbitration award shall be admissible in support of a motion to enjoin such litigation. No arbitrator or pro bono evaluator will ever be subpoenaed or otherwise required by any party or any third party, to testify or produce records, notes or work product in any future proceedings.

N. Amendments

Except as otherwise ruled by the Bankruptcy Court, these rules, as they may from time to time be amended by the PI Trustees, will be binding on all parties in the form in which they are in force on the date the claimant signs the election agreement.

O. Time Limits

The time limits included in these procedures are to be strictly enforced. Any time limit set forth herein may be extended by agreement of the parties or for cause shown to the neutral party presiding over the particular ADR or arbitration proceeding. Any request for extension, however, shall first be made to the opposing party and then if the parties cannot agree, shall be submitted to the Private Adjudication Coordinator who will request a ruling from the pro bono evaluator, mediator, or arbitrator as the case may be.

Although the deadlines may be extended by agreement or for cause shown, failure to comply with a deadline without obtaining an extension may result in withdrawal of the claim. Promptly after a claimant fails to comply with a specified deadline without obtaining an extension, the PI Trust shall send the claimant written notice of the failure to comply. If the claimant does not take any action on the claim, then thirty (30) days thereafter the claim will be deemed withdrawn.

AWI PI TRUST
ELECTION FORM FOR PRO BONO EVALUATION

I, _____ ("***Claimant***"), Claim No. _____, hereby elect and agree to:

Non-Binding document evaluation of my claim by an individual selected from a Panel of Pro Bono Evaluators who volunteered to serve at the request of the PI Trust Advisory Committee.

Unless the box below is initialed, the undersigned waives anonymity of the claimant in the Pro Bono Evaluation of this claim. The PI Trust encourages leaving this box blank and waiving anonymity so that medical records may be transmitted in their original form.

☐

Dated: _____, _____.

_____
Claimant or Claimant's Attorney

Accepted and Consented to:

AWI PI TRUST

By:_____

_____Title

Dated:_____

STATE OF _____)
) SS:
COUNTY OF _____)

AFFIDAVIT OF COMPLETENESS

I, _____, as the person [or legal representative of the person] who has filed a claim against the AWI PI Trust, being duly sworn, depose and say:

I have furnished all information which I wish to be considered in the valuation of claim number _____.

I certify (or declare) under penalty of perjury, that the foregoing is true and correct.

By_____
Claimant or Legal Representative of Claimant

Date_____

Sworn to before me this _____ day of _____, _____.

_____

AWI PI TRUST
REQUEST FOR MEDIATION FORM

I, _____ ("***Claimant***"), Claim No. _____, hereby elect and agree to:

Attempt in good faith to resolve the dispute with the PI Trust relating to my claim promptly by confidential Mediation under the terms set forth for Mediation procedure established by the PI Trust. I have been provided with a copy of the rules relating to Mediation established by the PI Trust. I understand and agree to those rules in the course of the Mediation.

Dated: _____, _____.

_____
Claimant or Claimant's Attorney

Accepted and Consented to:

AWI PI TRUST

By:_____

_____Title

Dated:_____

AWI PI TRUST
ELECTION FORM AND AGREEMENT FOR
BINDING ARBITRATION

I, _____ (“***Claimant***”), Claim No. _____, hereby elect and agree to:

Submit all disputes with the PI Trust relating to my claim to Binding Arbitration under the terms set forth for Binding Arbitration procedure established by the PI Trust. I have been provided with a copy of the rules relating to Binding Arbitration established by the PI Trust. I understand and agree to those rules in the course of the Binding Arbitration. I understand that as a result of this agreement if accepted by the PI Trust, I will waive my rights to litigate my claim in Court including the right to trial by jury and I will be bound by the arbitration award.

Dated: _____, _____.

_____
Claimant

_____
Claimant's Attorney

Claimant and attorney must both sign

Accepted and Consented to:

By accepting this agreement the PI Trust waives its rights to litigate the claimant's claim in Court including the right to trial by jury and agrees to be bound by the arbitration award.

