

ARMSTRONG WORLD INDUSTRIES INC

FORM 10-K (Annual Report)

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Address	2500 COLUMBIA AVE LANCASTER, PA 17603
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Sector	Capital Goods
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

ARMSTRONG WORLD INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

<u>Pennsylvania</u> (State or other jurisdiction of incorporation or organization)	<u>1-2116</u> Commission file number	<u>23-0366390</u> (I.R.S. Employer Identification No.)
<u>P. O. Box 3001, Lancaster, Pennsylvania</u> (Address of principal executive offices)		<u>17604</u> (Zip Code)

Registrant's telephone number, including area code (717) 397-0611

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Common Stock (\$0.01 par value)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter time period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The aggregate market value of the Common Stock of Armstrong World Industries, Inc. held by non-affiliates based on the closing price (\$16.49 per share) on the New York Stock Exchange (trading symbol AWI) on June 30, 2009 was approximately \$324 million. As of February 18, 2010, the number of shares outstanding of registrant's Common Stock was 57,446,003.

Documents Incorporated by Reference

Certain sections of Armstrong World Industries, Inc.'s definitive Proxy Statement for use in connection with its 2010 annual meeting of stockholders, to be filed subsequently, are incorporated by reference into Part III of this Form 10-K Report where indicated.

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Uncertainties Affecting Forward-Looking Statements

Our disclosures here and in other public documents and comments contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Those statements provide our future expectations or forecasts, and can be identified by our use of words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “outlook,” etc. in discussions of future operating or financial performance or the outcome of contingencies such as liabilities or legal proceedings.

Any of our forward-looking statements may turn out to be wrong. Actual results may differ materially from our expected results. Forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We undertake no obligation to update any forward-looking statement beyond what is required under applicable securities law.

Risks and uncertainties that affect our business, operations and financial condition should be taken into account in evaluating any investment decision involving Armstrong. It is not possible to predict or identify all factors that could cause actual results to differ materially from expected and historical results. The discussion in the “Risk Factors” section within Item 1A is a summary of what we currently believe to be our most significant risk factors. Related disclosures in subsequent 10-K, 10-Q and 8-K reports should also be consulted.

PART I

ITEM 1. BUSINESS

Armstrong World Industries, Inc. (“AWI” or “the Company”) is a Pennsylvania corporation incorporated in 1891. We are a leading global producer of flooring products and ceiling systems for use primarily in the construction and renovation of residential, commercial and institutional buildings. Through our United States (“U.S.”) operations and U.S. and international subsidiaries, we design, manufacture and sell flooring products (primarily resilient and wood) and ceiling systems (primarily mineral fiber, fiberglass and metal) around the world. We also design, manufacture and sell kitchen and bathroom cabinets in the U.S.

Our business strategy focuses on product innovation, product quality and customer service. In addition to price, these factors are the primary determinants of market share gain or loss in our business. Our objective is to ensure that anyone buying a hard surface floor or ceiling can find an Armstrong product that meets his or her needs. Our cabinet strategy is more focused — on stock cabinets in select geographic markets. In these segments, we have the same objectives: high quality, good customer service and products that meet our customers’ needs. Our markets are very competitive, which limits our pricing flexibility. This requires that we increase our productivity each year — both in our plants and in our administration of the businesses.

We maintain a website at <http://www.armstrong.com>. Information contained on our website is not incorporated into this document. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports and other information about us are available free of charge through this website as soon as reasonably practicable after the reports are electronically filed with the Securities and Exchange Commission (“SEC”). These materials are also available from the SEC’s website at www.sec.gov.

In December 2000, AWI filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in order to use the court-supervised reorganization process to achieve a resolution of our asbestos liability. In October 2006, AWI’s plan of reorganization (“POR”) became effective, and AWI emerged from Chapter 11. See Note 1 to the Consolidated Financial Statements for additional information about AWI’s Chapter 11 case.

In August 2009, Armor TPG Holdings LLC (“TPG”) and the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust (“Asbestos PI Trust”) entered into an agreement whereby TPG purchased 7,000,000 shares of the Company’s common stock from the Asbestos PI Trust, and acquired an economic interest in an additional 1,039,777 shares from the Asbestos PI Trust. The Asbestos PI Trust and TPG together hold more than 60% of AWI’s outstanding shares and have entered into a shareholders’ agreement pursuant to which the Asbestos PI Trust and TPG have agreed to vote their shares together on certain matters.

Reportable Segments

Resilient Flooring — produces and sources a broad range of floor coverings primarily for homes and commercial and institutional buildings. Manufactured products in this segment include vinyl sheet, vinyl tile and linoleum flooring. In addition, our Resilient Flooring segment sources and sells laminate flooring products, ceramic tile products, adhesives, installation and maintenance materials and accessories. Resilient Flooring products are offered in a wide variety of types, designs, and colors. We sell these products worldwide to wholesalers, large home centers, retailers, contractors and to the manufactured homes industry.

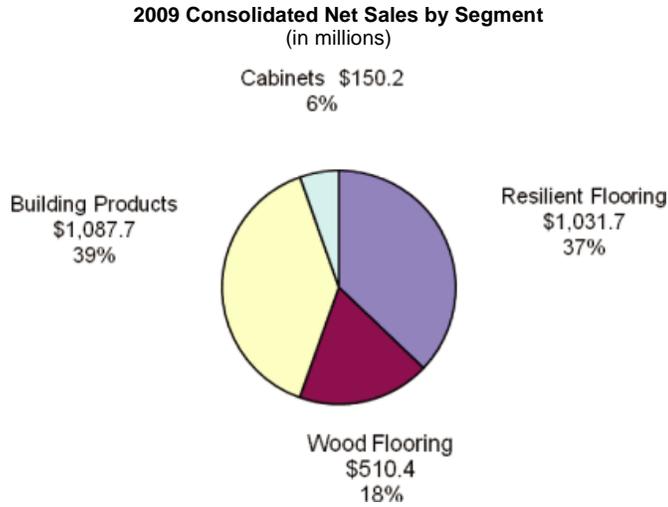
Wood Flooring — produces and sources wood flooring products for use in new residential construction and renovation, with some commercial applications in stores, restaurants and high-end offices. The product offering includes pre-finished solid and engineered wood floors in various wood species, and related accessories. Virtually all of our Wood Flooring sales are in North America. Our Wood Flooring products are generally sold to independent wholesale flooring distributors and large home centers. Our products are principally sold under the brand names Bruce[®], Hartco[®], Robbins[®], Timberland[®], Armstrong[®], HomerWood[®] and Capella[®].

Building Products — produces suspended mineral fiber, soft fiber and metal ceiling systems for use in commercial, institutional, and residential settings. In addition, our Building Products segment sources complementary ceiling products. Our products, which are sold worldwide, are available in numerous colors, performance characteristics and designs, and offer attributes such as acoustical control, rated fire protection and aesthetic appeal. Commercial ceiling materials and accessories are sold to ceiling systems contractors and to resale distributors. Residential ceiling products are sold in North America primarily to wholesalers and retailers (including large home centers). Suspension system (grid) products manufactured by Worthington Armstrong Venture ("WAVE") are sold by both Armstrong and our WAVE joint venture.

Cabinets — produces kitchen and bathroom cabinetry and related products, which are used primarily in the U.S. residential new construction and renovation markets. Through our system of Company-owned and independent distribution centers and through direct sales to builders, our Cabinets segment provides design, fabrication and installation services to single and multi-family homebuilders, remodelers and consumers under the Armstrong[®] brand name. All of Cabinets' sales are in the U.S.

Unallocated Corporate — includes assets, liabilities, income and expenses that have not been allocated to the business units. Balance sheet items classified as Unallocated Corporate are primarily income tax related accounts, cash and cash equivalents, the Armstrong brand name, the U.S. prepaid pension cost/liability and long-term debt. Expenses for our corporate departments and certain benefit plans are allocated to the reportable segments based on known metrics, such as specific activity, time reporting, headcount, square-footage or net sales. The remaining items, which cannot be attributed to the reportable segments without a high degree of generalization, are reported in Unallocated Corporate.

The following chart illustrates the breakdown of our consolidated net sales of \$2.8 billion for the year ended December 31, 2009 by segment:



See Note 3 to the Consolidated Financial Statements and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K for additional financial information on our reportable segments.

Markets

The major markets in which we compete are:

North American Residential. Approximately 40% of our total consolidated net sales are for North American residential use. Our Resilient Flooring, Wood Flooring, Building Products and Cabinets segments sell products for use in the home. Homeowners have a multitude of finishing solution options for every room in their house. For flooring, they can choose from our vinyl and wood products, for which we are North America's largest provider, or from our laminate and ceramic products. We compete directly with other domestic and international suppliers of these products. Our flooring products also compete with carpet, which we do not offer. Our ceiling products compete against mineral fiber and fiberglass products from other manufacturers, as well as drywall. In the kitchen and bath areas, we compete with thousands of other cabinet manufacturers that include large diversified corporations as well as small local craftsmen.

Our products are used in new home construction and existing home renovation work. Industry estimates are that existing home renovation (also known as replacement / remodel) work represents approximately two-thirds of the total North American residential market opportunity. Key U.S. statistics that indicate market opportunity include existing home sales (a key indicator for renovation opportunity), housing starts, housing completions, interest rates and consumer confidence. For our Resilient Flooring and Wood Flooring products, we believe there is some longer-term correlation between these statistics and our revenue after reflecting a lag period between change in construction activity and our operating results of several months. However, we believe that consumers' preferences for product type, style, color, availability and affordability also significantly affect our revenue. Further, changes in inventory levels and product focus at national home centers, which are our largest customers, can also significantly affect our revenue. Sales of our ceiling products for residential use appear to follow the trend of existing home sales, with a several month lag period between the change in existing home sales and our related operating results.

North American Commercial. Approximately 30% of our total consolidated net sales are for North American commercial use. Many of our products, primarily ceilings and Resilient Flooring, are used in commercial and institutional buildings. Our revenue opportunities come from new construction as well as renovation of existing buildings. Renovation work is estimated to represent approximately three-fourths of the total North American commercial market opportunity. Most of our revenue comes from four major segments of commercial building — office, education, retail and healthcare. We monitor U.S. construction starts (an indicator of U.S. monthly construction activity that provides us a reasonable indication of upcoming opportunity) and follow new projects. We have found that our revenue from new construction can lag behind construction starts by as much as one year. We also monitor office vacancy rates, gross domestic product (“GDP”) and general employment levels, which can indicate movement in renovation and new construction opportunities. We believe that these statistics, taking into account the time-lag effect, provide a reasonable indication of our future revenue opportunity from commercial renovation and new construction.

Outside of North America. The geographies outside of North America account for about 30% of our total consolidated net sales. Most of our revenues generated outside of North America are in Europe and are commercial in nature. For the countries in which we have significant revenue, we monitor various national statistics (such as GDP) as well as known new projects. Revenues come primarily from new construction and renovation work.

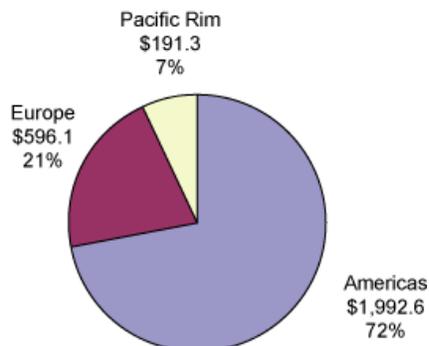
The following table provides an estimate of our segments' 2009 net sales, by major markets.

(Estimated percentages of individual segment's sales)	North American Residential	North American Commercial	Outside of North America	Total
Resilient Flooring	35%	30%	35%	100%
Wood Flooring	95%	5%	—	100%
Building Products	10%	50%	40%	100%
Cabinets	90%	10%	—	100%

Geographic Areas

We sell our products in more than 80 countries. Approximately 70% of our 2009 revenue was derived from sales in the Americas, the vast majority of which came in the United States and Canada. The following chart illustrates the breakdown of our consolidated net sales of \$2.8 billion for the year ended December 31, 2009 by region, based on where the sale was made:

2009 Consolidated Net Sales by Geography
(in millions)



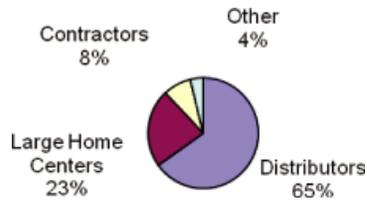
See Note 3 to the Consolidated Financial Statements and Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K for additional financial information by geographic areas.

Customers

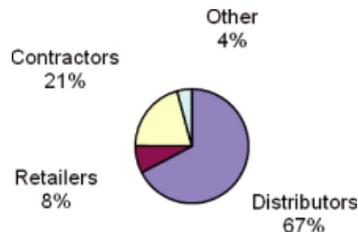
We use our reputation, capabilities, service and brand recognition to develop long-standing relationships with our customers. We principally sell products through building materials distributors, who re-sell our products to retailers, builders, contractors, installers and others. In the commercial sector, we also sell to several contractors and to subcontractors’ alliances. In the North American retail channel, which sells to end-users in the residential and light commercial segments, we have important relationships with national home centers such as The Home Depot, Inc. and Lowe’s Companies, Inc. In the North American residential sector, we have important relationships with major home builders and buying groups.

The following charts illustrate the estimated breakdown of our 2009 consolidated net sales geographically by distribution channel:

2009 Americas Sales by Customer Type



2009 Non-Americas Sales by Customer Type



No customer accounted for 10% or more of our total consolidated net sales during any of the last three years.

Product Array and Impact on Performance

Each of our businesses offers a wide assortment of products that are differentiated by style/design and by performance attributes. Pricing for products within the assortment varies. Changes in the relative quantity of products purchased at the different price points can impact year-to-year comparisons of net sales and operating income. Where significant, we discuss the impact of these relative changes as “product mix,” “customer mix” or “geographic mix” in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K.

Competition

There is strong competition in all of our businesses. Principal attributes of competition include product performance, product styling, service and price. Competition in North America comes from both domestic and international manufacturers. Additionally, some of our products compete with alternative products or finishing solutions. Our resilient, laminate and wood flooring products compete with carpet products, and our ceiling products compete with drywall and exposed structure (also known as open plenum). There is excess industry capacity for certain products in some geographies, which tends to increase price competition. The following companies are our primary competitors:

Flooring segments — Amtico International, Inc., Beaulieu International Group, N.V., Boa-Franc, Inc., Congoleum Corporation, Faus, Inc., Forbo Holding AG, Gerflor Group, Interface, Inc., IVC Group, Krono Holding AG, Mannington Mills, Inc., Metroflor Corporation, Mullican Flooring, L.P., Mohawk Industries, Inc., Pfeleiderer AG, Shaw Industries, Inc., Somerset Hardwood Flooring, Tarkett AG and Wilsonart International.

Building Products — CertainTeed, Chicago Metallic Corporation, Georgia-Pacific Corporation, Knauf AMF GmbH & Co. KG, Lafarge SA, Odenwald Faserplattenwerk GmbH, Rockfon A/S, Saint-Gobain and USG Corporation.

Cabinets — American Woodmark Corporation, Fortune Brands, Inc. and Masco Corporation.

Raw Materials

Raw materials essential to our 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	Polyvinylchloride (“PVC”) resins and films, plasticizers, backings, limestone, pigments, linseed oil, inks and stabilizers
Wood Flooring	Hardwood lumber, veneer, coatings and stains
Building Products	Mineral fibers, perlite, waste paper, clays, starches and steel used in the production of metal ceilings and for our WAVE joint venture’s manufacturing of ceiling grid
Cabinets	Lumber, veneer, plywood, particleboard and components, such as doors and hardware

We also purchase significant amounts of packaging materials and consume substantial amounts of energy, such as electricity and natural gas, and water.

In general, adequate supplies of raw materials are available to all of our businesses. However, availability can change for a number of reasons, including environmental conditions, laws and regulations, shifts in demand by other industries competing for the same materials, transportation disruptions and/or business decisions made by, or events that affect, our suppliers. There is no assurance that a significant shortage of raw materials will not occur.

Prices for certain high usage raw materials can fluctuate dramatically. Cost increases for these materials can have a significant adverse impact on our manufacturing costs. Given the competitiveness of our markets, we may not be able to recover the increased manufacturing costs through increasing selling prices to our customers.

Sourced Products

Some of the products that we sell are sourced from third parties. Our primary sourced products include various flooring products (laminated, wood, vinyl sheet and tile and ceramic), specialized ceiling products, and installation-related products and accessories for some of our manufactured products. We purchase some of our sourced products from suppliers that are located outside of the U.S., primarily from Asia and Europe. Sales of sourced products represented approximately 10% to 15% of our total consolidated revenue in 2009, 2008, and 2007.

In general, we believe we have adequate supplies of sourced products. However, we cannot guarantee that a significant shortage will not occur.

Hedging

We use derivative financial instruments to hedge the following exposures: sourced product purchases denominated in foreign currency, cross-currency intercompany loans, interest rate risk, and energy. We use derivative financial instruments as risk management tools, not for speculative trading purposes. See Item 7A Quantitative and Qualitative Disclosures About Market Risk and Note 19 to the Consolidated Financial Statements of this Form 10-K for more information.

Patent and Intellectual Property Rights

Patent protection is important to our business in the U.S. and other markets. Our competitive position has been enhanced by U.S. and foreign patents on products and processes developed or perfected within Armstrong or obtained through acquisitions and licenses. In addition, we benefit from our 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. Although we consider that, in the aggregate, our patents, licenses and trade secrets constitute a valuable asset of material importance to our business, we do not regard any of our businesses as being materially dependent upon any single patent or trade secret, or any group of related patents or trade secrets.

Certain of our trademarks, including without limitation, , Armstrong®, Allwood™, Alterna™, Arborcrest™, Arteffects®, Axiom®, Bruce®, Calibra™, Capella®, Caruth™, Capz™, Ceramaguard®, Cirrus®, Corlon®, Coronet™, Cortega®, CushionStep™, Designer Solarian®, DLW™, Dune™, Excelon®, Fine Fissured™, Fundamentals®, Grand Illusions™, Hartco®, HomerWood®, Infusions®, Luxe Plank™, Medintech®, Medintone®, Mesa™, Metalworks™, Natural Creations®, Natural Inspirations®, Nature's Gallery®, Optima®, Park Avenue™, Robbins®, Rhinofloor®, Sahara™, Scala®, Second Look®, Solarian®, SoundScapes®, SoundSoak®, StrataMax®, Techzone™, Timberland®, T. Morton™, ToughGuard®, Town&Country™, Ultima®, Waverly™, and Woodworks® are important to our business because of their significant brand name recognition. Trademark protection continues in some countries as long as the mark is used, and continues in other countries as long as the mark is registered. Registrations are generally for fixed, but renewable, terms.

Employees

As of December 31, 2009, we had approximately 10,800 full-time and part-time employees worldwide, with approximately 7,300 employees located in the United States. Approximately 6,900 of the 10,800 are production and maintenance employees, of whom approximately 4,900 are located in the U.S. Approximately 64% of the production and maintenance employees in the U.S. are represented by labor unions. This percentage includes all production and maintenance employees at our plants and warehouses where labor unions exist. Outside the U.S., most of our production employees are covered by either industry-sponsored and/or state-sponsored collective bargaining mechanisms.

During the first quarter of 2010, we announced the shutdown of finished goods production at two Wood Flooring plants and the restarting of certain operations at a previously idled Wood Flooring plant. We expect a net reduction in our employee headcount as a result of these actions of approximately 200 employees by the end of the second quarter of 2010.

Research & Development

Research and development (“R&D”) activities are important and necessary in helping us improve our products’ competitiveness. Principal R&D functions include the development and improvement of products and manufacturing processes. We spent \$38.0 million in 2009, \$38.8 million in 2008 and \$44.0 million in 2007 on R&D activities worldwide.

Environmental Matters

Most of our manufacturing and certain of our research facilities are affected by various federal, state and local environmental requirements relating to the discharge of materials or the protection of the environment. We make expenditures necessary for compliance with applicable environmental requirements at each of our operating facilities.

We are actively involved in proceedings under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), and similar state “Superfund” laws at three off-site locations. We have also been investigating and/or remediating environmental contamination allegedly resulting from past industrial activity at four domestic and five international current or former plant sites. Certain of AWI’s environmental liabilities were discharged through its Chapter 11 case while others were not. Those environmental obligations that AWI has with respect to property that it owns or operates or for which a non-debtor subsidiary is liable were unaffected by the Chapter 11 case. Therefore, AWI and its subsidiaries retain ongoing environmental compliance obligations at such properties.

Liabilities of \$6.3 million and \$6.5 million at December 31, 2009 and December 31, 2008, respectively, were for environmental liabilities that we consider probable and for which a reasonable estimate of the probable liability could be made. See Note 30 to the Consolidated Financial Statements of this Form 10-K for more information.

ITEM 1A. RISK FACTORS

As noted in the introductory section titled “Uncertainties Affecting Forward-Looking Statements,” our business, operations and financial condition are subject to various risks. These risks should be taken into account in evaluating any investment decision involving Armstrong. It is not possible to predict or identify all factors that could cause actual results to differ materially from expected and historical results. The following discussion is a summary of what we believe to be our most significant risk factors. These and other factors could cause our actual results to differ materially from those in forward-looking statements made in this report.

We try to reduce both the likelihood that these risks will affect our businesses and their potential impact. However, no matter how accurate our foresight, how well we evaluate risks, and how effective we are at mitigating them, it is still possible that one of these problems or some other issue could have serious consequences for us, up to and including a materially adverse effect. See related discussions in this document and our other SEC filings for more details and subsequent disclosures.

Our business is dependent on construction activity. Downturns in construction activity and global economic conditions, such as weak consumer confidence and weak credit markets, adversely affect our business and our profitability.

Our businesses have greater sales opportunities when construction activity is strong and, conversely, have fewer opportunities when such activity declines. Construction activity tends to increase when economies are strong, interest rates are favorable, government spending is strong, and consumers are confident. When the economy is weak and access to credit is limited, customers, distributors and suppliers are at heightened risk of defaulting on their obligations. Since most of our sales are in the U.S., its economy is the most important for our business, but conditions in Europe, Canada and Asia also are significant. A prolonged economic downturn would exacerbate the adverse effect on our business, profitability, and the carrying value of assets.

We require a significant amount of liquidity to fund our operations.

Our liquidity needs vary throughout the year. There are no significant debt maturities until 2011 and 2013 under our existing senior credit facility. We believe that cash on hand and generated from operations will be adequate to address our foreseeable liquidity needs. If future operating performance declines significantly, we cannot assure that our business will generate sufficient cash flow from operations to fund our needs or to remain in compliance with our debt covenants.

Our markets are highly competitive. Competition can reduce demand for our products or cause us to lower prices. Failure to compete effectively by meeting consumer preferences and/or maintaining market share would adversely affect our results.

Our customers consider our products' performance, product styling, customer service and price when deciding whether to purchase our products. Shifting consumer preference in our highly competitive markets, e.g. from residential vinyl products to other flooring products, styling preferences or inability to offer new competitive performance features could hurt our sales. For certain products there is excess industry capacity in several geographic markets, which tends to increase price competition, as does competition from overseas competitors with lower cost structures.

If the availability of raw materials and energy decreases, or the costs increase, and we are unable to pass along increased costs, our operating results could be adversely affected.