AWI PI TRUST

By:_____

_____Title

Dated:_____

AWI PI TRUST
ELECTION FORM AND AGREEMENT FOR
NON-BINDING ARBITRATION

I, _____ (*"Claimant"*), Claim No. _____, hereby elect and agree to:

Submit all disputes with the PI Trust relating to my claim to Non-Binding Arbitration under the terms set forth for Non-Binding Arbitration procedure established by the PI Trust. I have been provided with a copy of the rules relating to Non-Binding Arbitration established by the PI Trust. I understand and agree to those rules in the course of the Non-Binding Arbitration.

Dated: _____, _____.

_____
Claimant or Claimant's Attorney

Accepted and Consented to:

AWI PI TRUST

By:_____

_____Title

Dated:_____

ATTACHMENT B

THE ARMSTRONG WORLD INDUSTRIES, INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

PROOF OF CLAIM FORMS

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ARMSTRONG PI SETTLEMENT TRUST

PROOF OF CLAIM FORM

UNLIQUIDATED PI TRUST CLAIMS

Submit completed claims

Instructions for the Claim Form

Complete this claim form as thoroughly and accurately as possible. Please type or print neatly. Should there be insufficient space to list all relevant information, please attach additional sheets. In addition to filing the forms that follow, please ensure the following are enclosed, if applicable:

- Death Certificate (if applicable)
- Certificate of Official Capacity (if personal representative is filing form)
- Medical records as requested in instructions
- Proof of Armstrong World Industries, Inc.("*AWI*") product exposure as set out in the instructions
- Copy of cover sheet of complaint (if applicable – *see* Part 8 below)
- Copy of W-2 and first page of IRS Form 1040 (if applicable – *see* Part 9 below)

Representation

If counsel represents claimant, please print or type the following information:

Attorney Name: _____

Paralegal or Contact Name: _____

Name of Law Firm: _____

Firm Address: _____

_____

Attorney Phone: _____ Fax: _____

Contact Phone: _____ Fax: _____

Attorney's or Law Firm's Tax ID Number _____

AWI UNLIQUIDATED CLAIM FORM

Part 1: Choice of Claim Process

Please choose the applicable claim process (choose only one):

☐ 1. Expedited review (not available for Disease Level VI)

☐ 2. Individual Review

☐ 3. Extraordinary Claim (must also undergo Individual Review)

☐ 4. Cash Discount Payment ($400) (available for Disease Level I Other Asbestos Disease)

AWI UNLIQUIDATED CLAIM FORM

Part 2: Injured Party Information

Name: _____ **Social Security #:** _____-_____-_____

Gender: Male _____ **Female** _____ **Date of Birth:** ____/____/____

I. Is injured party living? Yes _____ No _____

II. If injured party is living and not represented by counsel, please complete the following:

Mailing address: _____

_____

Daytime Phone: ( ) _____-_____

III. If injured party is deceased: (Death certificate must be enclosed)

Date of death: ____/____/____

Was death asbestos related? Yes _____ No _____

IV. If injured party has personal representative other than, or in addition to his/her attorney, please indicate the following information for the representative (Certificate of Official Capacity must be enclosed)

Name: _____ Social Security#: ____/____/____

Mailing Address: _____

_____

Daytime Phone: ( ) _____-_____

Relationship to injured Party: I am party's: _____
(spouse, child, other)

AWI UNLIQUIDATED CLAIM FORM

Part 3: Diagnosed Asbestos-Related Injuries

Place an X next to the highest level (most serious) asbestos-related Disease Level that has been diagnosed for the injured party and for which medical documentation is attached to this claim form. See instructions for listing of the specific medical criteria and records that must be enclosed for each Disease Level. (Check only the most serious.)