The cost and availability of raw materials, packaging materials, energy and sourced products are critical to our operations. For example, we use substantial quantities of natural gas, petroleum-based raw materials, hardwood lumber and mineral fiber in our manufacturing operations. The cost of some items has been volatile in recent years and availability sometimes has been tight. We source some materials from a limited number of suppliers, which, among other things, increases the risk of unavailability. Limited availability could cause us to reformulate products or to limit our production. The impact of increased costs is greatest where our ability to pass along increased costs through price increases on our products is limited, whether due to competitive pressures or other factors.

Reduction in sales to key customers could have a material adverse effect on our revenues and profits.

Some of our businesses are dependent on a few key customers such as The Home Depot, Inc. and Lowe's Companies, Inc. The loss of sales to one of these major customers, or changes in our business relationship with them, could hurt both our revenues and profits.

Changes in the political, regulatory and business environments of our international markets, including changes in trade regulations and currency exchange fluctuations, could have an adverse effect on our business.

A significant portion of our products move in international trade, particularly among the U.S., Canada, Europe and Asia. Also, approximately 30% of our annual revenues are from operations outside the U.S. Our international trade is subject to currency exchange fluctuations, trade regulations, import duties, logistics costs and delays and other related risks. Our international operations are also subject to variable tax rates, credit risks in emerging markets, political risks, uncertain legal systems, potential restrictions on repatriating profits to the U.S., and loss of sales to local competitors following currency devaluations in countries where we import products for sale.

Capital investments and restructuring actions may not achieve expected savings in our operating costs.

We look for ways to make our operations more efficient and effective. We reduce, move and expand our plants and operations as needed. Each action generally involves substantial planning and capital investment. We can err in planning and executing our actions, which could hurt our customer service and cause unplanned costs.

Labor disputes or work stoppages could hurt production and reduce sales and profits.

Most of our manufacturing employees are represented by unions and are covered by collective bargaining or similar agreements that must be periodically renegotiated. Although we anticipate that we will reach new contracts as current ones expire, our negotiations may result in a significant increase in our costs. Failure to reach new contracts could lead to work stoppages, which could hurt production, revenues, profits and customer relations.

Adverse judgments in regulatory actions, product claims and other litigation could be costly. Insurance coverage may not be available or adequate in all circumstances.

While we strive to ensure that our products comply with applicable government regulatory standards and internal requirements, and that our products perform effectively and safely, customers from time to time could claim that our products do not meet contractual requirements, and users could claim to be harmed by use or misuse of our products. This could give rise to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage. The building materials industry has been subject to claims relating to silicates, mold, PCBs, PVC, formaldehyde, toxic fumes, fire-retardant properties and other issues, as well as for incidents of catastrophic loss, such as building fires. Product liability insurance coverage may not be available or adequate in all circumstances. In addition, claims may arise related to patent infringement, environmental liabilities, distributor terminations, commercial contracts, antitrust or competition law, employment law and employee benefits issues, and other regulatory matters. While we have in place processes and policies to mitigate these risks and to investigate and address such claims as they arise, we cannot predict the costs to defend or resolve such claims. We are subject to regulatory requirements regarding protection of the environment. Current and future environmental laws and regulations, including those proposed concerning climate change, could increase our cost of compliance, cost of energy, or otherwise materially adversely affect our business, results of operations and financial condition.

Our principal shareholders could significantly influence our business and our affairs.

The Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust (“Asbestos PI Trust”), formed in 2006 as part of AWI’s emergence from bankruptcy, and Armor TPG Holdings LLC (“TPG”) together hold more than 60% of the Company’s outstanding shares and have entered into a shareholders’ agreement pursuant to which the Asbestos PI Trust and TPG have agreed to vote their shares together on certain matters. Such a large percentage of ownership could result in below average equity market liquidity and affect matters which require approval by our shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our world headquarters are in Lancaster, Pennsylvania. We own a 100-acre, multi-building campus comprising the site of our corporate headquarters, most operational headquarters, our U.S. R&D operations and marketing, and customer service headquarters. Altogether our headquarters' operations occupy approximately one million square feet of floor space.

We produce and market Armstrong products and services throughout the world, operating 36 manufacturing plants in nine countries as of December 31, 2009. Three of our plants are leased and the remaining 33 are owned. We have 22 plants located throughout the United States. In addition, we have an interest through our WAVE joint venture in eight additional plants in six countries.

<u>Business Segment</u>	<u>Number of Plants</u>	<u>Location of Principal Facilities</u>
Resilient Flooring	12	U.S. (California, Illinois, Mississippi, Oklahoma, Pennsylvania), Australia, Germany, Sweden and the U.K.
Wood Flooring	10	U.S. (Arkansas, Kentucky, Missouri, North Carolina, Pennsylvania, Tennessee, Texas, West Virginia)
Building Products	13	U.S. (Florida, Georgia, Oregon, Pennsylvania), China, France, Germany and the U.K.
Cabinets	1	U.S. (Pennsylvania)

During the first quarter of 2010, we announced the shutdown of finished goods production at two Wood Flooring plants and the restarting of certain operations at a previously idled Wood Flooring plant.

Sales and administrative offices are leased and/or owned worldwide, and leased facilities are utilized to supplement our owned warehousing facilities.

Production capacity and the extent of utilization of our facilities are difficult to quantify with certainty. In any one facility, utilization of our capacity varies periodically depending upon demand for the product that is being manufactured. We believe our facilities are adequate and suitable to support the business. Additional incremental investments in plant facilities are made as appropriate to balance capacity with anticipated demand, improve quality and service, and reduce costs.

ITEM 3. LEGAL PROCEEDINGS

See Note 30 to the Consolidated Financial Statements, which is incorporated herein by reference, for a full description of our legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of stockholders during the fourth quarter of 2009.

ITEM 4A. EXECUTIVE OFFICERS OF THE COMPANY

Executive Officer Information

The following information is current as of February 26, 2010. Each executive officer serves a one-year term until reelected or until his earlier death, resignation, retirement or removal.

Michael D. Lockhart

Age 60 — Chairman of the Board and President since March 2001; Chairman of the Board, President and Chief Executive Officer since December 2002; Chairman and Chief Executive Officer of the Company's former holding company from August 2000 — December 2007. 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. Mr. Lockhart is a member of the Board of Directors of the Norfolk Southern Corporation and a member of the Business Council for the Booth School of Business at the University of Chicago. Pursuant to a separation agreement effective February 28, 2010, between Mr. Lockhart and the Company, Mr. Lockhart will step down as Chief Executive Officer and President of the Company and Chairman and member of the Board of Directors. Terms of the separation agreement are set forth in the Current Report on Form 8-K dated February 10, 2010. James J. O'Connor, currently Lead Director, will serve as non-executive Chairman of the Board after Mr. Lockhart's departure.

Thomas B. Mangas

Age 42 — Senior Vice President and Chief Financial Officer since February 2010. Previously, Vice President and Chief Financial Officer of Beauty & Grooming Business of the Procter & Gamble Company ("P&G"). He previously served as General Manager and Chief Financial Officer of the Fabric Care Global Business Unit of P&G from 2005 — 2008 and Director and Chief Financial Officer of P&G Tüketim Mallari A.S. from 2003 — 2005.

Stephen F. McNamara

Age 43 — Vice President and Controller since July 2008. Previously, Director, Internal Audit, November 2005 — July 2008; Assistant Controller, October 2001 — November 2005; Manager of External Reporting, May 1999 — October 2001. Prior to that he was Assistant Controller with Hunt Corporation (a former international art and office supply company).

Jeffrey D. Nickel

Age 47 — Senior Vice President, Secretary and General Counsel since August 2008. Previously Senior Vice President and General Counsel since July 2008; previously Deputy General Counsel — Business and Commercial Law, September 2001 — July 2008. Prior to that he worked for Dow Corning Corporation (specialty chemical company), December 1992 — September 2001, his last title being senior attorney.

Frank J. Ready

Age 48 — Executive Vice President and Chief Executive Officer, Flooring Products North America and Floor Asia since January 2010. Previously Executive Vice President and Chief Executive Officer North American Flooring Products from April 2008 — January 2010. Previously, President and Chief Executive Officer, North American Flooring Operations, June 2004 — April 2008. Previously Senior Vice President, Sales and Marketing, July 2003 — June 2004; Senior Vice President, Operations, December 2002 — July 2003; Senior Vice President, Marketing, June 2000 — December 2002.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

AWI's common shares trade on the New York Stock Exchange under the ticker symbol "AWI". As of February 18, 2010, there were approximately 500 holders of record of AWI's Common Stock.

	First	Second	Third	Fourth	Total Year
2009					
Price range of common stock—					
high	\$ 23.74	\$ 21.80	\$ 35.50	\$ 45.45	\$ 45.45
Price range of common stock—low	\$ 9.42	\$ 10.55	\$ 15.05	\$ 33.14	\$ 9.42
2008					
Price range of common stock—					
high	\$ 40.98	\$ 39.44	\$ 40.19	\$ 28.94	\$ 40.98
Price range of common stock—low	\$ 26.25	\$ 28.92	\$ 27.10	\$ 13.79	\$ 13.79

The above figures represent the high and low intra-day sale prices for our common stock as reported by the New York Stock Exchange.

On February 25, 2008, our Board of Directors declared a special cash dividend of \$4.50 per common share, payable on March 31, 2008, to shareholders of record on March 11, 2008. This special cash dividend resulted in an aggregate cash payment to our shareholders of \$256.4 million. There were no dividends declared during 2009.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share ¹	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ²	Maximum Number of Shares that may yet be Purchased under the Plans or Programs
October 2009	—	—	—	—
November 2009	1,531	\$ 44.13	—	—
December 2009	—	—	—	—
Total	1,531		N/A	N/A

¹ Shares reacquired through the withholding of shares to pay employee tax obligations upon the vesting of restricted shares previously granted under the 2006 Long Term Incentive Plan.

² The Company does not have a share buy-back program.

ITEM 6. SELECTED FINANCIAL DATA

	Successor Company				Predecessor Company	
	Year 2009	Year 2008	Year 2007	Three Months Ended December 31, 2006	Nine Months Ended September 30, 2006 ⁽¹⁾	Year 2005
(Dollars in millions except for per-share data)						
Income statement data						
Net sales	\$2,780.0	\$3,393.0	\$3,549.7	\$ 817.3	\$ 2,608.6	\$ 3,326.6
Cost of goods sold	2,159.0	2,632.0	2,687.5	660.9	2,030.2	2,654.0
Selling, general and administrative expenses	552.4	579.9	611.3	143.5	415.5	587.8
Intangible asset impairment	18.0	25.4	—	—	—	—
Restructuring charges, net	—	0.8	0.2	1.7	10.0	23.0
Equity (earnings) from joint ventures	(40.0)	(56.0)	(46.0)	(5.3)	(41.4)	(39.3)
Operating income	90.6	210.9	296.7	16.5	194.3	101.1
Interest expense	17.7	30.8	55.0	13.4	5.2	7.7
Other non-operating expense	0.9	1.3	1.4	0.3	1.0	1.5
Other non-operating (income)	(3.2)	(10.6)	(18.2)	(4.3)	(7.2)	(11.8)
Chapter 11 reorganization (income), net	—	—	(0.7)	—	(1,955.5)	(1.2)
Income tax (benefit) expense	(2.5)	109.0	106.4	3.8	726.6	(1.2)
Earnings from continuing operations	77.7	80.4	152.8	3.3	1,424.2	106.1
Per common share — basic (a)	\$ 1.36	\$ 1.41	\$ 2.69	\$ 0.06	n/a	n/a
Per common share — diluted (a)	\$ 1.36	\$ 1.41	\$ 2.69	\$ 0.06	n/a	n/a
Earnings (loss) from discontinued operations	—	0.6	(7.5)	(1.1)	(68.4)	5.0
Net earnings	\$ 77.7	\$ 81.0	\$ 145.3	\$ 2.2	\$ 1,355.8	\$ 111.1
Per common share — basic (a)	\$ 1.36	\$ 1.42	\$ 2.56	\$ 0.04	n/a	n/a
Per common share — diluted (a)	\$ 1.36	\$ 1.42	\$ 2.56	\$ 0.04	n/a	n/a
Dividends declared per share of common stock	—	\$ 4.50	—	—	—	—
Average number of common shares outstanding (in millions)	57.4	57.1	56.6	55.0	n/a	n/a
Average number of employees	11,400	12,500	13,500	14,500	14,700	14,900
Balance sheet data (end of period)						
Working capital	\$ 974.3	\$ 876.1	\$1,003.7	\$ 854.6		\$ 1,128.0
Total assets	3,302.6	3,351.8	4,639.4	4,152.7		4,602.1
Liabilities subject to compromise	—	—	—	1.3		4,869.4
Net long-term debt (b)	432.5	454.8	485.8	801.5		21.5
Total equity (deficit)	1,907.9	1,751.3	2,444.1	2,172.1		(1,312.0)

(1) Reflects the effects of the Plan of Reorganization and fresh-start reporting. AWI and its subsidiaries adopted fresh-start reporting upon AWI emerging from Chapter 11. Consequently, the impact of emergence, including the gain on settlement of liabilities subject to compromise and the gain on fresh-start reporting, is reflected in the Predecessor Company for the nine months ended September 30, 2006 and the results of operations beginning October 1, 2006 are reflected within the Successor Company.

Notes:

- (a) See definition of basic and diluted earnings per share in Note 2 to the Consolidated Financial Statements. The common stock of the Predecessor Company was not publicly traded.
- (b) Net long-term debt excludes debt subject to compromise for 2005.

Certain prior year amounts have been reclassified to conform to the current year presentation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Armstrong World Industries, Inc. ("AWI") is a Pennsylvania corporation incorporated in 1891. When we refer to "we", "our" and "us" in this report, we are referring to AWI and its subsidiaries.

This discussion should be read in conjunction with the financial statements and the accompanying notes included elsewhere in this Form 10-K. This discussion contains forward-looking statements based on our current expectations, which are inherently subject to risks and uncertainties. Actual results and the timing of certain events may differ significantly from those referred to in such forward-looking statements. We undertake no obligation beyond what is required under applicable securities law to publicly update or revise any forward-looking statement to reflect current or future events or circumstances, including those set forth in the section entitled "Uncertainties Affecting Forward-Looking Statements" and elsewhere in this Form 10-K.

Financial performance metrics excluding the translation effect of changes in foreign exchange rates are not in compliance with U.S. generally accepted accounting principles ("GAAP"). We believe that this information improves the comparability of business performance by excluding the impact of changes in foreign exchange rates when translating comparable foreign currency amounts. We calculate the translation effect of foreign exchange rates by applying constant foreign exchange rates to the equivalent periods' reported foreign currency amounts. We believe that this non-GAAP metric provides a clearer picture of our operating performance. Furthermore, management evaluates the performance of the businesses excluding the effects of foreign exchange rates.

We maintain a website at <http://www.armstrong.com>. Information contained on our website is not incorporated into this document. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports and other information about us are available free of charge through this website as soon as reasonably practicable after the reports are electronically filed with the Securities and Exchange Commission ("SEC"). These materials are also available from the SEC's website at www.sec.gov.

OVERVIEW

We are a leading global producer of flooring products and ceiling systems for use primarily in the construction and renovation of residential, commercial and institutional buildings. Through our United States ("U.S.") operations and U.S. and international subsidiaries, we design, manufacture and sell flooring products (primarily resilient and wood) and ceiling systems (primarily mineral fiber, fiberglass and metal) around the world. We also design, manufacture and sell kitchen and bathroom cabinets in the U.S. As of December 31, 2009 we operated 36 manufacturing plants in nine countries, including 22 plants located throughout the U.S. In response to economic conditions during 2009, we idled a Resilient Flooring plant in Canada, a Wood Flooring plant in Mississippi and a Building Products plant in Alabama, and we closed a Cabinets plant in Nebraska and a previously idled Wood Flooring plant in Tennessee.

Through Worthington Armstrong Venture ("WAVE"), our joint venture with Worthington Industries, Inc., we also have an interest in eight additional plants in six countries that produce suspension system (grid) products for our ceiling systems.

We report our financial results through the following segments: Resilient Flooring, Wood Flooring, Building Products, Cabinets and Unallocated Corporate. See "Results of Operations" and "Reportable Segment Results" for additional financial information on our consolidated company and our segments.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

Our consolidated net sales for 2009 were \$2.8 billion, approximately 18% less than consolidated net sales in 2008. Operating income was \$90.6 million in 2009, as compared to \$210.9 million in 2008. The decline in sales was primarily due to lower volume in residential and commercial markets around the world. The margin impact from sales volume declines offset the combined benefit from input cost deflation, reduced manufacturing costs and lower selling, general and administrative ("SG&A") expenses. In addition, operating income was reduced by a \$31.6 million non-cash charge from accelerated vesting of stock-based compensation due to a transaction between Armor TPG Holdings LLC ("TPG") and the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust ("Asbestos PI Trust"). See Note 23 to the Consolidated Financial Statements.

- **Resilient Flooring** sales declined across geographic regions on lower volumes. Despite lower sales, operating income improved compared to the prior year due to input cost deflation, lower manufacturing and SG&A expenses and fewer expenses related to cost reduction actions.
- **Wood Flooring** sales continued to decline due to weak domestic residential housing markets. Operating loss was greater than the prior year as the margin impact of lower volumes more than offset raw material deflation, lower manufacturing costs and reduced SG&A expenses. Both years included significant intangible asset impairment charges.
- **Building Products** sales declined due to lower activity in global commercial construction markets. Operating income also declined as the margin impact of lower volumes more than offset lower manufacturing costs and reduced SG&A expenses.
- **Cabinets** sales and operating income declined primarily due to weak domestic residential housing markets. A reduction in manufacturing expense was offset by charges related to a plant closure.
- **Corporate Unallocated** expense increased \$38.3 million primarily due to a \$31.6 million non-cash charge from accelerated vesting of stock-based compensation due to a transaction between TPG and the Asbestos PI Trust.

Factors Affecting Revenues

For an estimate of our segments' 2009 net sales by major markets, see "Markets" in Item 1. Business of this Form 10-K.

Markets. We compete in building material markets around the world. The majority of our sales are in North America and Europe. During 2009, these markets experienced the following:

- According to the U.S. Census Bureau, in 2009, housing starts of 0.55 million units in the U.S. residential market declined 38.7% compared to 2008. Housing completions in the U.S. decreased by 29.2% in 2009 with approximately 0.80 million units completed. The National Association of Realtors indicated that sales of existing homes increased 5.5% to 5.16 million units in 2009 from a level of 4.89 million in 2008.

According to the U.S. Census Bureau, U.S. retail sales through building materials, garden equipment and supply stores (an indicator of home renovation activity) decreased 11.3% in 2009 compared 2008.
- According to the U.S. Census Bureau the rate of growth in the North American key commercial market, in nominal dollar terms, was -14.7% in 2009. Construction activity in the office, healthcare, and retail segments decreased 19.5%, 0.5%, and 31.3% respectively, while activity in the education segment was up 0.3%. In the fourth quarter accelerating rates of decline across these segments caused an overall rate of decline of 22.1%.

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(dollar amounts in millions)

- Markets in European countries experienced broad declines. The declines were particularly acute in Eastern European markets.
- Activity in Pacific Rim markets was generally slow.

Quality and Customer Service Issues. Our quality and customer service are critical components of our total value proposition. In 2009, we experienced no significant quality or customer service issues.

Pricing Initiatives . We periodically modify prices in response to changes in costs for raw materials and energy, and to market conditions and the competitive environment. In certain cases, realized price increases are less than the announced price increases because of competitive reactions and changing market conditions. We did not introduce any significant pricing actions in 2009. We estimate prior year pricing actions increased our total consolidated net sales in 2009 by approximately \$33 million when compared to 2008.

Mix. Each of our businesses offers a wide assortment of products that are differentiated by style/design and by performance attributes. Pricing for products within the assortment varies. Changes in the relative quantity of products purchased at the different price points can affect year-to-year comparisons of net sales and operating income. Compared to 2008, we estimate mix changes increased our total consolidated net sales in 2009 by approximately \$6 million.

Factors Affecting Operating Costs

Operating Expenses. Our operating expenses are comprised of direct production costs (principally raw materials, labor and energy), manufacturing overhead costs, freight, costs to purchase sourced products and SG&A expenses.

Our largest individual raw material expenditures are for lumber and veneers, PVC resins and plasticizers. Natural gas is also a significant input cost. Fluctuations in the prices of these inputs are generally beyond our control and have a direct impact on our financial results. In 2009 these input costs were approximately \$62 million lower than in 2008.

Stock-based Compensation. In August 2009 TPG and the Asbestos PI Trust entered into an agreement whereby TPG purchased 7,000,000 shares of AWI common stock from the Asbestos PI Trust and acquired an economic interest in an additional 1,039,777 shares from the Asbestos PI Trust. The Asbestos PI Trust and TPG together hold more than 60% of AWI's outstanding shares and have entered into a shareholders' agreement pursuant to which the Asbestos PI Trust and TPG have agreed to vote their shares together on certain matters. Please refer to the shareholder's agreement incorporated by reference in this Form 10-K as Exhibit 99.2. Under the terms of the 2006 Long-Term Incentive Plan, a change in control occurred, causing the accelerated vesting of all unvested stock-based compensation issued to employees and directors. The non-cash charge to earnings related to this accelerated vesting was \$31.6 million and was recorded in the third quarter of 2009 in SG&A expenses.

Intangible Asset Impairments. During the fourth quarters of 2009 and 2008 we recorded non-cash impairment charges of \$18.0 million and \$25.4 million, respectively, to reduce the carrying amount of our Wood Flooring trademarks to their estimated fair value. The fair value in both years was negatively affected by lower expected future cash flows due to the decline in the U.S. residential housing market. The initial fair value for these intangible assets was determined in 2006 as part of fresh start reporting. See Note 11 to the Consolidated Financial Statements for more information.

Cost Reduction Initiatives. During 2009 we recorded \$12.7 million of charges primarily related to the closure of our Auburn, Nebraska Cabinets facility, organizational and manufacturing changes for our European Resilient Flooring business, and the closure of a previously idled Wood Flooring plant.

During 2008 we recorded \$20.0 million of charges (severance of \$17.7 million and accelerated depreciation of \$2.3 million) primarily related to organizational and manufacturing changes for our

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European Resilient Flooring business and the termination costs for certain corporate employees. The European organizational changes were due to the decision to consolidate and outsource several SG&A functions. The manufacturing changes primarily related to the decision to cease production of automotive carpeting and other specialized textile flooring products. These charges were recorded as part of cost of goods sold (\$7.3 million) and SG&A expense (\$12.7 million).

On-going Cost Improvements. In addition to the above-mentioned cost reduction initiatives, we have an ongoing focus on continually improving our cost structure. As a result of these cost reduction initiatives and our on-going improvement efforts, we have realized significant reductions in our manufacturing conversion costs. Additional charges may be incurred in future periods for further cost reduction actions.

See also "Results of Operations" for further discussion of other significant items affecting operating costs.

Factors Affecting Cash Flow

Typically, we generate cash in our operating activities. The amount of cash generated in a period is dependent on a number of factors, including the amount of operating profit generated, changes in the amount of working capital (such as inventory, receivables and payables) required to operate our businesses, and investments in property, plant & equipment and computer software ("PP&E").

During 2009 cash and cash equivalents increased by \$214.5 million. Net cash from operating activities of \$260.2 million and distributions from WAVE of \$53.5 million were partially offset by capital expenditures of \$105.1 million. During 2008, cash and cash equivalents decreased by \$159.3 million, with net cash from operating activities of \$214.2 million offset by a special cash dividend of \$256.4 million, and capital expenditures of \$95.0 million.

Employees

As of December 31, 2009, we had approximately 10,800 full-time and part-time employees worldwide. This compares to approximately 12,200 employees as of December 31, 2008. The decline related primarily to reductions in the manufacturing workforce as a result of significant sales volume declines.

During the first quarter of 2010, we announced the shutdown of finished goods production at two Wood Flooring plants and the restarting of certain operations at a previously idled Wood Flooring plant. We expect a net reduction in our employee headcount as a result of these actions of approximately 200 employees by the end of 2010.

During 2009, we negotiated five collective bargaining agreements and none of our locations experienced work stoppages. Throughout 2010, collective bargaining agreements covering approximately 800 employees at three plants are scheduled to expire.

CRITICAL ACCOUNTING ESTIMATES

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), we are required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and assumptions on an on-going basis, using relevant internal and external information. We believe that our estimates and assumptions are reasonable. However, actual results may differ from what was estimated and could have a significant impact on the financial statements.

We have identified the following as our critical accounting estimates. We have discussed these critical accounting estimates with our Audit Committee.

Fresh-Start Reporting and Reorganization Value — As part of our emergence from bankruptcy on October 2, 2006, we implemented fresh-start reporting. Our assets, liabilities and equity were adjusted to fair value. In this regard, our Consolidated Financial Statements for periods subsequent to October 2, 2006 reflect a new basis of accounting and are not comparable to our historical consolidated financial statements for periods prior to October 2, 2006.

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The adoption of fresh-start reporting had a material effect on our Consolidated Financial Statements and was based on assumptions that employed a high degree of judgment. See Note 1 to the Consolidated Financial Statements for further information relative to our reorganization.

U.S. Pension Credit and Postretirement Benefit Costs — We maintain pension and postretirement plans throughout the world, with the most significant plans located in the U.S. Our defined benefit pension and postretirement benefit costs are developed from actuarial valuations. These valuations are calculated using a number of assumptions. Each assumption represents management's best estimate of the future. The assumptions that have the most significant impact on reported results are the discount rate, the estimated long-term return on plan assets and the estimated inflation in health care costs. These assumptions are generally updated annually.

The discount rate is used to determine retirement plan liabilities and to determine the interest cost component of net periodic pension and postretirement cost. Management utilizes the Hewitt above median yield curve, which is a hypothetical AA yield curve comprised of a series of annualized individual discount rates, as the primary basis for determining the discount rate. As of December 31, 2009 and 2008, we assumed a discount rate of 5.60% for the U.S. defined benefit pension plans. As of December 31, 2009, we assumed a discount rate of 5.30% compared with a discount rate of 5.60% as of December 31, 2008 for the U.S. postretirement plans. The effects of the change in discount rate will be amortized into earnings as described below. A one-quarter percentage point decrease in the discount rates for the U.S. pension and postretirement plans would decrease 2010 operating income by \$4.3 million. A one-quarter percentage point increase in the discount rates would increase 2010 operating income by \$3.7 million.

We have two U.S. defined benefit pension plans, a qualified funded plan and a nonqualified unfunded plan. For the qualified funded plan, the expected long-term return on plan assets represents a long-term view of the future estimated investment return on plan assets. This estimate is determined based on the target allocation of plan assets among asset classes and input from investment professionals on the expected performance of the asset classes over 10 to 20 years. Historical asset returns are monitored and considered when we develop our expected long-term return on plan assets. An incremental component is added for the expected return from active management based both on the plan's experience and on historical information obtained from the plan's investment consultants. These forecasted gross returns are reduced by estimated management fees and expenses, yielding a long-term rate of return of 8% per annum. The expected asset return assumption is based upon a long-term view; therefore, we do not expect to see frequent changes from year to year based on positive or negative actual performance in a single year. Over the 10 year period ended December 31, 2009, the annualized return was approximately 6.2% compared to an average expected return of 8.4%. The actual return on plan assets achieved for 2009 was 16.3%. The difference between the actual and expected rate of return on plan assets will be amortized into earnings as described below.

Although our qualified funded plan was underfunded on a GAAP basis as of December 31, 2008, it returned to an overfunded position as of December 31, 2009. In both years, the plan remained overfunded for purposes of calculating required contributions. We do not expect the decrease in plan assets in 2008 to lead to significant pension funding contributions over the next few years.

The expected long-term return on plan assets used in determining our 2009 U.S. pension credit was 8%. We have also assumed a return on plan assets during 2010 of 8%. The 2010 expected return on assets was calculated in a manner consistent with 2009. A one-quarter percentage point increase or decrease in this assumption would increase or decrease 2010 operating income by approximately \$5.2 million.

Contributions to the unfunded plan were \$3.3 million in 2009 and were made on a monthly basis to fund benefit payments. We estimate the 2010 contributions will be approximately \$3.3 million. See Note 17 to the Consolidated Financial Statements for more information.

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The estimated inflation in health care costs represents a long-term view (5-10 years) of the expected inflation in our postretirement health care costs. We separately estimate expected health care cost increases for pre-65 retirees and post-65 retirees due to the influence of Medicare coverage at age 65, as illustrated below:

	Assumptions			Actual		
	Post 65	Pre 65	Overall	Post 65	Pre 65	Overall
2008	11.0%	10.5%	10.8%	(5)%	12%	0%
2009	10.0%	9.5%	9.8%	(7)%	(1)%	(5)%
2010	9.0%	8.5%	8.8%			

Actual health care costs were lower than expected in 2009, primarily due to favorable claims experience. The difference between the actual and expected health care costs is amortized into earnings as described below. As of December 31, 2009, health care cost increases are estimated to decrease by one percentage point per year until 2014, after which they are estimated to be constant at 5%. A one percentage point increase in the assumed health care cost trend rate would reduce 2010 operating income by \$1.2 million, while a one percentage point decrease in the assumed health care cost trend rate would increase 2010 operating income by \$1.2 million. See Note 17 to the Consolidated Financial Statements for more information.

Actual results that differ from our various pension and postretirement plan estimates are captured as actuarial gains/losses. When certain thresholds are met, the gains and losses are amortized into future earnings over the expected remaining service period of plan participants, which is approximately nine years. Changes in assumptions could have significant effects on earnings in future years.

Impairments of Long-Lived Tangible and Intangible Assets — In connection with our adoption of fresh-start reporting upon emerging from Chapter 11 in 2006, all long-lived tangible and intangible assets were adjusted to fair value. Our indefinite-lived intangibles are primarily trademarks and brand names, which are integral to our corporate identity and expected to contribute indefinitely to our corporate cash flows. Accordingly, they have been assigned an indefinite life. We conduct our annual impairment test for non-amortizable intangible assets during the fourth quarter, although we conduct interim impairment tests if events or circumstances indicate the asset might be impaired. We conduct impairment tests for tangible assets and amortizable intangible assets when indicators of impairment exist, such as operating losses and/or negative cash flows. If an indication of impairment exists, we compare the carrying amount of the asset group to the estimated undiscounted future cash flows expected to be generated by the assets. The estimate of an asset group's fair value is based on discounted future cash flows expected to be generated by the asset group, or based on management's estimated exit price assuming the assets could be sold in an orderly transaction between market participants or estimated salvage value if no sale is assumed. If the fair value is less than the carrying value of the asset group, we record an impairment charge equal to the difference between the fair value and carrying value of the asset group.

The principal assumptions utilized in our impairment tests for tangible and definite-lived intangible assets include discount rate and operating profit adjusted for depreciation and amortization. The principal assumptions utilized in our impairment tests for indefinite-lived intangible assets include revenue growth rate, discount rate and royalty rate. Revenue growth rate and operating profit assumptions are consistent with those utilized in our operating plan and strategic planning process. The discount rate assumption is calculated based upon an estimated weighted average cost of equity which reflects the overall level of inherent risk and the rate of return a market participant would expect to achieve. Methodologies used for valuing our tangible and intangible assets did not change from prior periods.

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The cash flow estimates used in applying our impairment tests are based on management's analysis of information available at the time of the impairment test. Actual cash flows lower than the estimate could lead to significant future impairments. If subsequent testing indicates that new fair values have declined, the carrying values would be reduced and our future statements of income would be affected.

During the fourth quarters of 2009 and 2008, we recorded non-cash impairment charges of \$18.0 million and \$25.4 million, respectively, to reduce the carrying amount of our Wood Flooring trademarks to their estimated fair value based on the results of our annual impairment test. The fair value in both years was negatively affected by lower expected future cash flows due to the decline in the U.S. residential housing market. The initial fair value for these intangible assets was determined in 2006 as part of fresh start reporting. The remaining carrying value of the Wood Flooring trademarks at December 31, 2009 was \$64.6 million. Material uncertainties that could lead to future material impairment charges for Wood Flooring intangible assets include significant declines in residential U.S. housing starts and renovation activity below our expectations. We have assumed depressed market activity in 2010 but anticipate market recovery starting in 2011.

During 2009 we tested the tangible assets and amortizable intangible assets of several asset groups within our Building Products Americas, Building Products Europe, Resilient Flooring Americas, Resilient Flooring Europe, and Cabinets reporting units for impairment due to negative earnings, negative cash flows or other indicators of impairment. Based upon the impairment testing, the carrying value of the tangible assets for each of these asset groups was determined to be recoverable (except as discussed below); the related undiscounted cash flows and/or fair value significantly exceeded the carrying value of assets.

The European Resilient Flooring business had operating losses and negative cash flows during 2009. We have assumed further short-term declines in this market in 2010 but anticipate future recovery starting in 2011. Based on our on-going evaluation of strategic alternatives for our European flooring business, we reevaluated our asset groups within the European Resilient Flooring reporting unit. Accordingly, during the fourth quarter of 2009 we recorded a \$3.0 million impairment charge on tangible assets, primarily machinery and equipment, for one of the asset groups within our European Resilient Flooring reporting unit. The fair values of land and buildings were determined by management estimates of market prices and independent valuations of the land and buildings based on observable market data. This data includes recent sales and leases of comparable properties with similar characteristics within the same local real estate market. The fair values of machinery and equipment were determined by management based on estimated sales and salvage value, which are unobservable inputs. The remaining carrying value of tangible assets within the European Resilient Flooring business was \$102.2 million as of December 31, 2009, with land and buildings representing the significant majority. Material uncertainties that could lead to a future material impairment charge include the level of European commercial construction and renovation activity.

We cannot predict the occurrence of certain events that might lead to material impairment charges in the future. Such events may include, but are not limited to, the impact of economic environments, particularly related to the commercial and residential construction industries, material adverse changes in relationships with significant customers, or strategic decisions made in response to economic and competitive conditions.

See Notes 3 and 11 to the Consolidated Financial Statements for further information.

Sales-related Accruals — We provide direct customer and end-user warranties for our products. These warranties cover manufacturing defects that would prevent the product from performing in line with its intended and marketed use. The terms of these warranties vary by product line and generally provide for the repair or replacement of the defective product. We collect and analyze warranty claims data with a focus on the historical amount of claims, the products involved, the amount of time between the warranty claims and the products' respective sales, and the amount of current sales.

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We also maintain numerous customer relationships that incorporate sales incentive programs (primarily volume rebates and promotions). The rebates vary by customer and usually include tiered incentives based on the level of customers' purchases. Certain promotional allowances are also tied to customer purchase volumes. We estimate the amount of expected annual sales during the course of the year and use the projected sales amount to estimate the cost of the incentive programs. For sales incentive programs that are on the same calendar basis as our fiscal calendar, actual sales information is used in the year-end accruals.

While historical results have not differed materially from our estimated accruals, future experience related to these accruals could differ significantly from the estimated amounts during the year. If this occurs, we would adjust our accruals accordingly. Our sales-related accruals totaled \$54.4 million and \$64.5 million as of December 31, 2009 and 2008, respectively. We record the costs of these accruals as a reduction of gross sales.

Income Taxes — Our effective tax rate is primarily determined based on our pre-tax income and the statutory income tax rates in the jurisdictions in which we operate. The effective tax rate also reflects the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Some of these differences are permanent, such as expenses that are not deductible in our tax returns, and some differences are temporary, reversing over time, such as depreciation expense. These temporary differences create deferred income tax assets and liabilities. Deferred tax assets are also recorded for operating loss, capital loss and tax credit carryforwards.

Deferred income tax assets and liabilities are recognized by applying enacted tax rates to temporary differences that exist as of the balance sheet date. We record valuation allowances to reduce our deferred income tax assets if it is more likely than not that some portion or all of the deferred income tax assets will not be realized. As of December 31, 2009, we have recorded valuation allowances totaling \$155.4 million for various federal, state and foreign net operating loss, capital loss and foreign tax credit carryforwards. While we have considered future taxable income in assessing the need for the valuation allowances based on our best available projections, if these estimates and assumptions change in the future or if actual results differ from our projections, we may be required to adjust our valuation allowances accordingly. Such adjustment could be material to our Consolidated Financial Statements.

As further described in Note 15 to the Consolidated Financial Statements, our Consolidated Balance Sheet as of December 31, 2009 includes net deferred income tax assets of \$572.5 million. Included in these amounts are deferred federal and state income tax assets of \$173.1 million and \$62.2 million, respectively, relating to federal and state net operating loss carryforwards. These net operating losses arose primarily as a result of the amounts paid to the Asbestos PI Trust in 2006. We have concluded that all but \$22.3 million of these income tax benefits are more likely than not to be realized in the future.

Inherent in determining our effective tax rate are judgments regarding business plans and expectations about future operations. These judgments include the amount and geographic mix of future taxable income, limitations on usage of net operating loss carryforwards after emergence from bankruptcy, potential tax law changes, the impact of ongoing or potential tax audits, earnings repatriation plans and other future tax consequences.

We establish reserves for tax positions that management believes are supportable, but are potentially subject to challenge by the applicable taxing authorities. We review these tax uncertainties in light of the changing facts and circumstances and adjust them when warranted. We have several tax audits in process in various jurisdictions.

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ACCOUNTING PRONOUNCEMENTS EFFECTIVE IN FUTURE PERIODS

In June 2009 the Financial Accounting Standards Board ("FASB") issued new guidance, which is now part of Accounting Standards Codification ("ASC") 810, " *Consolidations* ", which amends the consolidation guidance applicable to variable interest entities. These provisions of ASC 810 are effective as of the beginning of the first fiscal year that begins after November 15, 2009. We do not expect a material impact on our financial statements from the adoption of this guidance.

In January 2010 the FASB issued new guidance, which is now part of ASC 810, " *Consolidations* ". The revised scope of the decrease-in-ownership provisions clarifies that transfers of a subsidiary that constitute a business or nonprofit activity to an equity-method investee or joint venture and transfers of groups of assets that constitute a business or nonprofit activity in exchange for a noncontrolling interest in an entity, including an equity-method investee or joint venture, are within the scope of ASC 810 rather than being within the scope of guidance applicable to equity-method investees and joint ventures or nonmonetary exchanges. These provisions of ASC 810 are effective upon issuance. There was no material impact on our financial statements from the adoption of this guidance in January 2010.

In January 2010 the FASB issued new guidance, which is now part of ASC 820, " *Fair Value Measurements and Disclosures* ". The new guidance requires disclosures of the amounts of assets and liabilities transferred into and out of Levels 1 and 2, along with a description of the reasons for the transfers. The new guidance also requires additional disclosures related to activity presented for Level 3 measurements. These provisions of ASC 820 are effective for interim and annual reporting periods beginning after December 15, 2009, except for the additional disclosures related to activities for Level 3 measurements which are required for fiscal years beginning after December 15, 2010 and interim periods within those years. We do not expect any impact on our financial statements from the adoption of this guidance.

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RESULTS OF OPERATIONS

Unless otherwise indicated, net sales in these results of operations are reported based upon the location where the sale was made. Certain prior year amounts have been reclassified to conform to the current year presentation. Please refer to Note 3 to the Consolidated Financial Statements for a reconciliation of segment operating income to consolidated earnings from continuing operations before income taxes.

2009 COMPARED TO 2008**CONSOLIDATED RESULTS**

	2009	2008	Change is (Unfavorable)	
			As Reported	Excluding Effects of Foreign Exchange Rates ⁽¹⁾
Net sales:				
Americas	\$ 1,995.6	\$ 2,384.4	(16.3)%	(15.9)%
Europe	626.0	826.0	(24.2)%	(16.8)%
Pacific Rim	158.4	182.6	(13.3)%	(7.7)%
Total consolidated net sales	\$ 2,780.0	\$ 3,393.0	(18.1)%	(15.6)%
Cost of goods sold	2,159.0	2,632.0		
SG&A expenses	552.4	579.9		
Intangible asset impairment	18.0	25.4		
Restructuring charges, net	—	0.8		
Equity earnings from joint ventures	(40.0)	(56.0)		
Operating income	\$ 90.6	\$ 210.9	(57.0)%	(55.7)%
Interest expense	17.7	30.8		
Other non-operating expense	0.9	1.3		
Other non-operating (income)	(3.2)	(10.6)		
Income tax (benefit) expense	(2.5)	109.0		
(Gain) from discontinued operations	—	(0.6)		
Net earnings	\$ 77.7	\$ 81.0		

(1) Excludes unfavorable foreign exchange rate effect in translation of \$110.9 million on consolidated net sales and \$8.4 million on operating income

Consolidated net sales, excluding the translation effect of changes in foreign exchange rates, declined approximately 16% as significant volume declines more than offset very modest improvements in price realization (as described previously in "Pricing Initiatives").

Net sales in the Americas decreased approximately 16% as volume declined in all segments.

Excluding the translation effect of changes in foreign exchange rates, net sales in the European markets decreased by approximately 17%. Lower volume for Building Products was partially offset by modestly improved product mix, while Resilient Flooring sales declined on lower volume.

Excluding the translation effect of changes in foreign exchange rates, net sales in the Pacific Rim decreased approximately 8% on lower volumes.

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2009 and 2008 operating expenses were impacted by several significant items. The significant items which impacted cost of goods sold ("COGS"), SG&A expenses and restructuring charges include:

Increase / (Reduction) in Expenses			
Item	Where Reported	2009	2008
Cost reduction initiatives expenses ⁽¹⁾	COGS	\$ 12.8	\$ 7.3
Fixed asset impairment ⁽²⁾	COGS	3.0	2.9
Cost reduction initiatives (income) expenses ⁽¹⁾	SG&A	(0.1)	12.7
Environmental insurance settlement ⁽³⁾	SG&A	—	(6.9)
Chapter 11 related post-emergence (income) ⁽⁴⁾	SG&A	—	(1.3)
Review of strategic alternatives ⁽⁵⁾	SG&A	—	1.2
Intangible asset impairment ⁽⁶⁾	Intangible asset impairment	18.0	25.4
Cost reduction initiatives expenses ⁽⁷⁾	Restructuring	—	0.8
Accelerated stock-based compensation expense ⁽⁸⁾	SG&A	31.6	—

(1) See "Factors Affecting Operating Costs" for a discussion of the cost reduction initiatives.

(2) In 2009 and 2008 we recorded fixed asset impairment charges related to certain European Resilient Flooring assets.

(3) In 2008, we received an insurance settlement related to an environmental matter.

(4) Represents the reversal of a contingent liability that was no longer owed to creditors after our final Chapter 11 distribution.

(5) These expenses were incurred, primarily from advisors, in conducting our review of strategic alternatives which concluded in 2008.

(6) During the fourth quarters of 2009 and 2008, we recorded non-cash impairment charges of our Wood Flooring trademarks.

(7) Represents an increase to a previously recorded reserve for a noncancelable U.K. operating lease which extends through 2017.

(8) Represents non-cash charges related to accelerated vesting of stock-based compensation issued to employees and directors.

Cost of goods sold was 77.7% of net sales in 2009 compared to 77.6% of net sales in 2008. Reduced input and manufacturing costs offset the decline in sales.

SG&A expenses in 2009 were \$552.4 million, or 19.9% of net sales compared to \$579.9 million, or 17.1% of net sales in 2008. The change in expense was primarily due to reduced spending in all segments, partially offset by the \$31.6 million accelerated stock-based compensation expense. The increase in SG&A expenses as a percent of net sales is due to the significant decrease in net sales.

Equity earnings, primarily from our WAVE joint venture, were \$40.0 million in 2009, as compared to \$56.0 million in 2008. See Note 10 to the Consolidated Financial Statements for further information.

Interest expense was \$17.7 million in 2009, compared to \$30.8 million in 2008. The reduction was primarily due to a drop in interest rates and a reduction in the average bank credit facility balance due to principal payments.

Income tax (benefit)/expense from continuing operations was \$(2.5) million and \$109.0 million in 2009 and 2008, respectively. The effective tax rate for 2009 was -3.3% as compared to a rate of 57.6% for 2008. The effective tax rate for 2009 was significantly lower than 2008 primarily due to the recognition of tax benefits related to the settlement of the Internal Revenue Service audit during July 2009.

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REPORTABLE SEGMENT RESULTS**Resilient Flooring**

	2009	2008	Change is Favorable (Unfavorable)	
			As Reported	Excluding Effects of Foreign Exchange Rates ⁽¹⁾
Net sales:				
Americas	\$ 673.1	\$ 786.2	(14.4)%	(13.8)%
Europe	294.3	355.1	(17.1)%	(9.3)%
Pacific Rim	64.3	78.8	(18.4)%	(11.9)%
Total segment net sales	\$ 1,031.7	\$ 1,220.1	(15.4)%	(12.5)%
Operating income (loss)	\$ 0.1	\$ (16.8)	Favorable	Favorable

⁽¹⁾ Excludes unfavorable foreign exchange rate effect in translation of \$45.8 million on net sales and \$1.3 million on operating income

Net sales in the Americas declined \$113.1 million due to volume declines on broad weakness in residential and commercial markets. Modest price realization was offset by a less profitable product mix.

Excluding the translation effect of changes in foreign exchange rates, net sales in European markets declined \$27.9 million due to lower volume.

Excluding the translation effect of changes in foreign exchange rates, net sales in the Pacific Rim declined \$7.9 million. Lower volume was partially offset by a better product mix.

Operating income increased as raw material deflation, lower freight costs, and reduced SG&A and manufacturing expenses offset the margin impact of lower volume and less profitable product mix. Operating income included European Resilient Flooring losses of \$25.7 million for 2009 and \$38.2 million for 2008. Both 2009 and 2008 results were affected by the items detailed in the following table.

Item	Increase / (Reduction) in Expenses	
	2009	2008
Cost reduction initiatives expenses ⁽¹⁾	\$ 4.7	\$ 14.1
Fixed asset impairments ⁽²⁾	3.0	2.9

(1) See "Factors Affecting Operating Costs" for a discussion of the cost reduction initiatives.

(2) Fixed asset impairment charges related to certain European Resilient Flooring assets.

Wood Flooring

	2009	2008	Change is (Unfavorable)
Operating (loss)	\$ (5.9)	\$ (2.4)	Unfavorable

⁽¹⁾ Virtually all Wood Flooring products are sold in the Americas, primarily in the U.S.

Net sales decreased by \$114.2 million due to lower volume driven by continued declines in domestic residential housing markets.