☐	Level I. Other Asbestos Disease	Date of Diagnosis ___/___/___
☐	Level II Asbestosis/Pleural Disease	Date of Diagnosis ___/___/___
☐	Level III. Asbestosis/Pleural Disease	Date of Diagnosis ___/___/___
☐	Level IV. Severe Asbestosis	Date of Diagnosis ___/___/___
☐	Level V. Other Cancer:	
	Colo-rectal	Date of Diagnosis ___/___/___
	Laryngeal	Date of Diagnosis ___/___/___
	Esophageal	Date of Diagnosis ___/___/___
	Pharyngeal	Date of Diagnosis ___/___/___
	Stomach	Date of Diagnosis ___/___/___
☐	Level VI. Lung Cancer 2	Date of Diagnosis ___/___/___
☐	Level VII. Lung Cancer 1	Date of Diagnosis ___/___/___
☐	Level VIII. Malignant Mesothelioma	Date of Diagnosis ___/___/___

The claims must meet the relevant medical criteria and be supported by appropriate medical documentation as delineated in the Trust Distribution Procedures ("*TDP*"). The presumptive medical criteria for the eight Disease Levels set forth above are attached to this Claim Form.

AWI UNLIQUIDATED CLAIM FORM

Part 4: Dependents and Beneficiaries

List any other persons represented by counsel for claimant who may have rights associated with this claim. Be sure to include the injured party's spouse, any dependents who derive (or who did derive at the time of the injured person's death) at least one-half of their financial support from the injured party.

Also list beneficiaries represented by counsel for claimant who are entitled to pursue an action for wrongful death under applicable state law.

If more than four, please photocopy this page, and insert after current page.

Name: _____ Date of Birth: ____/____/____

Relationship: ☐ Spouse ☐ Child ☐ Other: _____

Financially Dependent? Yes / No (Circle One)

Name: _____ Date of Birth: ____/____/____

Relationship: ☐ Spouse ☐ Child ☐ Other: _____

Financially Dependent? Yes / No (Circle One)

Name: _____ Date of Birth: ____/____/____

Relationship: ☐ Spouse ☐ Child ☐ Other: _____

Financially Dependent? Yes / No (Circle One)

Name: _____ Date of Birth: ____/____/____

Relationship: ☐ Spouse ☐ Child ☐ Other: _____

Financially Dependent? Yes / No (Circle One)

AWI UNLIQUIDATED CLAIM FORM

Part 5: Armstrong World Industries, Inc. ("*AWI*") Exposure, Significant Occupational Exposure and/or 5-Year Cumulative Occupational Exposure

Proof of AWI product exposure must be enclosed as required by TDP Section 5.7(b). (*See* instructions)

Please photocopy this page and list separately each site, industry or occupation upon which claimant relies to establish:

A. ***AWI Exposure;***

B. ***Significant and/or 5-Year Cumulative Occupational Exposure.***

A. AWI EXPOSURE:

1. Name of Plant/Site of Exposure: _____

   City: _____ State _____

2. Month/Year Exposure Began: ____/____ Month/Year Exposure Ended: ____/____

3. Occupation at time of Exposure (*e.g.*, Laborer, etc.) _____

4. Industry in which exposure occurred: ____ (Industry codes listed below.) If code is 37 (other), specify the other industry: _____

Industry Codes

10. Asbestos mining	24. Petrochemical
11. Aerospace/aviation	25. Insulation
12. Asbestos abatement	27. Railroad
13. Automobile/mechanical friction	30. Shipyard-construction/repair
16. Chemical	31. Textile
17. Construction trades	32. Tire/rubber
18. Iron/steel	33. Utilities
19. Longshore	34. Asbestos products manufacturing
20. Maritime	36. Building occupant/bystander
21. Military	37. Other
23. Non-asbestos products manufacturing	

5. Circumstances of Injured Party's AWI Exposure. _____

_____

B. SIGNIFICANT AND/OR 5-YEAR CUMULATIVE OCCUPATIONAL EXPOSURE:

Does the AWI exposure described above satisfy the Significant Occupational Exposure and/or the 5-year cumulative occupational exposure requirements contained in TDP Section 5.7(b)?