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Operating loss increased by \$3.5 million, primarily due to the margin impact of significantly lower sales partially offset by reduced manufacturing, SG&A, and raw material costs. In addition, both 2009 and 2008 operating profit was affected by items as detailed in the following table.

<u>Item</u>	<u>Increase / (Reduction) in Expenses</u>	
	<u>2009</u>	<u>2008</u>
Cost reduction initiatives expenses ⁽¹⁾	\$ 1.9	—
Intangible asset impairment ⁽²⁾	18.0	\$ 25.4

(1) See "Factors Affecting Operating Costs" for a discussion of the cost reduction initiatives.

(2) During the fourth quarters of 2009 and 2008, we recorded non-cash impairment charges to reduce the carrying amount of our Wood Flooring trademarks to their estimated fair value based on the results of our annual impairment test.

Building Products

	<u>2009</u>	<u>2008</u>	<u>Change is (Unfavorable)</u>	
			<u>As Reported</u>	<u>Excluding Effects of Foreign Exchange Rates ⁽¹⁾</u>
Net sales:				
Americas	\$ 661.9	\$ 794.4	(16.7)%	(16.1)%
Europe	331.7	470.9	(29.6)%	(22.4)%
Pacific Rim	94.1	103.8	(9.3)%	(4.7)%
Total segment net sales	\$ 1,087.7	\$ 1,369.1	(20.6)%	(17.2)%
Operating income	\$ 155.9	\$ 239.7	(35.0)%	(32.7)%

(1) Excludes unfavorable foreign exchange rate effect in translation of \$62.3 million on net sales and \$9.1 million on operating income

The Americas net sales decreased \$132.5 million primarily due to volume declines related to reduced commercial construction activity.

Excluding the translation effect of changes in foreign exchange rates, net sales in Europe declined by \$88.9 million due to significant volume declines in both Western and Eastern European markets associated with reduced commercial construction activity.

Excluding the translation effect of changes in foreign exchange rates, net sales in the Pacific Rim declined \$4.4 million on volume declines across the region, partially offset by modest improvement in product mix.

Operating income fell by \$83.8 million. The combination of volume declines and lower earnings from WAVE offset the benefits of reduced manufacturing and SG&A expenses, lower freight and modest price realization.

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Cabinets

	2009	2008	Change is (Unfavorable)
Total segment net sales ⁽¹⁾	\$ 150.2	\$ 179.2	(16.2)%
Operating (loss)	\$ (18.3)	\$ (6.7)	Unfavorable

(1) All Cabinet products are sold in the U.S.

Net sales declined \$29.0 million due to lower volume driven by continued declines in residential housing markets.

Operating loss increased \$11.6 million primarily due to the margin impact from lower sales, partially offset by lower manufacturing costs. In addition, 2009 operating profit was affected by the item as detailed in the following table.

Increase / (Reduction) in Expenses		
Item	2009	2008
Cost reduction initiatives expense ⁽¹⁾	\$ 6.1	—

(1) Costs due to Auburn plant closure.

Unallocated Corporate

Unallocated corporate expense of \$41.2 million in 2009 increased from \$2.9 million in 2008. The increase was primarily due to accelerated stock-based compensation expense related to a change in control event which resulted in a non-cash charge of \$31.6 million and a lower U.S. pension credit. In addition, 2009 and 2008 were affected by previously described items as detailed in the following table.

Increase / (Reduction) in Expenses		
Item	2009	2008
Cost reduction initiatives expenses ⁽¹⁾	—	\$ 6.7
Environmental insurance settlement ⁽²⁾	—	(6.9)
Chapter 11 related post-emergence expenses ⁽³⁾	—	(1.3)
Review of strategic alternatives ⁽⁴⁾	—	1.2
Accelerated stock-based compensation expense ⁽⁵⁾	\$ 31.6	—

(1) Represents costs for corporate severances, partially offset by related reductions in stock-based compensation expense, and restructuring costs.

(2) Represents gain from an insurance settlement related to an environmental matter.

(3) Represents the reversal of a contingent liability that was no longer owed to creditors after our final Chapter 11 distribution.

(4) These expenses were incurred, primarily from advisors, in conducting our review of strategic alternatives which concluded during 2008.

(5) Represents non-cash charges related to accelerated vesting of stock-based compensation issued to employees and directors.

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FINANCIAL CONDITION AND LIQUIDITYCash Flow

As shown on the Consolidated Statements of Cash Flows, our cash and cash equivalents balance increased by \$214.5 million for 2009 compared to a decrease of \$159.3 million in 2008.

Operating activities for 2009 provided \$260.2 million of net cash, primarily due to cash earnings and a decrease in inventories across all business units of \$105.9 million due to lower current and projected sales activity. Operating activities in 2008 provided \$214.2 million of net cash, primarily due to cash earnings and distributions from WAVE of \$61.0 million (which included a special distribution of \$5.5 million). These were partially offset by a reduction in accounts payable and accrued expenses of \$88.2 million, primarily due to lower activity and the payment of incentive accruals during the first quarter of 2008.

Investing activities in 2009 used \$41.0 million of cash primarily due to capital expenditures of \$105.1 million partially offset by distributions, classified as returns of investment, from WAVE of \$53.5 million. Investing activities in 2008 used \$75.7 million of cash primarily due to capital expenditures of \$95.0 million, partially offset by a special distribution, classified as a return of investment, from WAVE of \$19.5 million.

In 2008 WAVE distributed to us a total of \$80.5 million (including a special distribution of \$25.0 million). We use the equity in earnings method to determine appropriate classification within our Consolidated Statement of Cash Flows. During 2008 WAVE distributions exceeded our capital contributions and our proportionate share of retained earnings. Accordingly, \$19.5 million of the 2008 distributions were reflected as a return of investment in cash flows from investing activities. Total WAVE distributions to us in 2009 were \$53.5 million.

Financing activities in 2009 used \$26.7 million of cash primarily due to scheduled debt repayments. Financing activities in 2008 used \$277.0 million primarily due to a special cash dividend of \$256.4 million. See Liquidity discussion below.

Balance Sheet and Liquidity

Changes in significant balance sheet accounts and groups of accounts from December 31, 2008 to December 31, 2009 are as follows:

	December 31, 2009	December 31, 2008	Increase (Decrease)
Cash and cash equivalents	\$ 569.5	\$ 355.0	\$ 214.5
Current assets, excluding cash and cash equivalents	762.1	906.5	(144.4)
Current assets	<u>\$ 1,331.6</u>	<u>\$ 1,261.5</u>	<u>\$ 70.1</u>

The increase in cash and cash equivalents was previously described (see "Cash Flow"). The decrease in current assets, excluding cash and cash equivalents, is primarily due to lower inventory levels across all business units due to lower current and projected sales activity.

	December 31, 2009	December 31, 2008	Decrease
Property, plant and equipment, less accumulated depreciation and amortization ("PP&E")	\$ 929.2	\$ 954.2	\$ (25.0)

The decrease in PP&E was primarily due to depreciation of \$132.6 million and fixed asset impairments of \$3.0 million, partially offset by capital expenditures of \$105.1 million and the effects of foreign exchange.

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	December 31, 2009	December 31, 2008	Increase
Prepaid pension costs	\$ 114.3	\$ 0.3	\$ 114.0

The increase in prepaid pension costs occurred primarily because our U.S. qualified pension plan, which was underfunded at December 31, 2008, became overfunded in relation to its benefit obligation as of December 31, 2009 primarily due to asset investment gains in 2009.

	December 31, 2009	December 31, 2008	Decrease
Investment in joint venture	\$ 194.6	\$ 208.2	\$ (13.6)

The decrease in investments in affiliates was primarily due to distributions from WAVE of \$53.5 million partially offset by equity earnings of \$40.0 million.

	December 31, 2009	December 31, 2008	Decrease
Current installments of long-term debt	\$ 40.0	\$ 40.9	\$ (0.9)
Long-term debt, less current installments	432.5	454.8	(22.3)
Long-term debt	<u>\$ 472.5</u>	<u>\$ 495.7</u>	<u>\$ (23.2)</u>

The decrease in long-term debt was primarily due to scheduled debt repayments.

Liquidity

Our liquidity needs for operations vary throughout the year. We retain lines of credit to facilitate our seasonal needs. On October 2, 2006, Armstrong executed a \$1.1 billion senior credit facility with Bank of America, N.A., JPMorgan Chase Bank, N.A. and Barclays Bank PLC. This facility was made up of a \$300 million revolving credit facility (with a \$150 million sublimit for letters of credit), a \$300 million Term Loan A (due in October 2011), and a \$500 million Term Loan B (due in October 2013). There were no outstanding borrowings under the revolving credit facility, but \$41.8 million in letters of credit were outstanding as of December 31, 2009 and, as a result, availability under the revolving credit facility was \$258.2 million.

Letters of credit are issued to third party suppliers, insurance and financial institutions and typically can only be drawn upon in the event of AWI's failure to pay its obligations to the beneficiary.

As of December 31, 2009, we had \$569.5 million of cash and cash equivalents, \$328.2 million in the U.S. and \$241.3 million in various foreign jurisdictions.

On February 25, 2008, we executed an amendment to our senior credit facility. This amendment (a) permitted us to make "Special Distributions," including dividends (such as the special cash dividend described below) or other distributions (whether in cash, securities or other property) of up to an aggregate of \$500 million at any time prior to February 28, 2009 (this permission in the amendment expired on February 28, 2009), (b) requires that we maintain minimum domestic liquidity of at least \$100 million as of March 31, June 30, September 30 and December 31 of each year, which may be a combination of cash and cash equivalents and undrawn commitments under our revolving credit facility and (c) increased interest rates by 0.25% for the revolving credit facility and Term Loan A. As of December 31, 2009 our domestic liquidity was \$586.4 million.

In addition to the minimum domestic liquidity covenant, our credit facility contains two other financial covenants: minimum Interest Coverage of 3.00 to 1.00 and maximum Indebtedness to EBITDA of 3.75 to 1.00. Please refer to the credit facility filed with this Form 10-K as Exhibits 10.7 and 10.8. As of December 31, 2009 our consolidated interest coverage ratio was 15.2 to 1.00 and our indebtedness to EBITDA was 1.76 to 1.00. Management believes that based on current financial projections any default under these covenants is unlikely for the foreseeable future. As of December 31, 2009, fully borrowing

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under our revolving credit facility, provided we maintain minimum domestic liquidity of \$100 million, would not violate these covenants.

No mandatory prepayments are required under the senior credit facility unless (a) our Indebtedness to EBITDA ratio is greater than 2.5 to 1.0, or (b) debt ratings from S&P are lower than BB (stable), or (c) debt ratings from Moody's are lower than Ba2 (stable) based on our year end compliance certification. If required, the prepayment amount would be 50% of Consolidated Excess Cash Flow (as defined in the credit facility, filed with this 10-K as Exhibits 10.7 and 10.8). Mandatory prepayments have not occurred since the inception of the agreement. Our current debt rating from S&P is BB (stable) and from Moody's is Ba2 (stable).

On February 25, 2008, our Board of Directors declared a special cash dividend of \$4.50 per common share, payable on March 31, 2008, to shareholders of record on March 11, 2008. This special cash dividend resulted in an aggregate payment to our shareholders of \$256.4 million. The Board will continue to evaluate the return of cash to shareholders based on factors including actual and forecasted operating results, the outlook for global economies and credit markets, and our current and forecasted capital requirements.

As of December 31, 2009, our foreign subsidiaries had available lines of credit totaling \$24.9 million, of which \$1.0 million was used and \$2.2 million was available only for letters of credit and guarantees, leaving \$21.7 million of unused lines of credit available for foreign borrowings. However, these lines of credit are uncommitted, and poor operating results or credit concerns at the related foreign subsidiaries could result in the lines being withdrawn by the lenders. We have been able to maintain and, as needed, replace credit facilities to support our foreign operations.

In October 2007 we received \$178.7 million of federal income tax refunds. Upon receipt of the refunds, AWI recorded a liability of \$144.6 million in the fourth quarter of 2007 pending Internal Revenue Service ("IRS") review. During the second quarter of 2009, the IRS concluded its examination for the 2005 and 2006 tax years and approved the above refunds. Under the Internal Revenue Code, the refunds were subject to further review and approval by the Joint Committee on Taxation of the U.S. Congress ("Joint Committee"). In July 2009, we were notified by the IRS that the Joint Committee had approved our refunds. See Note 15 to the Consolidated Financial Statements.

We believe that cash on hand and generated from operations, together with lines of credit and the availability under the \$300 million revolving credit facility, will be adequate to address our foreseeable liquidity needs based on current expectations of our business operations and scheduled payments of debt obligations.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

2008 COMPARED TO 2007**CONSOLIDATED RESULTS**

	2008	2007	Change is Favorable/ (Unfavorable)	
			As Reported	Excluding Effects of Foreign Exchange Rates ⁽¹⁾
Net sales:				
Americas	\$ 2,384.4	\$ 2,614.7	(8.8)%	(9.1)%
Europe	826.0	774.4	6.7%	0.7%
Pacific Rim	182.6	160.6	13.7%	10.5%
Total consolidated net sales	\$ 3,393.0	\$ 3,549.7	(4.4)%	(6.0)%
Cost of goods sold	2,632.0	2,687.5		
SG&A expense	579.9	611.3		
Intangible asset impairment	25.4	—		
Restructuring charges, net	0.8	0.2		
Equity earnings from joint ventures	(56.0)	(46.0)		
Operating income	\$ 210.9	\$ 296.7	(28.9)%	(29.7)%
Interest expense	30.8	55.0		
Other non-operating expense	1.3	1.4		
Other non-operating (income)	(10.6)	(18.2)		
Chapter 11 reorganization (income), net	—	(0.7)		
Income tax expense	109.0	106.4		
(Gain) loss from discontinued operations	(0.6)	7.5		
Net earnings	\$ 81.0	\$ 145.3		

(1) Excludes favorable foreign exchange rate effect in translation of \$56.7 million on consolidated net sales and \$2.9 million on operating income

Consolidated net sales, excluding the translation effect of changes in foreign exchange rates, declined 6%. Volume declines more than offset improvements in price realization and an improved mix of higher value products.

Net sales in the Americas decreased approximately 9% as volume declines across the segments offset modest improvements in price realization and product mix in the Building Products and Resilient Flooring segments.

Excluding the translation effect of changes in foreign exchange rates, net sales in the European markets grew by \$6 million. Both Building Products and Resilient Flooring had modest price realization and improved product mix to offset lower volume.

Excluding the translation effect of changes in foreign exchange rates, net sales in the Pacific Rim increased \$18 million primarily due to volume growth.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

2008 and 2007 operating expenses were impacted by several significant items. The significant items which impacted cost of goods sold ("COGS"), SG&A expenses and restructuring charges include:

Increase / (Reduction) in Expenses			
Item	Where	2008	2007
	Reported		
Change in depreciation and amortization ⁽¹⁾	COGS	\$ 7.9	\$ 2.1
Impact on hedging-related activity ⁽¹⁾	COGS	—	(5.8)
Change in depreciation and amortization ⁽¹⁾	SG&A	1.5	0.6
Cost reduction initiatives expenses ⁽²⁾	COGS	7.3	—
Fixed asset impairment ⁽³⁾	COGS	2.9	—
Cost reduction initiatives expenses ⁽²⁾	SG&A	12.7	—
Insurance settlements ⁽⁴⁾	SG&A	(6.9)	(5.0)
Environmental accrual ⁽⁵⁾	SG&A	—	1.1
Chapter 11 related post-emergence (income) expenses ⁽⁶⁾	SG&A	(1.3)	7.1
Review of strategic alternatives ⁽⁷⁾	SG&A	1.2	8.7
Intangible asset impairment ⁽⁸⁾	Intangible asset impairment	25.4	—
Cost reduction initiatives expenses ⁽²⁾	Restructuring	0.8	0.2

(1) Charges related to fresh-start reporting.

(2) See "Factors Affecting Operating Costs" for a discussion of the cost reduction initiatives impacting 2008. 2007 expenses related to the closure of a Building Products plant in the Netherlands during 2005.

(3) In 2008 we recorded a fixed asset impairment charge related to certain European Resilient Flooring assets.

(4) In 2008, we received an insurance settlement related to an environmental matter. In 2007, we received an insurance settlement related to a Cabinets warehouse fire.

(5) We recorded an increase in the environmental accrual for a previously-owned property.

(6) These costs represent professional and administrative fees incurred primarily to resolve remaining claims related to AWI's Chapter 11 Case and distribute proceeds to creditors, and expenses incurred by Armstrong Holdings, Inc., our former publicly held parent holding company, as it completed its plan of dissolution. In addition, 2008 includes the impact of the reversal of a contingent liability that was no longer owed to creditors after our final Chapter 11 distribution was made.

(7) These expenses were incurred, primarily from advisors, in conducting our review of strategic alternatives which concluded during 2008.

(8) During the fourth quarter of 2008, we recorded a non-cash impairment charge of \$25.4 million to reduce the carrying amount of our Wood Flooring trademarks to their estimated fair value based on the results of our annual impairment test.

Cost of goods sold in 2008 was 77.6% of net sales, compared to 75.7% in 2007. The year-to-year increase in the percentages is primarily due to lower sales to cover fixed costs. The change in the percentages was also impacted by the items detailed in the above table.

SG&A expenses in 2008 were \$579.9 million, or 17.1% of net sales compared to \$611.3 million or 17.2% of net sales in 2007. The year-to-year change was primarily due to the factors detailed in the above table offset by a significant decrease in unallocated corporate expense due to lower incentive compensation costs. In addition, most businesses reduced spending in response to lower sales volumes.

Interest expense was \$30.8 million in 2008, compared to \$55.0 million in 2007. The reduction was primarily due to lower debt balances and lower interest rates in 2008 compared to 2007.

Income tax expense from continuing operations was \$109.0 million and \$106.4 million in 2008 and 2007, respectively. The effective tax rate for 2008 was 57.6% as compared to a rate of 41.0% for 2007. The effective tax rate for 2008 was higher than 2007 due to additional valuation allowances on deferred state and foreign income tax assets and interest on uncertain tax positions. Partially offsetting these items was the tax benefit in 2008 for the costs incurred in 2007 for the review of strategic alternatives.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

REPORTABLE SEGMENT RESULTS**Resilient Flooring**

	2008	2007	Change is Favorable/ (Unfavorable)	
			As Reported	Excluding Effects of Foreign Exchange Rates ⁽¹⁾
Net sales:				
Americas	\$ 786.2	\$ 826.4	(4.9)%	(5.2)%
Europe	355.1	331.9	7.0%	(0.2)%
Pacific Rim	78.8	72.5	8.7%	5.9%
Total segment net sales	\$ 1,220.1	\$ 1,230.8	(0.9)%	(3.1)%
Operating (loss) income	\$ (16.8)	\$ 40.4	Unfavorable	Unfavorable

(1) Excludes favorable foreign exchange rate effect in translation of \$28.4 million on net sales and \$2.5 million on operating income

Net sales in the Americas declined \$40.2 million. Volume declines due to broad weakness in residential markets and accelerating declines in commercial markets in the final two months of the year partially offset price realization and product mix improvement.

Excluding the translation effect of changes in foreign exchange rates, net sales in European markets were approximately flat as improved price and product mix offset lower volume.

Excluding the translation effect of changes in foreign exchange rates, net sales in the Pacific Rim grew \$4.4 million primarily due to improved product mix and modest price realization.

Operating income decreased significantly due to lower volume in the Americas and global raw material inflation. In addition, both 2008 and 2007 operating profit were impacted by the previously described items as detailed in the following table.

Item	Increase / (Reduction) in Expenses	
	2008	2007
Change in depreciation and amortization ⁽¹⁾	\$ 3.3	\$ 0.8
Impact on hedging-related activity ⁽¹⁾	—	(1.5)
Cost reduction initiatives expenses ⁽²⁾	14.1	—
Fixed asset impairment ⁽³⁾	2.9	—
Environmental accrual ⁽⁴⁾	—	1.1

(1) Charges related to fresh-start reporting.

(2) See "Factors Affecting Operating Costs" for a discussion of the cost reduction initiatives.

(3) In 2008 we recorded a fixed asset impairment charge related to certain European Resilient Flooring assets.

(4) We recorded an increase in the environmental accrual for a previously-owned property.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

Wood Flooring

	2008	2007	Change is (Unfavorable)
Total segment net sales ⁽¹⁾	\$ 624.6	\$ 791.6	(21.1)%
Operating (loss) income	\$ (2.4)	\$ 64.3	Unfavorable

⁽¹⁾ Virtually all Wood Flooring products are sold in the Americas, primarily in the U.S.

Net sales decreased by \$167.0 million due to lower volume driven by continued declines in residential housing markets.

Operating income declined by \$66.7 million, primarily due to significantly lower sales. Reduced manufacturing and SG&A costs partially offset the decline in sales. In addition, 2008 operating profit was impacted by previously described items as detailed in the following table.

Increase / (Reduction) in Expenses

Item	2008	2007
Change in depreciation and amortization ⁽¹⁾	\$ 1.0	\$ 0.2
Intangible asset impairment ⁽²⁾	25.4	—

⁽¹⁾ Charges related to fresh-start reporting.

⁽²⁾ During the fourth quarter of 2008, we recorded a non-cash impairment charge of \$25.4 million to reduce the carrying amount of our Wood Flooring trademarks to their estimated fair value based on the results of our annual impairment test.

Building Products

	2008	2007	Change is Favorable	
			As Reported	Excluding Effects of Foreign Exchange Rates ⁽¹⁾
Net sales:				
Americas	\$ 794.4	\$ 761.5	4.3%	4.0%
Europe	470.9	442.5	6.4%	1.4%
Pacific Rim	103.8	88.1	17.8%	14.4%
Total segment net sales	\$ 1,369.1	\$ 1,292.1	6.0%	3.8%
Operating income	\$ 239.7	\$ 221.4	8.3%	7.7%

⁽¹⁾ Excludes favorable foreign exchange rate effect in translation of \$27.4 million on net sales and \$1.2 million on operating income

The Americas net sales increased \$32.9 million. Price increases put in place to offset inflationary pressure and an improved product mix offset volume declines that accelerated in the fourth quarter. The improved product mix reflects a continued focus on developing and marketing high value products which satisfy today's design trends and higher acoustical performance needs.

Excluding the translation effect of changes in foreign exchange rates, net sales in Europe grew by \$6.4 million. The modest sales improvement was primarily due to improved price realization and volume growth in the emerging markets of Eastern Europe over the first three quarters of the year. These benefits offset growing volume declines in most Western European markets.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

Excluding the translation effect of changes in foreign exchange rates, net sales in the Pacific Rim grew \$13.1 million on volume growth in Australia, China and India. The pace of growth in China and India significantly slowed in the fourth quarter of the year.

Operating income grew by \$18.3 million. Price realization, improved product mix and higher earnings from WAVE more than offset inflation in input costs and volume declines. In addition, 2008 and 2007 operating profit were impacted by previously described items as detailed in the following table.

Item	Increase / (Reduction) in Expenses	
	2008	2007
Change in depreciation and amortization ⁽¹⁾	\$ 4.2	\$ 1.1
Impact on hedging-related activity ⁽¹⁾	—	(4.3)
Cost reduction initiatives expenses ⁽²⁾	—	0.2

(1) Charges related to fresh-start reporting.

(2) These expenses relate to the closure of a Building Products plant in The Netherlands. Production ceased at this plant in 2005.