_____ Yes _____ No

If Yes, there is no need to complete this section unless claimant wishes to submit such evidence for Individual Evaluation. If No, give the following information for each job site claimant is relying upon to establish the Significant Occupational Exposure or 5-year cumulative occupational exposure requirements in the TDP (Please photocopy and use separate page for each job site):

1. Job Site City/State Years of Exposure

   _____

2. Occupation at time of exposure: _____

3. Industry _____ (Industry Codes listed above). If code is 37 (other), specific the other industry _____

4. Indicate circumstances of exposure:

   a. Claimant handled raw asbestos fibers on a regular basis _____; or

   b. Claimant fabricated asbestos-containing products such that the claimant in the fabrication process was exposed on a regular basis to raw asbestos fibers _____; or

   c. Claimant altered, repaired or otherwise worked with an asbestos-containing product such that the claimant was exposed on a regular basis to raw asbestos fibers_____; or

   d. Claimant was employed in an industry or occupation such that the claimant worked on a regular basis in close proximity to workers who did one or more of the above three activities. _____

AWI UNLIQUIDATED CLAIM FORM

Part 6: Exposure to an Occupationally Exposed Person

Is the claimant alleging an asbestos-related disease resulting in whole or in part from another person's occupational exposure, such as a family member (spouse, father, sister, etc.)?

Yes _____ No _____ If yes, Part 5 must also be completed for each occupationally exposed person.

Date Exposure to other person began: Month _____ Year _____

Date Exposure to other person Ended: Month _____ Year _____

Relationship to occupationally exposed individual:

I am his/her _____
(brother, son, spouse, etc.)

Describe how injured party was exposed to the Armstrong World Industries, Inc. product:
_____
_____
_____
_____

Reminder: Part 5 must be completed for the occupationally exposed person.

AWI UNLIQUIDATED CLAIM FORM

Part 7: Smoking History

NOTE: This information is relevant only to claims involving Disease Level VII, Lung Cancer 1, for which the claimant elects Individual Review, or to claims involving Disease Level VI, Lung Cancer 2, for which Individual Review is required. Thus, this section does not need to be completed if your claim is for Disease Levels I through V, Disease Level VII (Expedited Review), or Disease Level VIII.

For each item, indicate whether injured party has smoked or used the given product. If cigarettes were smoked, indicate the dates they were used, and the amount per day. Indicate fractional packs as appropriate, e.g. three and one-half packs would be entered as 3.5.

Has the injured party ever:

Smoked Cigarettes? Yes _____ No _____

From _____/_____ To: _____/_____ Packs per day: _____._____

From _____/_____ To: _____/_____ Packs per day: _____._____

From _____/_____ To: _____/_____ Packs per day: _____._____

From _____/_____ To: _____/_____ Packs per day: _____._____

Has the injured party ever:

Smoked Cigars? Yes _____ No _____

From _____/_____ To: _____/_____

From _____/_____ To: _____/_____

From _____/_____ To: _____/_____

From _____/_____ To: _____/_____

AWI UNLIQUIDATED CLAIM FORM

Part 8: Asbestos Litigation

Has a lawsuit ever been filed on behalf of the injured party? Yes _____ No_____

Two-letter abbreviation of the state in which the suit was originally filed: ☐ ☐

Name of court in which suit was originally filed: _____

Date on which the suit was originally filed: _____

Has injured party received settlement money from Armstrong World Industries, Inc.?
Yes ___No___

What is the current status of this suit? ☐ Pending ☐ Judgment
☐ Dismissed ☐ Settled

Please attach a photocopy of the endorsed cover sheet of the filed complaint.

AWI UNLIQUIDATED CLAIM FORM

Part 9: Employment Information

Note: This section is optional and only needs to be completed if you wish this information considered in connection with a claim to be processed by Individual Review.

Current Employment Status:

- ☐ Full-time, outside the home
- ☐ Full-time, within the home
- ☐ Part-time, outside the home
- ☐ Part-time, within the home
- ☐ Retired
- ☐ Disabled

Amount of last annual wages: $_____,_____._____

Date of last wage received:_____/_____
(Month) (Year)

(Enter current month and year if currently earning work-related compensation)

W-2 and first page of Form 1040 for last year of full employment must be enclosed if lost wages are being claimed.

Part 10: Signature Page

All claims must be signed by the claimant, or the person filing on his/her behalf (such as the personal representative or attorney).