Cabinets

	2008	2007	Change is (Unfavorable)
Total segment net sales ⁽¹⁾	\$ 179.2	\$ 235.2	(23.8)%
Operating (loss) income	\$ (6.7)	\$ 10.5	Unfavorable

(1) All Cabinet products are sold in the U.S.

Net sales declined \$56.0 million on significant volume declines related to further deterioration in the U.S. housing markets.

Operating income was \$17.2 million worse than the prior year, primarily due to the decline in sales. In addition, 2007 operating profit was impacted by the previously described item as detailed in the following table.

Item	Increase / (Reduction) in Expenses	
	2008	2007
Insurance settlement ⁽¹⁾	—	\$ (5.0)

(1) We received an insurance settlement related to a warehouse fire.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

Unallocated Corporate

Unallocated corporate expense of \$2.9 million in 2008 decreased from \$39.9 million in 2007. The decrease was primarily due to lower incentive compensation expense and items detailed in the following table.

Item	Increase / (Reduction) in Expenses	
	2008	2007
Change in depreciation and amortization ⁽¹⁾	\$ 0.9	\$ 0.6
Cost reduction initiatives expenses ⁽²⁾	6.7	—
Environmental insurance settlement ⁽³⁾	(6.9)	—
Chapter 11 related post-emergence expenses ⁽⁴⁾	(1.3)	7.1
Review of strategic alternatives ⁽⁵⁾	1.2	8.7

- (1) Charges related to fresh-start reporting.
- (2) Represents costs for corporate severances, partially offset by related reductions in stock-based compensation expense, and restructuring costs.
- (3) We received an insurance settlement related to an environmental matter.
- (4) These costs represent professional and administrative fees incurred primarily to resolve remaining claims related to AWI's Chapter 11 Case and distribute proceeds to creditors, and expenses incurred by Armstrong Holdings, Inc., our former publicly held parent holding company, as it completed its plan of dissolution. In addition, 2008 includes the impact of the reversal of a contingent liability that was no longer owed to creditors after our final Chapter 11 distribution was made.
- (5) These expenses were incurred, primarily from advisors, in conducting our review of strategic alternatives which concluded during 2008.

CASH FLOW

As shown on the Consolidated Statements of Cash Flows, our cash and cash equivalents balance decreased by \$159.3 million in 2008 compared to an increase of \$250.5 million in 2007.

Operating activities in 2008 provided \$214.2 million of net cash, primarily due to cash earnings and distributions from WAVE of \$61.0 million (which includes a special distribution of \$5.5 million). These were partially offset by a reduction in accounts payable and accrued expenses of \$88.2 million, primarily due to lower activity and the payment of incentive accruals during the first quarter of 2008. Operating activities in 2007 provided \$575.2 million of net cash, primarily due to cash earnings, net U.S. federal income tax refunds of \$209.1 million and distributions from WAVE of \$117.5 million (which includes special distributions of \$50.0 million).

Investing activities in 2008 used \$75.7 million of cash primarily due to capital expenditures of \$95.0 million, partially offset by a special distribution from WAVE of \$19.5 million, which was classified as a return of investment. Investing activities in 2007 used \$36.7 million of cash primarily due to capital expenditures of \$102.6 million partially offset by proceeds received from the divestiture of a business of \$58.8 million.

Financing activities in 2008 used \$277.0 million primarily due to a special cash dividend of \$256.4 million. Financing activities used \$305.4 million of cash in 2007 primarily due to voluntary principal debt prepayments of \$300 million.

OFF-BALANCE SHEET ARRANGEMENTS

No disclosures are required pursuant to Item 303(a)(4) of Regulation S-K.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

CONTRACTUAL OBLIGATIONS

As part of our normal operations, we enter into numerous contractual obligations that require specific payments during the term of the various agreements. The following table includes amounts ongoing under contractual obligations existing as of December 31, 2009. Only known payments that are dependent solely on the passage of time are included. Obligations under contracts that contain minimum payment amounts are shown at the minimum payment amount. Contracts that have variable payment structures without minimum payments are excluded. Purchase orders that are entered into in the normal course of business are also excluded because they are generally cancelable and not legally binding. Amounts are presented below based upon the currently scheduled payment terms. Actual future payments may differ from the amounts presented below due to changes in payment terms or events affecting the payments.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Thereafter</u>	<u>Total</u>
Long-term debt	\$ 40.1	\$ 234.8	\$ 3.5	\$ 184.1	\$ 0.1	\$ 10.0	\$ 472.6
Scheduled interest payments ⁽¹⁾	10.1	16.6	9.3	8.3	0.9	—	45.2
Operating lease obligations ⁽²⁾	12.2	8.8	5.7	3.0	1.4	4.0	35.1
Unconditional purchase obligations ⁽³⁾	30.2	6.8	1.8	—	—	—	38.8
Other long-term obligations ^{(4), (5)}	1.7	0.8	—	—	—	—	2.5
Total contractual obligations	<u>\$ 94.3</u>	<u>\$ 267.8</u>	<u>\$ 20.3</u>	<u>\$ 195.4</u>	<u>\$ 2.4</u>	<u>\$ 14.0</u>	<u>\$ 594.2</u>

(1) For debt with variable interest rates, we projected future interest payments based on market based interest rate swap curves.

(2) Lease obligations include the minimum payments due under existing agreements with noncancelable lease terms in excess of one year.

(3) Unconditional purchase obligations include (a) purchase contracts whereby we must make guaranteed minimum payments of a specified amount regardless of how little material is actually purchased ("take or pay" contracts) and (b) service agreements. Unconditional purchase obligations exclude contracts entered into during the normal course of business that are non-cancelable and have fixed per unit fees, but where the monthly commitment varies based upon usage. Cellular phone contracts are an example.

(4) Other long-term obligations include payments under severance agreements.

(5) Other long-term obligations does not include \$57.5 million of liabilities under ASC 740 "Income Taxes". Due to the uncertainty relating to these positions, we are unable to reasonably estimate the ultimate amount or timing of the settlement of these issues. See Note 15 to the Consolidated Financial Statements for more information.

We have issued financial guarantees to assure payment on behalf of our subsidiaries in the event of default on various debt and lease obligations in the table above. We have not issued any guarantees on behalf of joint-venture or unrelated businesses.

We are party to supply agreements, some of which require the purchase of inventory remaining at the supplier upon termination of the agreement. The last such agreement will expire in 2013. Had these agreements terminated at December 31, 2009, Armstrong would have been obligated to purchase approximately \$10.7 million of inventory. Historically, due to production planning, we have not had to purchase material amounts of product at the end of similar contracts. Accordingly, no liability has been recorded for these guarantees.

As part of our executive compensation plan, certain current and former executives participate in a split-dollar insurance program where we are responsible for remitting the premiums. Since 1998, the program was closed to new participants. As of December 31, 2009, we carried a cash surrender value asset of \$9.6 million related to this program. Should we discontinue making premium payments, the insured executives have the right to the entire policy cash surrender value. In light of the Sarbanes-Oxley Act, we believe it is inappropriate to make the premium payments for two of the executives participating in this plan. As a result, we have required these two individuals to make the premium payments to continue the policy.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

We utilize lines of credit and other commercial commitments in order to ensure that adequate funds are available to meet operating requirements. Letters of credit are issued to third party suppliers, insurance and financial institutions and typically can only be drawn upon in the event of our failure to pay our obligations to the beneficiary. This table summarizes the commitments we have available for use as of December 31, 2009. Letters of credit are currently arranged through our revolving credit facility.

Other Commercial Commitments	Total Amounts Committed	Less Than 1 Year	1 - 3 Years	4 - 5 Years	Over 5 Years
Letters of credit	\$ 41.8	\$ 41.8	—	—	—

In addition, we have lines of credit for certain international operations totaling \$24.9 million, of which \$1.0 million was used and \$2.2 million was only available for letters of credit and guarantees, leaving \$21.7 million available to ensure funds are available to meet operating requirements.

In disposing of assets, AWI and some subsidiaries have entered into contracts that included various indemnity provisions, covering such matters as taxes, environmental liabilities and asbestos and other litigation. Some of these contracts have exposure limits, but many do not. Due to the nature of the indemnities, it is not possible to estimate the potential maximum exposure under these contracts. For contracts under which an indemnity claim has been received, a liability of \$5.4 million has been recorded as of December 31, 2009.

RELATED PARTIES

See Note 29 of the Consolidated Financial Statements for a discussion of our relationships with WAVE and TPG.

Related party transactions with executives and outside directors are discussed in Item 13 — Certain Relationships and Related Transactions, and Director Independence.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKMarket Risk

We are exposed to market risk from changes in foreign currency exchange rates, interest rates and commodity prices that could impact our results of operations and financial condition. We use forward swaps and option contracts to hedge currency, interest rate and commodity exposures. Forward swap and option contracts are entered into for periods consistent with underlying exposure and do not constitute positions independent of those exposures. We use derivative financial instruments as risk management tools and not for speculative trading purposes. In addition, derivative financial instruments are entered into with a diversified group of major financial institutions in order to manage our exposure to potential nonperformance on such instruments. We regularly monitor developments in the capital markets.

Counter Party Risk

We only enter into derivative transactions with established counterparties having a credit rating of A or better. We monitor counterparty credit default swap levels and credit ratings on a regular basis. All of our derivative transactions with counterparties are governed by master International Swap Dealer Agreements with netting arrangements. These agreements can limit our exposure in situations where we have gain and loss positions outstanding with a single counterparty. We generally do not post nor receive cash collateral with any counterparty for our derivative transactions. As of December 31, 2009 we had no cash collateral posted or received for any of our derivative transactions. These agreements do not contain any credit contingent features other than those contained in our bank credit facility. Exposure to individual counterparties is controlled, and thus we consider the risk of counterparty default to be negligible.

Interest Rate Sensitivity

Armstrong is subject to interest rate variability on its Term Loan A, Term Loan B, revolving credit facility and other borrowings. There were no borrowings under the revolving credit facility as of December 31, 2009. A hypothetical increase of one-quarter percentage point in interest rates from December 31, 2009 levels would increase 2010 interest expense by approximately \$1.1 million. During 2009 we had interest rate swaps in place. As of December 31, 2009 we did not have any interest rate swaps outstanding.

The table below provides information about our long-term debt obligations as of December 31, 2009, including payment requirements and related weighted-average interest rates by scheduled maturity dates.

Scheduled maturity date (\$ millions)	2010	2011	2012	2013	2014	After 2015	Total
As of December 31, 2009							
Long-term debt:							
Fixed rate	\$ 7.8	—	—	—	\$ 0.1	—	\$ 7.9
Avg. interest rate	5.28%	—	—	—	5.63%	—	5.28%
Variable rate	\$ 32.3	\$ 234.8	\$ 3.5	\$ 184.1	\$ —	\$ 10.0	\$ 464.7
Avg. interest rate	1.80%	1.79%	1.98%	1.98%	—	1.83%	1.87%

Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

Exchange Rate Sensitivity

We manufacture and sell our products in a number of countries throughout the world and, as a result, are exposed to movements in foreign currency exchange rates. To a large extent, our global manufacturing and sales provide a natural hedge of foreign currency exchange rate movement. We use foreign currency forward exchange contracts to reduce our remaining exposure. At December 31, 2009, our major foreign currency exposures are to the Euro, the Canadian dollar and the British pound. A 10% strengthening of all currencies against the U.S. dollar compared to December 31, 2009 levels would increase our 2010 earnings before income taxes by approximately \$2.5 million, including the impact of current foreign currency forward exchange contracts.

We also use foreign currency forward exchange contracts to hedge exposures created by cross-currency intercompany loans.

The table below details our outstanding currency instruments as of December 31, 2009.

On balance sheet foreign exchange related derivatives As of December 31, 2009	Maturing in 2010
Notional amounts (millions)	\$ 95.0
(Liabilities) at fair value (millions)	\$ (4.1)

Natural Gas Price Sensitivity

We purchase natural gas for use in the manufacture of ceiling tiles and other products, as well as to heat many of our facilities. As a result, we are exposed to movements in the price of natural gas. We have a policy of reducing North American natural gas volatility through derivative instruments, including forward swap contracts, purchased call options and zero-cost collars. A 10% increase in North American natural gas prices compared to December 31, 2009 prices would increase our 2010 expenses by approximately \$0.4 million including the impact of current hedging contracts. The table below provides information about our natural gas contracts as of December 31, 2009. Notional amounts are in millions of British Thermal Units ("MMBtu"), while the contract price ranges are shown as the price per MMBtu.

On balance sheet commodity related derivatives As of December 31, 2009	Maturing in:		
	2010	2011	Total
Contract amounts (MMBtu)	3,530,000	1,040,000	4,570,000
Contract price range (\$/MMBtu)	\$5.78 - \$8.66	\$6.10 - \$8.38	\$5.78 - \$8.66
(Liabilities) at fair value (millions)	\$(4.4)	\$(0.2)	\$(4.6)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SUPPLEMENTARY DATA

Quarterly Financial Information for the Years Ended December 31, 2009 and 2008 (Unaudited)	49
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Consolidated Balance Sheets as of December 31, 2009 and 2008	55
Consolidated Statements of Equity for the Years Ended December 31, 2009, 2008 and 2007	56
Consolidated Statements of Cash Flows for the Years Ended December 31, 2009, 2008 and 2007	57
Notes to Consolidated Financial Statements	58
Schedule II for the Years Ended December 31, 2009, 2008, and 2007	

QUARTERLY FINANCIAL INFORMATION
ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES (unaudited)

(millions except for per share data)	First	Second	Third	Fourth
2009				
Net sales	\$ 668.3	\$ 705.7	\$ 753.0	\$ 653.0
Gross profit	131.4	164.0	188.0	137.6
Net earnings (loss) from continuing operations	(11.2)	28.3	64.4	(3.8)
Per share of common stock:				
Basic	\$ (0.20)	\$ 0.50	\$ 1.13	\$ (0.07)
Diluted	\$ (0.20)	\$ 0.50	\$ 1.12	\$ (0.07)
Net earnings (loss)	(11.2)	28.3	64.4	(3.8)
Per share of common stock:				
Basic	\$ (0.20)	\$ 0.50	\$ 1.13	\$ (0.07)
Diluted	\$ (0.20)	\$ 0.50	\$ 1.12	\$ (0.07)
Price range of common stock—high	\$ 23.74	\$ 21.80	\$ 35.50	\$ 45.45
Price range of common stock—low	\$ 9.42	\$ 10.55	\$ 15.05	\$ 33.14
Dividends paid per share	—	—	—	—
	First	Second	Third	Fourth
2008				
Net sales	\$ 828.2	\$ 926.8	\$ 929.6	\$ 708.4
Gross profit	185.9	225.2	211.7	138.2
Net earnings (loss) from continuing operations	15.1	52.4	39.1	(26.2)
Per share of common stock:				
Basic	\$ 0.27	\$ 0.92	\$ 0.69	\$ (0.46)
Diluted	\$ 0.26	\$ 0.92	\$ 0.68	\$ (0.46)
Net earnings (loss)	15.2	52.4	38.9	(25.5)
Per share of common stock:				
Basic	\$ 0.27	\$ 0.92	\$ 0.68	\$ (0.45)
Diluted	\$ 0.27	\$ 0.92	\$ 0.68	\$ (0.45)
Price range of common stock—high	\$ 40.98	\$ 39.44	\$ 40.19	\$ 28.94
Price range of common stock—low	\$ 26.25	\$ 28.92	\$ 27.10	\$ 13.79
Dividends paid per share	\$ 4.50	—	—	—

Note: The net sales and gross profit amounts reported above are reported on a continuing operations basis. The sum of the quarterly earnings per share data may not equal the total year amounts due to changes in the average shares outstanding and, for diluted data, the exclusion of the antidilutive effect in certain quarters.

Fourth Quarter 2009 Compared With Fourth Quarter 2008

Net sales of \$653.0 million in the fourth quarter of 2009 decreased from net sales of \$708.4 million in the fourth quarter of 2008, a decrease of 7.8%. Excluding the favorable effects of foreign exchange rates of \$15.2 million, net sales decreased 10.2%. The decline was due to broad market weakness which drove volume declines across all business units. Resilient Flooring net sales decreased 7.2%, excluding the favorable effects of foreign exchange rates, primarily due to lower volume in the North American markets. Wood Flooring net sales decreased by 3.1% primarily due to lower volume driven by continued declines in residential housing markets. Building Products net sales decreased by 15.6%, excluding the favorable effects of foreign exchange rates of \$6.5 million due to market-related volume declines. Cabinet's net sales decreased by 10.1% on volume declines related to further deterioration in the U.S. housing markets. Net sales decreased 10% in the Americas. Excluding the favorable effects of foreign exchange rates of \$8.4 million, Europe net sales decreased 12.8%. Excluding the favorable effects of foreign exchange rates of \$3.8 million, Pacific Rim sales increased 5.8%.

2009 and 2008 operating expenses were impacted by several significant items. The significant items which impacted COGS, and SG&A expenses include:

Increase / (Reduction) in Expenses			
Item	Where Reported	2009	2008
Cost reduction initiatives expenses ⁽¹⁾	COGS	\$ 6.8	\$ 4.8
Fixed asset impairment ⁽²⁾	COGS	3.0	2.9
Cost reduction initiatives expenses ⁽¹⁾	SG&A	(0.6)	2.3
Environmental insurance settlement ⁽³⁾	SG&A	—	(6.9)
Intangible asset impairment ⁽⁴⁾	Intangible asset impairment	18.0	25.4

(1) See "Factors Affecting Operating Costs" for a discussion of the cost reduction expenses.

(2) Impairment charges related to certain European Resilient Flooring assets.

(3) Gain from an insurance settlement related to an environmental matter.

(4) During the fourth quarter of 2009 and 2008, we recorded non-cash impairment charges of our Wood Flooring trademarks.

For the fourth quarter of 2009, the cost of goods sold was 78.9% of net sales, compared to 80.5% in 2008. The 1.6 percentage point decrease was due to reduced input and manufacturing costs more than offsetting the decline in sales. The change in the percentages was also impacted by the items detailed in the above table.

SG&A expenses for the fourth quarter of 2009 were 20.1% of net sales, or \$131.1 million, as compared to 18.0% of net sales, or \$127.2 million for the fourth quarter of 2008. The increase in SG&A expenses as a percentage of net sales is primarily due lower sales. Both periods were impacted by the items detailed in the above table.

Operating loss of \$1.6 million in the fourth quarter of 2009 compared to \$6.5 million in the fourth quarter of 2008.

Income tax (benefit)/expense for the fourth quarter of 2009 was \$(1.4) million on a pre-tax loss of \$5.2 million versus \$14.6 million on pre-tax loss of \$11.6 million in 2008. The effective tax rate for the fourth quarter was impacted by a reduction in the amount of valuation allowances for state deferred income tax assets.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting was designed to provide reasonable assurance to management and our Board of Directors regarding the reliability of financial reporting and the fair presentation of our financial statements.

With the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2009.

KPMG LLP, an independent registered public accounting firm, audited our internal control over financial reporting as of December 31, 2009. Their audit report can be found on page 52.

/s/ Michael D. Lockhart

Michael D. Lockhart
Chairman and Chief Executive Officer

/s/ Thomas B. Mangas

Thomas B. Mangas
Senior Vice President and Chief Financial Officer

/s/ Stephen F. McNamara

Stephen F. McNamara
Vice President and Corporate Controller

February 26, 2010

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Armstrong World Industries, Inc.:

We have audited Armstrong World Industries, Inc. and subsidiaries' ("the Company") internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Armstrong World Industries, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2009 and 2008, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated February 26, 2010 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 26, 2010

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Armstrong World Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Armstrong World Industries, Inc. and subsidiaries ("the Company") as of December 31, 2009 and 2008, and the related consolidated statements of earnings, equity and cash flows for each of the years in the three-year period ended December 31, 2009. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index on page 111. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Armstrong World Industries, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 26, 2010

Armstrong World Industries, Inc., and Subsidiaries
 Consolidated Statements of Earnings
 (amounts in millions, except per share data)

	Years Ended December 31,		
	2009	2008	2007
Net sales	\$ 2,780.0	\$ 3,393.0	\$ 3,549.7
Cost of goods sold	2,159.0	2,632.0	2,687.5
Gross profit	621.0	761.0	862.2
Selling, general and administrative expenses	552.4	579.9	611.3
Intangible asset impairment	18.0	25.4	—
Restructuring charges, net	—	0.8	0.2
Equity earnings from joint ventures	(40.0)	(56.0)	(46.0)
Operating income	90.6	210.9	296.7
Interest expense	17.7	30.8	55.0
Other non-operating expense	0.9	1.3	1.4
Other non-operating (income)	(3.2)	(10.6)	(18.2)
Chapter 11 reorganization (income), net	—	—	(0.7)
Earnings from continuing operations before income taxes	75.2	189.4	259.2
Income tax (benefit) expense	(2.5)	109.0	106.4
Earnings from continuing operations	77.7	80.4	152.8
Gain (loss) from discontinued operations, net of tax of \$0.0, \$0.4, and \$0.3, respectively	—	0.6	(7.5)
Net earnings	<u>\$ 77.7</u>	<u>\$ 81.0</u>	<u>\$ 145.3</u>
Earnings per share of common stock, continuing operations:			
Basic	\$ 1.36	\$ 1.41	\$ 2.69
Diluted	\$ 1.36	\$ 1.41	\$ 2.69
Gain (loss) per share of common stock, discontinued operations:			
Basic	\$ —	\$ 0.01	\$ (0.13)
Diluted	\$ —	\$ 0.01	\$ (0.13)
Net earnings per share of common stock:			
Basic	\$ 1.36	\$ 1.42	\$ 2.56
Diluted	\$ 1.36	\$ 1.42	\$ 2.56
Average number of common shares outstanding:			
Basic	56.8	56.4	56.1
Diluted	57.0	56.4	56.1

See accompanying notes to consolidated financial statements beginning on page 58.

Armstrong World Industries, Inc., and Subsidiaries
Consolidated Balance Sheets
(amounts in millions, except share data)

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 569.5	\$ 355.0
Accounts and notes receivable, net	229.1	247.9
Inventories, net	445.0	544.0
Deferred income taxes	16.3	14.4
Income tax receivable	16.5	22.0
Other current assets	55.2	78.2
Total current assets	1,331.6	1,261.5
Property, plant and equipment, less accumulated depreciation and amortization of \$390.0 and \$278.9, respectively	929.2	954.2
Prepaid pension costs	114.3	0.3
Investment in joint venture	194.6	208.2
Intangible assets, net	592.8	626.3
Deferred income taxes	58.2	219.6
Other noncurrent assets	81.9	81.7
Total assets	\$ 3,302.6	\$ 3,351.8
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$ 0.1	\$ 1.3
Current installments of long-term debt	40.0	40.9
Accounts payable and accrued expenses	311.0	337.0
Income tax payable	3.1	1.6
Deferred income taxes	3.1	4.6
Total current liabilities	357.3	385.4
Long-term debt, less current installments	432.5	454.8
Postretirement and postemployment benefit liabilities	306.0	312.8
Pension benefit liabilities	223.5	211.4
Other long-term liabilities	58.0	62.4
Income taxes payable	9.2	164.7
Deferred income taxes	8.2	9.0
Total noncurrent liabilities	1,037.4	1,215.1
Shareholders' equity:		
Common stock, \$0.01 par value per share, authorized 200 million shares; issued 57,433,503 shares in 2009 and 57,049,495 shares in 2008	0.6	0.6
Capital in excess of par value	2,052.1	2,024.7
Retained earnings	144.4	66.7
Accumulated other comprehensive (loss)	(297.8)	(348.8)
Total shareholders' equity	1,899.3	1,743.2
Non-controlling interest	8.6	8.1
Total equity	1,907.9	1,751.3
Total liabilities and equity	\$ 3,302.6	\$ 3,351.8

See accompanying notes to consolidated financial statements beginning on page 58.