I have reviewed the information submitted on this claim form and all documents submitted in support of this claim. To the best of my knowledge under penalty of perjury, the information submitted is accurate and complete.

Signature of claimant or Representative

Please print the name and relationship to the claimant of the signatory above.

Please review your submission to ensure it is complete.

- ☐ Death Certificate (if applicable)
- ☐ Certificate of Official Capacity (if personal representative is filing form)
- ☐ Medical Records as required by the TDP and as requested in the instructions.
- ☐ Proof of Armstrong World Industries, Inc. product exposure as required in the TDP and requested in the instructions.
- ☐ Cover sheet of filed complaint (if Part 8 is applicable).
- ☐ W-2 and first page of IRS form 1040 (if Part 9 is applicable).

ARMSTRONG WORLD INDUSTRIES, INC. TDP
PRESUMPTIVE MEDICAL CRITERIA

Mesothelioma (Level VIII)	(1) Diagnosis[1] of mesothelioma; and (2) credible evidence of AWI Exposure (as defined in Section 5.7(b)(3) below).
Lung Cancer 1 (Level VII)	(1) Diagnosis of a primary lung cancer plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease[2], (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos (as defined in Section 5.7(b)(2) below), and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question.
Lung Cancer 2 (Level VI)	(1) Diagnosis of a primary lung cancer; (2) AWI Exposure prior to December 31, 1982, and (3) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question. Lung Cancer 2 (Level VI) claims are claims that do not meet the more stringent medical and/or exposure requirements of Lung Cancer (Level VII) claims. All claims in this Disease Level will be individually evaluated. The estimated likely average of the individual evaluation awards for this category is $15,000, with such awards capped at $50,000 unless the claim qualifies for Extraordinary Claim treatment (as described in Section 5.4(a) below). Level VI claims that show no evidence of either an underlying Bilateral Asbestos-Related Non-malignant

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[1] The requirements for a diagnosis of an asbestos-related disease that may be compensated under the provisions of this TDP are set forth in Section 5.7 below.

[2] Evidence of "Bilateral Asbestos-Related Nonmalignant Disease" for purposes of meeting the criteria for establishing Disease Levels I, II, III, V, and VII, means a report submitted by a qualified physician stating that the claimant has or had either (i) a chest X-ray read by a qualified B reader of 1/0 or higher on the ILO scale or, (ii) (x) a chest X-ray read by a qualified B reader, (y) a CT scan read by a qualified physician, or (z) pathology, in each case showing bilateral interstitial fibrosis, bilateral pleural plaques, bilateral pleural thickening, or bilateral pleural calcification. Solely for claims filed against AWI or another asbestos defendant in the tort system prior to the Petition Date, if an ILO reading is not available, either (i) a chest xray or a CT scan read by a qualified physician or, (ii) pathology, showing bilateral interstitial fibrosis, bilateral pleural plaques, bilateral pleural thickening, or bilateral pleural calcification consistent with, or compatible with, a diagnosis of asbestos-related disease shall be evidence of Bilateral Asbestos-Related Nonmalignant Disease for purposes of meeting the presumptive medical requirements of Disease Level I, II, III, V and VII. Pathological proof of asbestosis may be based on the pathological grading system for asbestosis described in the Special Issue of the Archives of Pathology and Laboratory Medicine, "Asbestos-associated Diseases," Vol. 106, No. 11, App. 3 (October 8, 1982).

	Disease or Significant Occupational Exposure may be individually evaluated, although it is not expected that such claims will be treated as having any significant value, especially if the claimant is also a Smoker.[3] In any event, no presumption of validity will be available for any claims in this category.
Other Cancer (Level V)	(1) Diagnosis of a primary colo-rectal, laryngeal, esophageal, pharyngeal, or stomach cancer, plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease, (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the other cancer in question.
Severe Asbestosis (Level IV)	(1) Diagnosis of asbestosis with ILO of 2/1 or greater, or asbestosis determined by pathological evidence of asbestos plus (a) TLC less than 65%, or (b) FVC less than 65% and FEV1/FVC ratio greater than 65%, (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.
Asbestosis/ Pleural Disease (Level III)	Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease, plus (a) TLC less than 80%, or (b) FVC less than 80% and FEV1/FVC ratio greater than or equal to 65%, and (2) six months AWI Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.
Asbestosis/ Pleural Disease (Level II)	(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease, and (2) six months AWI