Armstrong World Industries, Inc., and Subsidiaries
Consolidated Statements of Equity
(amounts in millions)

	Year 2009					
	Total	AWI Shareholders		Non-Controlling Interest		
Non-Controlling Interest:						
Balance at beginning of year	\$ 8.1	—		\$ 8.1		
Common stock:						
Balance at beginning of year and December 31	\$ 0.6	\$ 0.6				
Capital in excess of par value:						
Balance at beginning of year	\$ 2,024.7	\$ 2,024.7				
Share-based employee compensation	27.4	27.4				
Balance at December 31	\$ 2,052.1	\$ 2,052.1				
Retained earnings:						
Balance at beginning of year	\$ 66.7	\$ 66.7				
Net earnings for period	78.2	\$ 78.2	77.7	\$ 77.7	0.5	\$ 0.5
Dividends	—	—				
Balance at December 31	\$ 144.9	\$ 144.4			\$ 0.5	
Accumulated other comprehensive income (loss):						
Balance at beginning of year	\$ (348.8)	\$ (348.8)				
Foreign currency translation adjustments	34.4	34.4				
Derivative (loss), net	(2.2)	(2.2)				
Pension and postretirement adjustments	18.8	18.8				
Total other comprehensive income	51.0	51.0	51.0			
Balance at December 31	\$ (297.8)	\$ (297.8)				
Comprehensive income		\$ 129.2		\$ 128.7		\$ 0.5
Total equity	\$ 1,907.9	\$ 1,899.3			\$ 8.6	
Year 2008						
	Total	AWI Shareholders		Non-Controlling Interest		
Non-Controlling Interest:						
Balance at beginning of year	\$ 7.4	—		\$ 7.4		
Common stock:						
Balance at beginning of year and December 31	\$ 0.6	\$ 0.6				
Capital in excess of par value:						
Balance at beginning of year	\$ 2,112.6	\$ 2,112.6				
Share-based employee compensation	7.2	7.2				
Dividends in excess of retained earnings	(95.1)	(95.1)				
Balance at December 31	\$ 2,024.7	\$ 2,024.7				
Retained earnings:						
Balance at beginning of year	\$ 147.5	\$ 147.5				
Net earnings for period	81.2	\$ 81.2	81.0	\$ 81.0	0.2	\$ 0.2
Dividends	(161.8)	(161.8)				
Balance at December 31	\$ 66.9	\$ 66.7			\$ 0.2	
Accumulated other comprehensive (loss) income:						
Balance at beginning of year	\$ 176.0	\$ 176.0				
Foreign currency translation adjustments	(42.2)	(42.7)			0.5	
Derivative gain, net	1.4	1.4				
Pension and postretirement adjustments	(483.5)	(483.5)				
Total other comprehensive (loss) income	(524.3)	(524.3)	(524.8)	(524.8)	0.5	0.5
Balance at December 31	\$ (348.3)	\$ (348.8)			0.5	
Comprehensive (loss) income		\$ (443.1)		\$ (443.8)		\$ 0.7
Total equity	\$ 1,751.3	\$ 1,743.2			\$ 8.1	
Year 2007						
	Total	AWI Shareholders		Non-Controlling Interest		
Non-Controlling Interest:						
Balance at beginning of year	\$ 7.6	—		\$ 7.6		
Common stock:						
Balance at beginning of year and December 31	\$ 0.6	\$ 0.6				
Capital in excess of par value:						
Balance at beginning of year	\$ 2,099.8	\$ 2,099.8				
Share-based employee compensation	12.8	12.8				
Balance at December 31	\$ 2,112.6	\$ 2,112.6				
Retained earnings:						
Balance at beginning of year	\$ 2.2	\$ 2.2				
Net earnings for period	145.9	\$ 145.9	145.3	\$ 145.3	0.6	\$ 0.6
Dividends	(1.3)	—			(1.3)	
Balance at December 31	\$ 146.8	\$ 147.5			\$ (0.7)	
Accumulated other comprehensive income:						
Balance at beginning of year	\$ 61.9	\$ 61.9				
Foreign currency translation adjustments	30.8	30.3			0.5	
Derivative (loss), net	(5.4)	(5.4)				
Pension and postretirement adjustments	89.2	89.2				
Total other comprehensive income	114.6	114.6	114.1	114.1	0.5	0.5
Balance at December 31	\$ 176.5	\$ 176.0			0.5	
Comprehensive income		\$ 260.5		\$ 259.4		\$ 1.1
Total equity	\$ 2,444.1	\$ 2,436.7			\$ 7.4	

See accompanying notes to consolidated financial statements beginning on page 58.

Armstrong World Industries, Inc., and Subsidiaries
Consolidated Statements of Cash Flows
(amounts in millions)

	Year Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net earnings	\$ 77.7	\$ 81.0	\$ 145.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	146.8	149.8	137.8
Asset impairments	21.0	28.3	—
Deferred income taxes	135.6	74.0	79.6
Stock-based compensation	38.2	7.5	12.7
Equity earnings from joint ventures, net	(40.0)	(56.0)	(46.0)
Distributions from equity affiliates	—	61.0	117.5
U.S. pension credit	(58.2)	(63.0)	(59.4)
Insurance proceeds — environmental recovery	—	10.0	—
Changes in operating assets and liabilities:			
Receivables	23.9	42.8	29.4
Inventories	105.9	(16.1)	(12.7)
Other current assets	7.0	(7.2)	(7.5)
Other noncurrent assets	2.1	(2.6)	1.2
Accounts payable and accrued expenses	(36.9)	(88.2)	0.9
Income taxes payable	(147.0)	9.7	208.6
Other long-term liabilities	(18.6)	(10.2)	(16.6)
Cash distributed under the POR	—	(3.1)	(14.5)
Other, net	2.7	(3.5)	(1.1)
Net cash provided by operating activities	<u>260.2</u>	<u>214.2</u>	<u>575.2</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment and computer software	(105.1)	(95.0)	(102.6)
Divestitures (acquisitions)	8.0	(0.8)	58.8
Return of investment from equity affiliate	53.5	19.5	—
Acquisition of equity affiliate	—	—	(5.2)
Proceeds from insurance	1.3	—	6.7
Proceeds from the sale of assets	1.3	0.6	5.6
Net cash (used for) investing activities	<u>(41.0)</u>	<u>(75.7)</u>	<u>(36.7)</u>
Cash flows from financing activities:			
(Decrease) in short-term debt, net	(1.2)	(2.5)	—
Issuance of long-term debt	2.4	5.4	5.0
Payments of long-term debt	(25.6)	(20.9)	(309.2)
Special dividend paid	(1.3)	(256.4)	—
Proceeds from exercise of stock options	2.3	—	—
Advance payment for non-controlling interest	(3.3)	—	—
Other, net	—	(2.6)	(1.2)
Net cash (used for) financing activities	<u>(26.7)</u>	<u>(277.0)</u>	<u>(305.4)</u>
Effect of exchange rate changes on cash and cash equivalents	22.0	(20.8)	17.4
Net increase (decrease) in cash and cash equivalents	\$ 214.5	\$ (159.3)	\$ 250.5
Cash and cash equivalents at beginning of period	\$ 355.0	\$ 514.3	\$ 263.8
Cash and cash equivalents at end of period	<u>\$ 569.5</u>	<u>\$ 355.0</u>	<u>\$ 514.3</u>

See accompanying notes to consolidated financial statements beginning on page 58.

Armstrong World Industries, Inc., and Subsidiaries
Notes to Consolidated Financial Statements
(dollar amounts in millions)

NOTE 1. BUSINESS AND CHAPTER 11 REORGANIZATION

Armstrong World Industries, Inc. ("AWI") is a Pennsylvania corporation incorporated in 1891. When we refer to "we", "our" and "us" in this report, we are referring to AWI and its subsidiaries. References in this report to "reorganized Armstrong" are to AWI as it was reorganized under the plan of reorganization ("POR") on October 2, 2006, and its subsidiaries collectively. We use the term "AWI" when we are referring solely to Armstrong World Industries, Inc.

In December 2000, AWI filed a voluntary petition for relief ("the Filing") under Chapter 11 of the U.S. Bankruptcy Code ("the Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware ("the Bankruptcy Court") in order to use the court-supervised reorganization process to achieve a resolution of AWI's asbestos-related liability. 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").

On October 2, 2006, AWI's POR became effective, and AWI emerged from Chapter 11. The POR excluded AWI's Nitram and Desseaux subsidiaries which pursued separate resolutions of their Chapter 11 cases (as indicated below).

Resolution of Disputed Claims

All claims in AWI's Chapter 11 case have been resolved and closed. In February 2008 AWI made a final distribution to general unsecured creditors of AWI under the POR. Distributions were not made for creditors who did not provide required information to AWI. Accordingly, AWI recognized a gain of \$0.7 million in the fourth quarter of 2008, which was classified within selling, general and administrative ("SG&A") expenses. The Bankruptcy Court closed AWI's Chapter 11 case on September 2, 2008. No further distributions will be made.

Asbestos PI Trust

On October 2, 2006, the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust ("Asbestos PI Trust") was created to address AWI's personal injury (including wrongful death) asbestos-related liability. All present and future asbestos-related personal injury claims against AWI, including contribution claims of co-defendants, arising directly or indirectly out of AWI's pre-Filing use of, or other activities involving, asbestos are channeled to the Asbestos PI Trust.

Resolution of Nitram and Desseaux Cases

In December 2007, the Joint Amended Plan of Liquidation (the "Joint Plan") for Nitram and Desseaux became effective. Armstrong and its subsidiaries subordinated their claims to those of other unsecured creditors under the Joint Plan and received no distribution from the bankruptcy estate in this case. As a result of the Joint Plan becoming effective on December 28, 2007, we recorded a \$1.3 million gain from the discharge of liabilities subject to compromise in 2007. The gain was recorded as a Chapter 11 Reorganization activity. Nitram and Desseaux were dissolved in 2008.

Accounting Impact

Accounting Standards Codification ("ASC") 852 "Restructuring" (previously AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code") provides financial reporting guidance for entities that are reorganizing under the Bankruptcy Code. This fresh start reporting guidance was implemented in the accompanying consolidated financial statements.

ASC 852 requires separate reporting of all revenues, expenses, realized gains and losses, and provision for losses related to the Filing as Chapter 11 reorganization costs, net. Accordingly, we recorded a total of \$0.7 million of income for Chapter 11 reorganization activities during 2007. There was no Chapter 11 income or expense recorded in 2008 or 2009.

Armstrong World Industries, Inc., and Subsidiaries
Notes to Consolidated Financial Statements
(dollar amounts in millions)

For Chapter 11 related post-emergence activities AWI recorded \$1.4 million and \$2.0 million of income for 2009 and 2008 respectively. These amounts included reversals of certain environmental and other accruals set-up during settlement accounting and the recording of undistributed cash partially off-set by professional fees. We incurred \$7.1 million of professional fee expenses during 2007. Pursuant to ASC 852, these expenses were reported as SG&A expenses.

Share Ownership

In August 2009 Armor TPG Holdings LLC ("TPG") and the Asbestos PI Trust entered into agreements whereby TPG purchased 7,000,000 shares of AWI common stock from the Asbestos PI Trust, and acquired an economic interest in an additional 1,039,777 shares from the Asbestos PI Trust. The Asbestos PI Trust and TPG together hold more than 60% of AWI's outstanding shares and have entered into a shareholders' agreement pursuant to which the Asbestos PI Trust and TPG have agreed to vote their shares together on certain matters.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy. The consolidated financial statements and accompanying data in this report include the accounts of AWI and its majority-owned subsidiaries. All significant intercompany transactions have been eliminated from the consolidated financial statements.

Use of Estimates. These financial statements are prepared in accordance with U.S. generally accepted accounting principles. The statements include management estimates and judgments, where appropriate. Management utilizes estimates to record many items including asset values, allowances for bad debts, inventory obsolescence and lower of cost or market charges, warranty, workers' compensation, general liability and environmental claims and income taxes. When preparing an estimate, management determines the amount based upon the consideration of relevant information. Management may confer with outside parties, including outside counsel. Actual results may differ from these estimates.

Reclassifications. Certain amounts in the prior year's Consolidated Financial Statements and related notes thereto have been recast to conform to the 2009 presentation.

Revenue Recognition. We recognize revenue from the sale of products when persuasive evidence of an arrangement exists, title and risk of loss transfers to the customers, prices are fixed and determinable, and it is reasonably assured the related accounts receivable is collectible. Our sales terms primarily are FOB shipping point. We have some sales terms that are FOB destination. Our products are sold with normal and customary return provisions. Sales discounts are deducted immediately from the sales invoice. Provisions, which are recorded as a reduction of revenue, are made for the estimated cost of rebates, promotional programs and warranties. We defer recognizing revenue if special sales agreements, established at the time of sale, warrant this treatment.

Sales Incentives. Sales incentives are reflected as a reduction of net sales.

Shipping and Handling Costs. Shipping and handling costs are reflected in cost of goods sold.

Advertising Costs. We recognize advertising expenses as they are incurred.

Research and Development Costs. We recognize research and development costs as they are incurred.

Pension and Postretirement Benefits. We have benefit plans that provide for pension, medical and life insurance benefits to certain eligible employees when they retire from active service. Generally, for plans that maintain plan assets, our practice is to fund the actuarially determined current service costs and the amounts necessary to amortize prior service obligations for the pension benefits over periods ranging up to 30 years, but not in excess of the funding limitations.

Armstrong World Industries, Inc., and Subsidiaries
Notes to Consolidated Financial Statements
(dollar amounts in millions)

Taxes. The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes to reflect the expected future tax consequences of events recognized in the financial statements. Deferred income tax assets and liabilities are recognized by applying enacted tax rates to temporary differences that exist as of the balance sheet date which result from differences in the timing of reported taxable income between tax and financial reporting.

Taxes collected from customers and remitted to governmental authorities are reported on a net basis.

Earnings per Common Share. Basic earnings per share is computed by dividing the earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share reflects the potential dilution of securities that could share in the earnings.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand and short-term investments that have maturities of three months or less when purchased.

Concentration of Credit. We principally sell products to customers in the building products industries in various geographic regions. No one customer accounted for 10% or more of our total consolidated net sales in the years 2009, 2008, and 2007.

There are no significant concentrations of credit risk other than with The Home Depot, Inc. and Lowe's Companies, Inc. who together represented approximately 24% and 20% of our net trade receivables as of December 31, 2009 and 2008, respectively. We monitor the creditworthiness of our customers and generally do not require collateral.

Receivables. We sell the vast majority of our products to select, pre-approved customers using customary trade terms that allow for payment in the future. Customer trade receivables, customer notes receivable and miscellaneous receivables (which include supply related rebates and claims to be received, unpaid insurance claims from litigation and other), net of allowances for doubtful accounts, customer credits and warranties are reported in accounts and notes receivable, net. Notes receivable from divesting certain businesses are included in other current assets and other non-current assets based upon the payment terms. Cash flows from the collection of receivables are classified as operating cash flows on the consolidated statements of cash flows.

We establish credit worthiness prior to extending credit. We estimate the recoverability of current and non-current receivables each period. This estimate is based upon triggering events and new information in the period, which can include the review of any available financial statements and forecasts, as well as discussions with legal counsel and the management of the debtor company. As events occur which impact the collectability of the receivable, all or a portion of the receivable is reserved. Account balances are charged off against the allowance when the potential for recovery is considered remote. We do not have any off-balance-sheet credit exposure related to our customers.

Inventories. Inventories are valued at the lower of cost or market. Inventories also include certain samples used in ongoing sales and marketing activities. Cash flows from the sale of inventory and the related cash receipts are classified as operating cash flows on the Consolidated Statements of Cash Flows. See Note 7 for further information on our accounting for inventories.

Property and Depreciation. Property, plant and equipment in place as of September 30, 2006 was set equal to fair value as of our emergence date and are currently stated at that value less impairment charges and accumulated depreciation and amortization. Property, plant and equipment acquired after our emergence date is stated at acquisition cost less impairment charges and accumulated depreciation and amortization. Upon emergence from Chapter 11 in 2006, certain tangible assets were assigned shortened useful lives, and most of these assets were fully depreciated as of the fourth quarter of 2009.

Depreciation charges for financial reporting purposes are determined on a straight-line basis at rates calculated to provide for the full depreciation of assets at the end of their useful lives. Machinery and

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equipment includes manufacturing equipment (depreciated over 3 to 15 years), computer equipment (3 to 5 years) and office furniture and equipment (5 to 7 years). Within manufacturing equipment, assets that are subject to quick obsolescence or wear out quickly, such as tooling and engraving equipment, are depreciated over shorter periods (3 to 7 years). Heavy production equipment, such as conveyors and production presses, are depreciated over longer periods (15 years). Buildings are depreciated over 15 to 30 years, depending on factors such as type of construction and use. Certain buildings existing at our emergence date are depreciated over shorter periods. Computer software is depreciated over 3 to 7 years.

Property, plant and equipment are tested for impairment when indicators of impairment are present, such as operating losses and/or negative cash flows. If an indication of impairment exists, we compare the carrying amount of the asset group to the estimated undiscounted future cash flows expected to be generated by the assets. The estimate of an asset group's fair value is based on discounted future cash flows expected to be generated by the asset group, or based on management's estimated exit price assuming the assets could be sold in an orderly transaction between market participants, or estimated salvage value if no sale is assumed. If the fair value is less than the carrying value of the asset group, we record an impairment charge equal to the difference between the fair value and carrying value of the asset group. Impairments of assets related to our manufacturing operations are recorded in cost of goods sold. When assets are disposed of or retired, their costs and related depreciation are removed from the financial statements and any resulting gains or losses normally are reflected in cost of goods sold or SG&A expenses.

Plant and equipment held under capital leases are stated at the present value of the minimum lease payments. Plant and equipment held under capital leases and leasehold improvements are amortized on a straight line basis over the life of the lease plus any specific option periods.

Asset Retirement Obligations. We recognize the fair value of obligations associated with the retirement of tangible long-lived assets in the period in which they are incurred. Upon initial recognition of a liability, the discounted cost is capitalized as part of the related long-lived asset and depreciated over the corresponding asset's useful life. Over time, accretion of the liability is recognized as an operating expense to reflect the change in the liability's present value.

Intangible Assets. Effective with our emergence from Chapter 11 in 2006 and as part of fresh-start reporting, goodwill was eliminated from our balance sheet and intangible assets were revalued and identified. Intangible assets with determinable useful lives are amortized over their respective estimated useful lives.

We periodically review significant definite-lived intangible assets for impairment when indicators of impairment exist. We review our businesses for indicators of impairment such as operating losses and/or negative cash flows. If an indication of impairment exists, we compare the carrying amount of the asset group to the estimated undiscounted future cash flows expected to be generated by the assets. The estimate of an asset group's fair value is based on discounted future cash flows expected to be generated by the asset group, or based on management's estimated exit price assuming the assets could be sold in an orderly transaction between market participants. If the fair value is less than the carrying value of the asset group, we record an impairment charge equal to the difference between the fair value and carrying value of the asset group.

Our indefinite-lived intangibles are primarily trademarks and brand names, which are integral to our corporate identity and expected to contribute indefinitely to our corporate cash flows. Accordingly, they have been assigned an indefinite life. We perform annual impairment tests during the fourth quarter on these indefinite-lived intangibles. These assets undergo more frequent tests if an indication of possible impairment exists.

The principal assumptions utilized in our impairment tests for definite-lived intangible assets include operating profit adjusted for depreciation and amortization and discount rate. The principal assumptions

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utilized in our impairment tests for indefinite-lived intangible assets include revenue growth rate, discount rate and royalty rate. Revenue growth rate and operating profit assumptions are consistent with those utilized in our operating plan and strategic planning process. The discount rate assumption is calculated based upon an estimated weighted average cost of equity which reflects the overall level of inherent risk and the rate of return a market participant would expect to achieve. Methodologies used for valuing our intangible assets did not change from prior periods.

See Note 11 for disclosure on intangible assets.

Foreign Currency Transactions. Assets and liabilities of our subsidiaries operating outside the United States which account in a functional currency other than U.S. dollars are translated using the period end exchange rate. Revenues and expenses are translated at exchange rates effective during each month. Foreign currency translation gains or losses are included as a component of accumulated other comprehensive (loss) within shareholders' equity. Gains or losses on foreign currency transactions are recognized through the statement of earnings.

Financial Instruments and Derivatives. From time to time, we use derivatives and other financial instruments to offset the effect of currency, interest rate and commodity price variability. See Notes 18 and 19 for further discussion.

Stock-based Employee Compensation. For awards with only service and performance conditions that have a graded vesting schedule, we recognize compensation expense on a straight-line basis over the vesting period for the entire award. See Note 23 for additional information on stock-based employee compensation.

Recently Adopted Accounting Standards

We adopted no new accounting standards in 2007. In 2008 we adopted new guidance, which is now part of ASC 715, "*Compensation — Retirement Benefits*" (previously Financial Accounting Standards Board ("FASB") Emerging Issues Task Force Issue No 06-10 "Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements").

In September 2006 the FASB issued new guidance on fair value. The new guidance, which is now part of ASC 820, "*Fair Value Measurements and Disclosures*" establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 was effective for fiscal years beginning after November 15, 2007. However the effective date for certain non-financial assets and liabilities was deferred to fiscal years beginning after November 15, 2008. There was no material impact from our initial adoption of the provisions of the guidance in 2008, nor was there a material impact from our adoption of the remaining portions of ASC 820 on January 1, 2009.

During 2009 we adopted new guidance, which is now part of ASC 805 "*Business Combinations*", which retains the underlying concept that all business combinations be accounted for at fair value. This new guidance changes the methodology of applying this concept in that acquisition costs will generally be expensed as incurred, non-controlling interests will be valued at fair value, in-process research and development will be recorded at fair value as an indefinite-lived intangible, restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition and changes in deferred income tax asset allowances after the acquisition date generally will affect income tax expense. This pronouncement applies prospectively to all business combinations whose acquisition dates are on or after the beginning of the first annual period subsequent to December 15, 2008. Additionally, certain future adjustments to deferred income tax valuation allowances and uncertain tax positions recognized upon our emergence from bankruptcy will impact future earnings.

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During 2009 we adopted new guidance, which is now part of ASC 810, "*Consolidation*" which requires the recognition of a non-controlling interest (formerly known as a "minority interest") as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the non-controlling interest is immaterial for the year ended December 31, 2009, and, therefore, is included in consolidated net income on the face of the income statement. As a result of the adoption of this pronouncement on January 1, 2009, we recast our December 31, 2008 balance sheet to move \$8.1 million from minority interest (\$7.0 million within Liabilities) and other comprehensive income (\$1.1 million within Equity) to non-controlling interest (within Equity). Also, we recast our December 31, 2007 balance sheet to move \$7.4 million from minority interest (\$6.9 million within Liabilities) and other comprehensive income (\$0.5 million within Equity) to non-controlling interest (within Equity).

During 2009 we adopted new guidance, which is now part of ASC 323, "*Investments-Equity Method and Joint Ventures*" which discusses the accounting for contingent consideration agreements of an equity method investment and the requirement for the investor to recognize its share of any impairment charges recorded by the investee. ASC 323 requires the investor to record share issuances by the investee as if it has sold a portion of its investment with any resulting gain or loss being reflected in earnings. There was no material impact from our adoption of ASC 323 on January 1, 2009.

During 2009 we adopted new guidance, which is now part of ASC 815, "*Derivatives and Hedging*". The new guidance enhances the disclosure requirements for derivative instruments and hedging activities to provide users of financial statements with a better understanding of the objectives of a company's derivative use and the risks managed. The changes to the disclosure requirements surrounding derivatives and hedging activities have been incorporated into the footnotes to the financial statements. See Note 19 for our disclosures related to hedging activities.

Effective January 1, 2009 we adopted new guidance, which is now part of ASC 260, "*Earnings Per Share*". Under ASC 260, share-based payment awards (whether vested or unvested) that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and shall be included in the computation of earnings per share ("EPS") pursuant to the two-class method as described in ASC 260. All prior-period EPS data presented has been adjusted retrospectively to conform to the provisions of ASC 260.

Effective January 1, 2009 we adopted new guidance, which is now part of ASC 715, "*Compensation — Retirement Benefits*" which requires additional disclosures about plan assets in an employer's defined benefit pension or other postretirement plan. The objectives of the disclosures are to provide users of financial statements with an understanding of the major categories of plan assets, fair value measurements for plan assets, how investment decisions are made, and concentrations of risk within the plan assets. See Note 17 for our disclosures related to retirement plan assets.

In May 2009 and February 2010, the FASB issued new guidance, which is now part of ASC 855, "*Subsequent Events*". ASC 855 requires management to evaluate subsequent events through the date the financial statements were issued or the date the financial statements were available to be issued. We have evaluated subsequent events through the issuance of the Form 10-K.

In June 2009 the FASB issued new guidance, which is now part of ASC 105, "*Generally Accepted Accounting Principles*". ASC 105 has become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernment entities. It also modifies the GAAP hierarchy to include only two levels of GAAP; authoritative and non-authoritative. ASC 105 was effective for financial statements issued for interim and annual periods ending after September 15, 2009. We adopted ASC 105 for the reporting of our 2009 third quarter results. The adoption had no impact on the reporting of our financial position, results of operations, or cash flows.

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Recently Issued Accounting Standards

In June 2009 the FASB issued new guidance, which is now part of ASC 810, “*Consolidations*”, which amends the consolidation guidance applicable to variable interest entities. These provisions of ASC 810 are effective as of the beginning of the first fiscal year that begins after November 15, 2009. We do not expect a material impact on our financial statements from the adoption of this guidance.

In January 2010 the FASB issued new guidance, which is now part of ASC 810, “*Consolidations*”. The revised scope of the decrease-in-ownership provisions clarifies that transfers of a subsidiary that constitute a business or nonprofit activity to an equity-method investee or joint venture and transfers of groups of assets that constitute a business or nonprofit activity in exchange for a noncontrolling interest in an entity, including an equity-method investee or joint venture, are within the scope of ASC 810 rather than being within the scope of guidance applicable to equity-method investees and joint ventures or nonmonetary exchanges. These provisions of ASC 810 are effective upon issuance. There was no material impact on our financial statements from the adoption of this guidance in January 2010.

In January 2010 the FASB issued new guidance, which is now part of ASC 820, “*Fair Value Measurements and Disclosures*”. The new guidance requires disclosures of the amounts of assets and liabilities transferred into and out of Levels 1 and 2, along with a description of the reasons for the transfers. The new guidance also requires additional disclosures related to activity presented for Level 3 measurements. These provisions of ASC 820 are effective for interim and annual reporting periods beginning after December 15, 2009, except for the additional disclosures related to activities for Level 3 measurements which are required for fiscal years beginning after December 15, 2010 and interim periods within those years. We do not expect any impact on our financial statements from the adoption of this guidance.

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NOTE 3. NATURE OF OPERATIONS

Resilient Flooring — produces and sources a broad range of floor coverings primarily for homes and commercial and institutional buildings. Manufactured products in this segment include vinyl sheet, vinyl tile and linoleum flooring. In addition, our Resilient Flooring segment sources and sells laminate flooring products, ceramic tile products, adhesives, installation and maintenance materials and accessories. Resilient Flooring products are offered in a wide variety of types, designs, and colors. We sell these products worldwide to wholesalers, large home centers, retailers, contractors and to the manufactured homes industry.

Wood Flooring — produces and sources wood flooring products for use in new residential construction and renovation, with some commercial applications in stores, restaurants and high-end offices. The product offering includes pre-finished solid and engineered wood floors in various wood species, and related accessories. Virtually all of our Wood Flooring sales are in North America. Our Wood Flooring products are generally sold to independent wholesale flooring distributors and large home centers. Our products are principally sold under the brand names Bruce[®], Hartco[®], Robbins[®], Timberland[®], Armstrong[®], HomerWood[®] and Capella[®].

Building Products — produces suspended mineral fiber, soft fiber and metal ceiling systems for use in commercial, institutional, and residential settings. In addition, our Building Products segment sources complementary ceiling products. Our products, which are sold worldwide, are available in numerous colors, performance characteristics and designs, and offer attributes such as acoustical control, rated fire protection and aesthetic appeal. Commercial ceiling materials and accessories are sold to ceiling systems contractors and to resale distributors. Residential ceiling products are sold in North America primarily to wholesalers and retailers (including large home centers). Suspension system (grid) products manufactured by Worthington Armstrong Venture (“WAVE”) are sold by both Armstrong and our WAVE joint venture.

Cabinets — produces kitchen and bathroom cabinetry and related products, which are used primarily in the U.S. residential new construction and renovation markets. Through our system of Company-owned and independent distribution centers and through direct sales to builders, our Cabinets segment provides design, fabrication and installation services to single and multi-family homebuilders, remodelers and consumers under the Armstrong[®] brand name. All of Cabinets’ sales are in the U.S.

Unallocated Corporate — includes assets, liabilities, income and expenses that have not been allocated to the business units. Balance sheet items classified as Unallocated Corporate are primarily income tax related accounts, cash and cash equivalents, the Armstrong brand name and the U.S. prepaid pension cost/liability and long-term debt. Expenses for our corporate departments and certain benefit plans are allocated to the reportable segments based on known metrics, such as specific activity, time reporting, headcount, square-footage or net sales. The remaining items, which cannot be attributed to the reportable segments without a high degree of generalization, are reported in Unallocated Corporate.

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For the year ended 2009	Resilient Flooring	Wood Flooring	Building Products	Cabinets	Unallocated Corporate	Total
Net sales to external customers	\$ 1,031.7	\$ 510.4	\$ 1,087.7	\$ 150.2	—	\$ 2,780.0
Equity (earnings) from joint ventures	—	—	(40.0)	—	—	(40.0)
Segment operating income (loss) ⁽¹⁾	0.1	(5.9)	155.9	(18.3)	(41.2)	90.6
Segment assets	645.2	410.3	966.0	53.2	1,227.9	3,302.6
Depreciation and amortization	45.2	14.9	61.5	7.2	18.0	146.8
Asset impairments	3.0	18.0	—	—	—	21.0
Investment in joint ventures	0.1	—	194.5	—	—	194.6
Capital additions	50.5	10.3	31.8	2.5	10.0	105.1
For the year ended 2008	Resilient Flooring	Wood Flooring	Building Products	Cabinets	Unallocated Corporate	Total
Net sales to external customers	\$ 1,220.1	\$ 624.6	\$ 1,369.1	\$ 179.2	—	\$ 3,393.0
Equity (earnings) from joint ventures	—	—	(56.0)	—	—	(56.0)
Segment operating income (loss) ⁽¹⁾	(16.8)	(2.4)	239.7	(6.7)	(2.9)	210.9
Restructuring charges, net of reversals	—	—	—	—	0.8	0.8
Segment assets	670.2	470.9	1,049.6	71.2	1,089.9	3,351.8
Depreciation and amortization	49.8	12.6	64.8	2.4	20.2	149.8
Asset impairments	2.9	25.4	—	—	—	28.3
Investment in joint ventures	0.1	—	208.1	—	—	208.2
Capital additions	26.4	11.8	41.1	3.7	12.0	95.0
For the year ended 2007	Resilient Flooring	Wood Flooring	Building Products	Cabinets	Unallocated Corporate	Total
Net sales to external customers	\$ 1,230.8	\$ 791.6	\$ 1,292.1	\$ 235.2	—	\$ 3,549.7
Equity loss (earnings) from joint ventures	—	0.6	(46.6)	—	—	(46.0)
Segment operating income (loss) ⁽¹⁾	40.4	64.3	221.4	10.5	(39.9)	296.7
Restructuring charges, net of reversals	—	—	0.2	—	—	0.2
Segment assets	734.8	509.7	1,129.2	82.5	2,183.2	4,639.4
Depreciation and amortization	44.0	10.9	59.3	2.6	21.0	137.8
Investment in joint ventures	0.1	—	232.5	—	—	232.6
Capital additions	29.9	17.8	37.7	4.4	11.8	101.6

The table above excludes amounts related to discontinued operations.

⁽¹⁾ Segment operating income (loss) is the measure of segment profit or loss reviewed by the chief operating decision maker. The sum of the segments' operating income (loss) equals the total consolidated operating income as reported on our income statement. The following reconciles our total consolidated operating income to earnings from continuing operations before income taxes. These items are only measured and managed on a consolidated basis:

	2009	2008	2007
Segment operating income	\$ 90.6	\$ 210.9	\$ 296.7
Interest expense	17.7	30.8	55.0
Other non-operating expense	0.9	1.3	1.4
Other non-operating (income)	(3.2)	(10.6)	(18.2)
Chapter 11 reorganization (income), net	—	—	(0.7)
Earnings from continuing operations before income taxes	<u>\$ 75.2</u>	<u>\$ 189.4</u>	<u>\$ 259.2</u>

Accounting policies of the segments are the same as those described in the summary of significant accounting policies.

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The sales in the table below are allocated to geographic areas based upon the location of the customer.

Geographic Areas Net trade sales	2009	2008	2007
Americas:			
United States	\$ 1,810.5	\$ 2,177.4	\$ 2,409.7
Canada	152.0	166.0	167.1
Other Americas	30.1	43.4	38.5
Total Americas	\$ 1,992.6	\$ 2,386.8	\$ 2,615.3
Europe:			
Germany	\$ 154.7	\$ 185.7	\$ 164.6
United Kingdom	94.1	134.7	140.4
Other Europe	347.3	464.1	422.2
Total Europe	\$ 596.1	\$ 784.5	\$ 727.2
Total Pacific Rim	\$ 191.3	\$ 221.7	\$ 207.2
Total net trade sales	\$ 2,780.0	\$ 3,393.0	\$ 3,549.7

Property, plant and equipment, net at December 31	2009	2008
Americas:		
United States	\$ 678.1	\$ 709.9
Other Americas	14.1	14.7
Total Americas	\$ 692.2	\$ 724.6
Europe:		
Germany	\$ 123.1	\$ 112.0
Other Europe	63.6	68.6
Total Europe	\$ 186.7	\$ 180.6
Total Pacific Rim	\$ 50.3	\$ 49.0
Total property, plant and equipment, net	\$ 929.2	\$ 954.2

Impairment testing of our tangible assets occurs whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The European Resilient Flooring business had operating losses and negative cash flows during 2009. We have assumed further short-term declines in this market in 2010 but anticipate future recovery starting in 2011. During the fourth quarter of 2009, we recorded a \$3.0 million impairment charge in cost of goods sold for certain European Resilient Flooring tangible assets, primarily machinery and equipment.

The fair values were determined by management estimates of market prices and independent valuations of the land and building assets based on observable market data. This data includes recent sales and leases of comparable properties with similar characteristics within the same local real estate market (considered Level 2 inputs in the fair value hierarchy as described in Note 17).

The Wood Flooring business recorded an operating loss of \$5.9 million during 2009, primarily due to an \$18.0 million non-cash impairment charge. The Wood Flooring business had positive cash flows for 2009. There were no indicators of impairment for the tangible assets of the Wood Flooring business.

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The Cabinets business incurred operating losses in 2009 and 2008 but had positive cash flows in both years. We concluded that an impairment indicator existed for the tangible assets during 2009. However, the carrying amount of the tangible assets was determined to be recoverable as the projected undiscounted cash flows exceeded the carrying value.

NOTE 4. ACQUISITIONS

As of December 31, 2009, we owned 80% of our Building Products Shanghai, China operations. During the fourth quarter of 2009, we made deposits of \$3.3 million to purchase the remaining 20% interest. During the first quarter of 2010, we completed the acquisition of the remaining 20% interest.

In August 2007 we purchased the remaining 50% interest in Kunshan Holding Limited for \$5.2 million, at which time it became a wholly-owned subsidiary. The acquisition was accounted for under the purchase method of accounting. In February 2008 we acquired the assets of Bowmans Australia Pty Ltd. to complement our Australian Building Products business for total consideration of \$0.8 million. The allocation of the purchase price to the fair value of tangible and identifiable intangible assets acquired in each of these acquisitions has been completed.

NOTE 5. DISCONTINUED OPERATIONS

In May 2000 we completed the sale of all entities, assets and certain liabilities comprising our Insulation Products segment. During the first quarter of 2008, we recorded a gain of \$1.0 million (\$0.6 million net of income tax) arising from the settlement of a legal dispute related to this divestiture. These adjustments were classified as discontinued operations since the original divestiture was reported as discontinued operations.

In March 2007 we entered into an agreement to sell Tapijtfabriek H. Desseaux N.V. and its subsidiaries — the principal operating companies in our European Textile and Sports Flooring business. These companies were first classified as discontinued operations at October 2, 2006 when they met the required criteria. The sale transaction was completed in April 2007 and total proceeds of \$58.8 million were received during 2007. Certain post completion adjustments specified in the agreement were disputed by the parties after the sale. The matter was referred to an independent expert for a binding determination. In December 2008 a decision was reached with all disputed items awarded in our favor. The disputed amount was recorded as a receivable since April 2007 with the interest receivable recorded in December 2008 (included as part of 'Other current assets'). Full payment of \$8.0 million was received in January 2009. The purchaser filed an appeal to nullify the independent expert's decision. An appeal hearing has been set in May 2010. We expect to prevail in this matter.

Net sales, pre-tax loss and net loss from discontinued operations of Tapijtfabriek H. Desseaux N.V. and its subsidiaries are as follows:

	2007
Net sales	\$ 59.8
Pre-tax loss from discontinued operations	\$ (1.4)
Loss on expected disposal of discontinued operations	(5.8)
Income tax expense	(0.3)
Net loss from discontinued operations	\$ (7.5)

There was no impact to earnings during 2009. In 2008, we incurred minor post completion expenses which were offset by the interest accrual recorded in the fourth quarter of 2008.

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NOTE 6. ACCOUNTS AND NOTES RECEIVABLE

	December 31, 2009	December 31, 2008
Customer receivables	\$ 269.3	\$ 287.1
Customer notes	2.5	6.7
Miscellaneous receivables	5.6	8.6
Less allowance for discounts and losses	(48.3)	(54.5)
Net accounts and notes receivable	<u>\$ 229.1</u>	<u>\$ 247.9</u>

The decrease in accounts and notes receivable is primarily due to lower sales in December 2009 than in December 2008.

Generally, we sell our products to select, pre-approved customers whose businesses are affected by changes in economic and market conditions. We consider these factors and the financial condition of each customer when establishing our allowance for losses from doubtful accounts.

NOTE 7. INVENTORIES

	December 31, 2009	December 31, 2008
Finished goods	\$ 281.0	\$ 371.2
Goods in process	36.2	39.6
Raw materials and supplies	134.4	152.7
Less LIFO and other reserves	(6.6)	(19.5)
Total inventories, net	<u>\$ 445.0</u>	<u>\$ 544.0</u>

Approximately 63% of our total inventory in both 2009 and 2008 was valued on a LIFO (last-in, first-out) basis. Inventory values were lower than would have been reported on a total FIFO (first-in, first-out) basis by \$4.2 million and \$8.9 million in 2009 and 2008, respectively.

The distinction between the use of different methods of inventory valuation is primarily based on geographical locations and/or legal entities rather than types of inventory. The following table summarizes the amount of inventory that is not accounted for under the LIFO method.

	December 31, 2009	December 31, 2008
International locations	\$ 147.0	\$ 171.3
Cabinets	13.7	22.3
Wood flooring	0.6	1.3
Resilient flooring	1.2	1.0
U.S. sourced products	3.2	3.4
Total	<u>\$ 165.7</u>	<u>\$ 199.3</u>

Substantially all of our international locations use the FIFO method of inventory valuation (or other methods which closely approximate the FIFO method) primarily because either the LIFO method is not permitted for local tax and/or statutory reporting purposes, or the entities were part of various acquisitions that had adopted the FIFO method prior to our acquisition. In these situations, a conversion to LIFO would be highly complex and involve excessive cost and effort to achieve under local tax and/or statutory reporting requirements.

The sourced products represent certain finished goods sourced from third party manufacturers, primarily from foreign suppliers.

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NOTE 8. OTHER CURRENT ASSETS

	December 31, 2009	December 31, 2008
Prepaid expenses	\$ 36.0	\$ 34.5
Fair value of derivative assets	0.2	11.7
Receivable related to discontinued operations	—	8.0
Assets held for sale	7.8	7.8
Other	11.2	16.2
Total other current assets	<u>\$ 55.2</u>	<u>\$ 78.2</u>

The decrease in other current assets is primarily due to the decrease in the fair value of foreign currency derivatives and the completion of the sale of Tapijtfabriek H. Desseaux N.V. (see Note 5).

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2009	December 31, 2008
Land	\$ 131.5	\$ 129.0
Buildings	303.8	296.5
Machinery and equipment	787.5	722.8
Computer software	30.6	36.2
Construction in progress	65.8	48.6
Less accumulated depreciation and amortization	(390.0)	(278.9)
Net property, plant and equipment	<u>\$ 929.2</u>	<u>\$ 954.2</u>

See Note 2 for discussion of policies related to property and depreciation and asset retirement obligations.

NOTE 10. EQUITY INVESTMENTS

Investments in joint venture of \$194.6 million at December 31, 2009 reflected the equity interest in our 50% investment in our WAVE joint venture.

The decrease in the investment in joint venture balance from December 31, 2008 of \$13.6 million is due to distributions from WAVE of \$53.5 million, partially offset by our equity interest in WAVE's earnings. We use the equity in earnings method to determine the appropriate classification of these distributions within our cash flow statement. During 2009 and 2008 WAVE distributed amounts in excess of our capital contributions and proportionate share of retained earnings. Accordingly, in 2009 the distributions were reflected as a return of investment in cash flows from investing activity in our Consolidated Statement of Cash Flows. In 2008, \$19.5 million of the distributions were reflected as a return of investment in cash flows from investing activity, and the remaining \$61.0 million was recorded within cash flows from operating activities.

On August 20, 2007 we purchased the remaining 50% interest in Kunshan Holding Limited ("Kunshan") for \$5.2 million, at which time it became a wholly-owned subsidiary. Our equity investment in Kunshan at December 31, 2006 of \$4.0 million along with our additional investments was reclassified as part of the purchase accounting for the subsidiary.

Affiliate	Income Statement Classification	2009	2008	2007
WAVE	Equity earnings from joint venture	\$ 40.0	\$ 56.0	\$ 46.6
Kunshan	Equity earnings from joint venture	—	—	(0.6)

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We account for our WAVE joint venture using the equity method of accounting. Our recorded investment in WAVE was higher than our 50% share of the carrying values reported in WAVE's consolidated financial statements by \$206.6 million as of December 31, 2009 and \$213.0 million as of December 31, 2008. These differences are due to our adopting fresh-start reporting upon emerging from Chapter 11, while WAVE's consolidated financial statements do not reflect fresh-start reporting. The differences are comprised of the following fair value adjustments to assets:

	December 31, 2009	December 31, 2008
Property, plant and equipment	\$ 1.8	\$ 2.8
Other intangibles	174.3	179.7
Goodwill	30.5	30.5
Total	<u>\$ 206.6</u>	<u>\$ 213.0</u>

Other intangibles include customer relationships, trademarks and developed technology. Customer relationships are amortized over 20 years and developed technology is amortized over 15 years. Trademarks have an indefinite life.

See Exhibit 99.1 for WAVE's consolidated financial statements. Condensed financial data for WAVE is summarized below:

	December 31, 2009	December 31, 2008
Current assets	\$ 110.0	\$ 132.5
Non-current assets	36.2	32.8
Current liabilities	17.3	21.8
Other non-current liabilities	154.6	156.6

	2009	2008	2007
Net sales	\$ 307.9	\$ 421.8	\$ 380.0
Gross profit	118.9	160.2	134.9
Net earnings	92.8	125.4	107.0

See discussion in Note 29 for additional information on this related party.

NOTE 11. INTANGIBLE ASSETS

During the fourth quarters of 2009 and 2008, we conducted our annual impairment testing of non-amortizable intangible assets. We completed our impairment analysis and determined that the carrying value of our Wood Flooring trademarks was in excess of the fair value. We determined the fair value of these intangible assets by utilizing a relief from royalty analyses that incorporated projections of revenue and cash flows. The initial fair value for these intangible assets was determined in 2006 as part of fresh start reporting. The fair values were negatively affected by lower expected future cash flows due to the decline in the U.S. residential housing market. Based on the result of the analysis, we recorded non-cash impairment charges of \$18.0 million in the fourth quarter of 2009 and \$25.4 million in the fourth quarter of 2008. See Note 2 for a discussion of our accounting policy for intangible assets.

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The following table details amounts related to our intangible assets as of December 31, 2009 and 2008.

	Estimated Useful Life	December 31, 2009		December 31, 2008	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizing intangible assets					
Customer relationships	20 years	\$ 171.0	\$ 27.7	\$ 171.4	\$ 19.2
Developed technology	15 years	80.9	17.5	81.0	12.0
Other	Various	10.8	0.5	9.5	0.3
Total		\$ 262.7	\$ 45.7	\$ 261.9	\$ 31.5
Non-amortizing intangible assets					
Trademarks and brand names	Indefinite	375.8		395.9	
Total other intangible assets		\$ 638.5		\$ 657.8	

	2009	2008
Amortization	\$ 14.2	\$ 14.3
Intangible asset impairment	18.0	25.4
Total amortization expense and impairment charges	\$ 32.2	\$ 39.7

The annual amortization expense expected for the years 2010 through 2014 is \$14.2 million in each year.

NOTE 12. OTHER NON-CURRENT ASSETS

	December 31, 2009	December 31, 2008
Cash surrender value of Company owned life insurance policies	\$ 56.5	\$ 53.5
Other	25.4	28.2
Total other non-current assets	\$ 81.9	\$ 81.7

NOTE 13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31, 2009	December 31, 2008
Payables, trade and other	\$ 159.6	\$ 179.3
Employment costs	107.2	107.1
Other	44.2	50.6
Total accounts payable and accrued expenses	\$ 311.0	\$ 337.0

The decrease in accounts payable and accrued expenses is primarily due to a reduction in production activity in response to current market conditions.