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[3] There is no distinction between Non-Smokers and Smokers for either Lung Cancer (Level VII) or Lung Cancer (Level VI), although a claimant who meets the more stringent requirements of Lung Cancer (Level VII) (evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease plus Significant Occupational Exposure), and who is also a Non-Smoker, may wish to have his or her claim individually evaluated by the PI Trust. In such a case, absent circumstances that would otherwise reduce the value of the claim, it is anticipated that the liquidated value of the claim might well exceed the $42,500 Scheduled Value for Lung Cancer (Level VII) shown above. "Non-Smoker" means a claimant who either (a) never smoked or (b) has not smoked during any portion of the twelve (12) years immediately prior to the diagnosis of the lung cancer.

	Exposure prior to December 31, 1982, and (3) five years cumulative occupational exposure to asbestos.
Other Asbestos Disease (Level I - Cash Discount Payment)	(1) Diagnosis of a Bilateral Asbestos- Related Nonmalignant Disease or an asbestos-related malignancy other than mesothelioma, and (2) AWI Exposure prior to December 31, 1982.

ARMSTRONG WORLD INDUSTRIES, INC.
PI SETTLEMENT TRUST

PROOF OF CLAIM FORM

PRE-PETITION LIQUIDATED CLAIMS

Submit completed claims

Instructions for the Claim Form

Complete this claim form as thoroughly and accurately as possible. Please type or print neatly. Should there be insufficient space to list all relevant information, please attach additional sheets. In addition to filing the forms that follow, please ensure the following are enclosed, if applicable:

- Death Certificate (if applicable)
- Certificate of Official Capacity (if personal representative is filing form)
- Documentary evidence of the Pre-Petition Liquidated Claim

Representation

If counsel represents claimant, please print or type the following information:

Attorney Name: _____

Paralegal or Contact Name: _____

Name of Law Firm: _____

Firm Address: _____

_____

Attorney Phone: _____ Fax: _____

Contact Phone: _____ Fax: _____

Attorney's or Law Firm's Tax ID Number _____

AWI PRE-PETITION LIQUIDATED CLAIM FORM

Part 1: Injured Party Information

Name: _____ **Social Security #:** _____-_____-_____

Gender: Male _____ **Female** _____ **Date of Birth:** _____/_____/_____

I. Is injured party living? Yes _____ No _____

II. If injured party is living and not represented by counsel, please complete the following:

Mailing address: _____

_____

Daytime Phone: ( ) _____-_____

III. If injured party is deceased: (Death certificate must be enclosed)

Date of death: _____/_____/_____

Was death asbestos related? Yes _____ No _____

IV. If injured party has personal representative other than, or in addition to his/her attorney, please indicate the following information for the representative (Certificate of Official Capacity must be enclosed)

Name: _____ Social Security#: _____/_____/_____

Mailing Address: _____

_____

Daytime Phone: ( ) _____-_____

Relationship to injured Party: I am party's: _____
(spouse, child, other)

AWI PRE-PETITION LIQUIDATED CLAIM FORM

Part 2: Claim Information

1. What was the Pre-Petition Liquidated Value $_____

2. What was the date of Pre-Petition Liquidated Claim ___/___/___

3. What proof is being submitted that documents your Pre-Petition Liquidated Claim?

Mark an X where appropriate

☐ Binding agreement entered into prior to the December 6, 2000 Petition Date for the particular claim that is judicially enforceable by the claimant

☐ Jury verdict or non-final judgment in the tort system obtained prior to the December 6, 2000 Petition Date

☐ Judgment that became final and non-appealable prior to the December 6, 2000 Petition Date

☐ If you believe you have other evidence of a pre-petition liquidated settlement, please described the type of document being submitted:

_____