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NOTE 14. SEVERANCE AND RELATED COSTS

In 2009 we recorded \$17.5 million of severance and related expenses, primarily to reflect the separation costs for approximately 1,000 employees, including executives and employees impacted by the cessation of production at four manufacturing facilities. The charges were recorded in SG&A expenses (\$10.5 million) and cost of goods sold (\$7.0 million).

In 2008 we recorded \$7.4 million of severance and related expenses to reflect the termination costs for certain corporate employees. We also recorded a reduction of our stock-based compensation expense of \$1.5 million in the first quarter of 2008 related to stock grants that were forfeited by these employees. These costs were recorded as SG&A expenses.

During 2008 we recorded \$14.1 million of severance and other related charges primarily related to organizational and manufacturing changes for our European Resilient Flooring business. The organizational changes related to the decision to consolidate and outsource several SG&A functions. The manufacturing changes related primarily to the decision to cease production of automotive carpeting and other specialized textile flooring products. These charges were recorded as part of cost of goods sold (\$7.3 million) and SG&A expenses (\$6.8 million).

NOTE 15. INCOME TAXES

The tax effects of principal temporary differences between the carrying amounts of assets and liabilities and their tax bases are summarized in the table below. Management believes it is more likely than not that results of future operations will generate sufficient taxable income to realize deferred tax assets, net of valuation allowances, including the remaining federal net operating losses of \$173.1 million principally resulting from payments to the Asbestos PI Trust in 2006 under the POR that may be carried forward for the remaining 17 years. In arriving at this conclusion, we considered the profit before tax generated for the years 1996 through 2009, as well as future reversals of existing taxable temporary differences and projections of future profit before tax.

We have provided valuation allowances for certain deferred state and foreign income tax assets, foreign tax credits and other basis adjustments of \$155.4 million. We have \$1,366.9 million of state net operating loss ("NOL") carryforwards with expirations between 2010 and 2029. In addition, we have \$431.4 million of foreign NOL carryforwards, of which \$402.2 million are available for carryforward indefinitely and \$29.2 million expire between 2010 and 2016. We also have alternative minimum tax credit carryforwards of \$19.5 million which are available to reduce future federal income taxes.

Our valuation allowances decreased from 2008 by a net amount of \$53.3 million. This includes a decrease of \$49.0 million for foreign tax credits, a decrease of \$11.4 million for capital loss carryforwards, a decrease for certain deferred state income tax assets of \$2.0 million, and an increase for foreign tax loss carryforwards of \$9.1 million. The valuation allowance for foreign tax credits decreased by \$31.3 million for the settlement of the Internal Revenue Service ("IRS") audit and decreased by \$17.7 million for carryforward expirations. The valuation allowance for capital losses decreased by \$7.1 million for carryforward expirations, decreased by \$7.6 million for losses that were recharacterized as ordinary losses, and increased by \$3.3 million for current year losses. The decrease in the valuation allowance for certain deferred state income tax assets of \$2.0 million was primarily due to an increase in the amount of future reversals of existing taxable temporary differences. The increase in the valuation allowance for foreign tax loss carryforwards was primarily due to additional unbenefitted losses partially offset by carryforward expirations that also reduced the related deferred income tax assets. We estimate we will need to generate future taxable income of approximately \$494.6 million for federal income tax purposes and \$1,183.7 million for state income tax purposes in order to fully realize the net deferred income tax assets discussed above.

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	December 31, 2009	December 31, 2008
Deferred income tax assets (liabilities)		
Postretirement and postemployment benefits	\$ 165.1	\$ 170.4
Pension benefit liabilities	19.3	32.2
Net operating losses	354.4	529.8
Foreign tax credit carryforwards	88.6	70.7
Capital losses	3.3	15.2
Other	97.2	82.3
Total deferred income tax assets	727.9	900.6
Valuation allowances	(155.4)	(208.7)
Net deferred income tax assets	572.5	691.9
Intangibles	(275.8)	(289.7)
Accumulated depreciation	(94.6)	(102.2)
Prepaid pension costs	(28.3)	—
Tax on unremitted earnings	(87.0)	(48.7)
Inventories	(18.3)	(18.9)
Other	(5.3)	(12.0)
Total deferred income tax liabilities	(509.3)	(471.5)
Net deferred income tax assets	<u>\$ 63.2</u>	<u>\$ 220.4</u>
Deferred income taxes have been classified in the Consolidated Balance Sheet as:		
Deferred income tax assets — current	\$ 16.3	\$ 14.4
Deferred income tax assets — noncurrent	58.2	219.6
Deferred income tax liabilities — current	(3.1)	(4.6)
Deferred income tax liabilities — noncurrent	(8.2)	(9.0)
Net deferred income tax assets	<u>\$ 63.2</u>	<u>\$ 220.4</u>

Details of taxes	2009	2008	2007
Earnings (loss) from continuing operations before income taxes:			
Domestic	\$ 75.5	\$ 171.0	\$ 221.4
Foreign	(0.3)	18.4	42.1
Eliminations	—	—	(4.3)
Total	<u>\$ 75.2</u>	<u>\$ 189.4</u>	<u>\$ 259.2</u>
Income tax (benefit) provision:			
Current:			
Federal	\$ (153.4)	\$ 8.3	\$ 4.8
Foreign	13.9	21.3	17.4
State	1.4	5.4	4.6
Total current	<u>(138.1)</u>	<u>35.0</u>	<u>26.8</u>
Deferred:			
Federal	134.9	46.5	72.5
Foreign	—	(1.1)	1.5
State	0.7	28.6	5.6
Total deferred	<u>135.6</u>	<u>74.0</u>	<u>79.6</u>
Total income tax (benefit) expense	<u>\$ (2.5)</u>	<u>\$ 109.0</u>	<u>\$ 106.4</u>

At December 31, 2009, we had \$111.5 million of book basis (including unremitted earnings) in excess of tax basis in the shares of certain foreign subsidiaries for which no deferred income taxes have been provided because we consider the underlying earnings to be permanently reinvested. This basis difference could reverse through a sale of the subsidiaries, the receipt of dividends from the subsidiaries,

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as well as various other events. It is not practical to calculate the residual income tax which would result if these basis differences reversed due to the complexities of the tax law and the hypothetical nature of the calculations. We do, however, estimate that approximately \$1.1 million in foreign withholding taxes would be payable if the underlying earnings were to be distributed.

Reconciliation to U.S. statutory tax rate	2009	2008	2007
Continuing operations tax at statutory rate	\$ 26.3	\$ 66.3	\$ 90.7
State income tax expense, net of federal benefit	2.2	8.1	6.7
(Decrease)/increase in valuation allowances on deferred state income tax assets	(0.8)	13.9	—
Increases in valuation allowances on deferred foreign income tax assets	17.3	14.2	6.0
Decrease in valuation allowance for foreign tax credits	(31.3)	—	—
Tax on foreign and foreign-source income	(3.7)	(0.9)	(1.7)
Interest on uncertain tax positions	—	5.9	1.8
Permanent book/tax differences	4.7	(2.4)	—
IRS audit settlement	(12.9)	—	—
Recharacterization of stock loss	(7.6)	—	—
Tax on unremitted earnings	<u>3.3</u>	<u>3.9</u>	<u>2.9</u>
Tax (benefit) expense at effective rate	<u>\$ (2.5)</u>	<u>\$ 109.0</u>	<u>\$ 106.4</u>

The effective tax rate for the year ended December 31, 2007 includes a benefit of \$5.0 million (net of federal benefit) for legislative changes in New York and Texas and \$1.0 million for the reduction in the German income tax rate.

We have \$57.5 million of Unrecognized Tax Benefits ("UTB") as of December 31, 2009. Of this amount, \$22.7 million (\$20.4 million, net of federal benefit), if recognized in future periods, would impact the reported effective tax rate. The remaining amount of \$34.8 million, if recognized in future periods, would be fully reduced by additional valuation allowances.

In October 2007, we received \$178.7 million in refunds for federal income taxes paid over the preceding ten years. The refunds resulted from the carryback of a portion of net operating losses created by the funding of the Asbestos PI Trust in October 2006. The refunds were subject to an examination by the IRS. Upon receipt of the refunds in the fourth quarter of 2007, we recorded a liability of \$144.6 million pending completion of the IRS audit. We also recorded a non-current deferred tax asset of \$144.6 million for future tax benefits that would result from a disallowance of the refunds. In addition, we had accrued \$10.0 million of interest as of June 30, 2009, on this unrecognized tax benefit as income tax expense.

The IRS completed its audit and in July 2009 notified us that the Joint Committee on Taxation of the U.S. Congress had also issued its final approval of our refunds. Therefore, in the third quarter of 2009, we recorded a decrease in the liability for previously unrecognized tax benefits of \$154.6 million. We also recorded a decrease in non-current deferred tax assets of \$144.6 million for the reduction in future tax benefits from the settlement of this tax position. As a result, we recorded an income tax benefit of \$10.0 million in the third quarter of 2009 for the settlement of this tax position.

Additionally, through the second quarter of 2009 we had accrued U.S. income taxes of approximately \$50 million for unremitted earnings of foreign subsidiaries that were not considered to be permanently reinvested. Due to uncertainty regarding the net operating loss carryover discussed above, we provided a valuation allowance of \$31.3 million on the foreign tax credits that would be available upon the remittance of these earnings to the U.S. With the settlement of the IRS audit in July 2009, this uncertainty was eliminated. Therefore, in the third quarter of 2009, we removed the valuation allowance on these foreign tax credits.

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It is reasonably possible that certain UTB's may increase or decrease within the next twelve months due to tax examination changes, settlement activities, expirations of statute of limitations, or the impact on recognition and measurement considerations related to the results of published tax cases or other similar activities. Over the next twelve months, we estimate that UTB's may decrease by \$1.4 million due to statutes expiring and increase by \$2.4 million due to uncertain tax positions expected to be taken on tax returns.

We account for all interest and penalties on uncertain income tax positions as income tax expense. We reported \$1.4 million of interest and penalty exposure as accrued income tax in the Consolidated Balance Sheet as of December 31, 2009. In addition, the reversal of \$8.3 million of interest and penalties previously accrued was recognized as an income tax benefit during 2009 primarily as a result of the settlement of the IRS audit discussed above.

We have significant operations in over 25 countries and file income tax returns in approximately 85 tax jurisdictions, in some cases for multiple legal entities per jurisdiction. Generally, we have open tax years subject to tax audit on average of between three years and six years. We have not materially extended any open statutes of limitation for any significant location and have reviewed and accrued for, where necessary, tax liabilities for open periods.

As discussed above, the IRS audit for the 2005 and 2006 tax years was completed during the third quarter of 2009. The tax years 2007, 2008 and 2009 are subject to future potential tax adjustments. All tax years prior to 2007 have been settled.

We also have examinations in progress in Germany and Canada. We have evaluated the need for tax reserves for these audits.

We had the following activity for UTB's for the years ended December 31, 2009, 2008 and 2007:

	2009	2008	2007
Unrecognized tax benefits balance at January 1	\$ 174.4	\$ 180.7	\$ 37.0
Gross change for current year positions	6.1	0.8	1.4
Increases for prior period positions	29.1	3.4	162.4
Decrease for prior period positions	(149.8)	(8.0)	(19.7)
Decrease due to settlements and payments	(1.9)	(0.9)	(0.1)
Decrease due to statute expirations	(0.4)	(1.6)	(0.3)
Unrecognized tax benefits balance at December 31	<u>\$ 57.5</u>	<u>\$ 174.4</u>	<u>\$ 180.7</u>
Other taxes	2009	2008	2007
Payroll taxes	\$ 69.7	\$ 75.7	\$ 77.2
Property, franchise and capital stock taxes	16.0	15.4	18.3

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NOTE 16. DEBT

	2009	Average year-end interest rate	2008	Average year-end interest rate
Term loan A due 2011	\$ 262.5	1.78%	\$ 281.3	2.01%
Term loan B due 2013	191.6	1.98%	193.5	2.26%
Foreign bank loans due 2010	0.1	1.00%	1.3	4.75%
Bank loans due through 2016	8.3	5.05%	10.8	6.02%
Industrial revenue bonds due 2025	10.0	1.83%	10.0	1.60%
Capital lease obligations due through 2018	0.1	4.37%	0.1	5.03%
Subtotal	472.6	1.92%	497.0	2.19%
Less current portion and short-term debt	40.1	2.47%	42.2	3.00%
Total long-term debt, less current portion	<u>\$ 432.5</u>	<u>1.87%</u>	<u>\$ 454.8</u>	<u>2.12%</u>

On October 2, 2006, Armstrong executed a \$1.1 billion senior credit facility arranged by Bank of America Securities LLC, J.P. Morgan Securities, Inc., and Barclays Capital. This facility is made up of a \$300 million revolving credit facility (with a \$150 million sublimit for letters of credit), a \$300 million Term Loan A, and a \$500 million Term Loan B. This \$1.1 billion senior credit facility is secured by U.S. personal property (excluding land and buildings), the capital stock of material U.S. subsidiaries, and a pledge of 65% of the stock of our material foreign subsidiaries.

The senior credit facility includes three financial covenants which: do not permit the ratio of consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") to consolidated interest expense to be less than 3.00 to 1.00; do not permit the ratio of consolidated funded indebtedness to consolidated EBITDA ("Consolidated Leverage Ratio") to be greater than 3.75 to 1.00; and require that the Company maintain minimum domestic liquidity of \$100 million, as defined by the credit agreement. We are in compliance with these covenants. As of December 31, 2009 our consolidated interest coverage ratio was 15.2 to 1.00, our indebtedness to EBITDA was 1.76 to 1.00 and our domestic liquidity was \$586.4 million. We believe that default under these covenants is unlikely. Fully borrowing under our revolving credit facility, provided we maintain minimum domestic liquidity of \$100 million, would not violate these covenants.

The Revolving Credit and Term Loan A portions are currently priced at a spread of 1.50% over LIBOR and the Term Loan B portion is priced at 1.75% over LIBOR for its entire term. The Term Loan A and Term Loan B were both fully drawn (net of scheduled and voluntary principal payments) and are currently priced on a variable interest rate basis. The unpaid balances of Term Loan A (\$262.5 million) and Term Loan B (\$191.6 million) of the credit facility may be prepaid without penalty at the maturity of their respective interest reset periods. Any amounts prepaid may not be reborrowed.

No mandatory prepayments are required under the senior credit facility unless (a) our Indebtedness to EBITDA ratio is greater than 2.5 to 1.0, or (b) debt ratings from S&P are lower than BB (stable), or (c) debt ratings from Moody's are lower than Ba2 (stable) based on our year end compliance certification. If required, the prepayment amount would be 50% of Consolidated Excess Cash Flow as defined by the credit agreement. Mandatory prepayments have not occurred since the inception of the agreement. Our current debt rating from S&P is BB (stable) and from Moody's is Ba2 (stable).

During the third quarter of 2009 we refunded the \$10.0 million industrial revenue bonds that had been scheduled to mature in August 2009. The new maturity date of the bonds is in July 2025.

Approximately \$0.8 million of the remaining \$18.5 million of debt as of December 31, 2009 was secured with buildings and other assets. The credit lines at our foreign subsidiaries are subject to immaterial annual commitment fees.

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As of December 31, 2008, approximately \$2.2 million of the \$22.2 million of total debt outstanding was secured with buildings and other assets.

Scheduled payments of long-term debt:

2010	\$	40.1
2011	\$	234.8
2012	\$	3.5
2013	\$	184.1
2014	\$	0.1
2015 and later	\$	10.0

We utilize lines of credit and other commercial commitments in order to ensure that adequate funds are available to meet operating requirements. On December 31, 2009, we had a \$300 million revolving credit facility with a \$150 million sublimit for letters of credit, of which \$41.8 million was outstanding. There were no outstanding borrowings under the revolving credit facility. Availability under this facility totaled \$258.2 million as of December 31, 2009. As of December 31, 2009, our foreign subsidiaries had available lines of credit totaling \$24.9 million, of which \$1.0 million was used and \$2.2 million was only available for letters of credit and guarantees, leaving \$21.7 million of unused lines of credit available for foreign borrowings.

On December 31, 2009, we had outstanding letters of credit totaling \$42.5 million, of which \$41.8 million was issued under the revolving credit facility and \$0.7 million of international subsidiary letters of credit were issued by other banks. Letters of credit are issued to third party suppliers, insurance and financial institutions and typically can only be drawn upon in the event of AWI's failure to pay its obligations to the beneficiary.

NOTE 17. PENSION AND OTHER BENEFIT PROGRAMS

We have defined benefit pension plans and postretirement medical and insurance benefit plans covering eligible employees worldwide. We also have defined-contribution pension plans for eligible employees. Benefits from defined benefit pension plans, which cover most employees worldwide, are based primarily on an employee's compensation and years of service. We fund our pension plans when appropriate. We fund postretirement benefits on a pay-as-you-go basis, with the retiree paying a portion of the cost for health care benefits by means of deductibles and contributions.

UNITED STATES PLANS

The following tables summarize the balance sheet impact of the pension and postretirement benefit plans, as well as the related benefit obligations, assets, funded status and rate assumptions. The pension benefits disclosures include both the Retirement Income Plan (RIP) and the Retirement Benefit Equity Plan, which is a nonqualified, unfunded plan designed to provide pension benefits in excess of the limits defined under Sections 415 and 401(a)(17) of the Internal Revenue Code.

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We use a December 31 measurement date for our U.S. defined benefit plans.

U.S. defined-benefit pension plans	2009	2008
Change in benefit obligation:		
Benefit obligation as of beginning of period	\$ 1,755.7	\$ 1,712.6
Service cost	18.0	17.4
Interest cost	96.0	97.8
Plan amendments	12.9	3.4
Special termination benefits	0.2	—
Actuarial loss	11.1	36.2
Benefits paid	(113.8)	(111.7)
Benefit obligation as of end of period	<u>\$ 1,780.1</u>	<u>\$ 1,755.7</u>
Change in plan assets:		
Fair value of plan assets as of beginning of period	\$ 1,701.6	\$ 2,355.7
Actual return on plan assets — gain (loss)	259.2	(545.6)
Employer contribution	3.3	3.2
Benefits paid	(113.8)	(111.7)
Fair value of plan assets as of end of period	<u>\$ 1,850.3</u>	<u>\$ 1,701.6</u>
Funded status of the plans	\$ 70.2	\$ (54.1)
U.S. defined-benefit pension plans		
Weighted-average assumptions used to determine benefit obligations at end of period:		
Discount rate	5.60%	5.60%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost for the period:		
Discount rate	5.60%	5.85%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	4.00%	4.00%

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U.S. defined-benefit retiree health and life insurance plans	2009	2008
Change in benefit obligation:		
Benefit obligation as of beginning of period	\$ 334.3	\$ 337.0
Service cost	1.9	1.7
Interest cost	16.7	18.9
Plan participants' contributions	6.0	6.2
Plan amendments	0.1	—
Effect of curtailment	(0.2)	—
Actuarial (gain) loss	(3.9)	1.4
Benefits paid, gross	(30.2)	(32.6)
Medicare subsidy receipts	2.8	1.7
Benefit obligation as of end of period	<u>\$ 327.5</u>	<u>\$ 334.3</u>
Change in plan assets:		
Fair value of plan assets as of beginning of period	—	—
Employer contribution	\$ 21.4	\$ 24.7
Plan participants' contributions	6.0	6.2
Benefits paid, gross	(30.2)	(32.6)
Medicare subsidy receipts	2.8	1.7
Fair value of plan assets as of end of period	<u>\$ —</u>	<u>\$ —</u>
Funded status of the plans	\$ (327.5)	\$ (334.3)
U.S. defined-benefit retiree health and life insurance plans		
Weighted-average discount rate used to determine benefit obligations at end of period	5.30%	5.60%
Weighted-average discount rate used to determine net periodic benefit cost for the period	5.60%	5.85%

Investment Policies

The RIP's primary investment objective is to increase the ratio of RIP assets to liabilities by maximizing the long-term return on investments while minimizing the likelihood of cash contributions over the next 5-10 years. This is to be achieved by (a) investing primarily in publicly-traded equities, (b) limiting return volatility by diversifying investments among additional asset classes with differing expected rates of return and return correlations, and (c) investing a portion of RIP assets in a bond portfolio whose duration is roughly equal to the duration of RIP liabilities. Derivatives may be used either to implement investment positions efficiently or to hedge risk but not to create investment leverage.

Each asset class utilized by the RIP has a defined asset allocation target and allowable range. The table below shows the asset allocation target and the December 31, 2009 and 2008 position for each asset class:

Asset Class	Target Weight at	Position at December 31,	
	December 31, 2009	2009	2008
Domestic equity	40%	38%	30%
International equity	22%	22%	17%
High yield bonds	5%	6%	4%
Long duration bonds	26%	30%	40%
Real estate	7%	4%	7%
Other fixed income	0%	0%	2%

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The difference between the target and actual positions as of December 31, 2008 was due to poor performance of the equity investments, not an intentional shift in asset allocation. The portfolio was rebalanced in 2009.

Pension plan assets are required to be reported and disclosed at fair value in the financial statements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Three levels of inputs may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level within the fair value hierarchy a summary of the RIP's assets measured at fair value on a recurring basis as of December 31, 2009:

Description	Level 1	Level 2	Level 3	Total
Long duration bonds	—	\$ 541.2	—	\$ 541.2
Domestic equity	\$ 683.4	2.9	—	686.3
International equity	145.2	260.6	—	405.8
High yield bonds	—	98.1	—	98.1
Real estate	—	—	\$ 84.6	84.6
Other investments	—	—	8.4	8.4
Money market investments	24.9	—	—	24.9
Cash and other short term investments	1.0	—	—	1.0
Net assets	\$ 854.5	\$ 902.8	\$ 93.0	\$ 1,850.3

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The table below sets forth a summary of changes in the fair value of the RIP's level 3 assets for the year ended December 31, 2009:

	Level 3 Assets Gains and Losses for the Year Ended December 31, 2009			
	Real Estate	Venture Capital	Group Insurance Annuity Contract	Total
Balance, December 31, 2008	\$ 116.1	\$ 6.2	\$ 4.0	\$ 126.3
Realized (loss) gain	(0.5)	0.2	0.1	(0.2)
Unrealized (loss) gain	(30.8)	(1.9)	0.5	(32.2)
Purchases, (sales), issuances, (settlements), net	(0.2)	(0.3)	(0.4)	(0.9)
Balance, December 31, 2009	<u>\$ 84.6</u>	<u>\$ 4.2</u>	<u>\$ 4.2</u>	<u>\$ 93.0</u>

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Long Duration Bonds: Consists of investments in individual corporate bonds as well as investments in registered investment funds and common and collective trust funds investing in fixed income securities tailored to institutional investors. Certain corporate bonds are valued based on a compilation of primarily observable market information or a broker quote in a non-active market. There are no readily available market quotations for registered investment company funds or common collective trust funds. The fair value is based on the underlying securities in the fund's portfolio which is typically the amount which the fund might reasonably expect to receive for the security upon a current sale.

Domestic and International equity securities: Consists of investments in common and preferred stocks as well as investments in registered investment funds investing in international equities tailored to institutional investors. Common and preferred stocks are valued at the closing price reported on the active market on which the individual securities are traded. There are no readily available market quotations for registered investment company funds. The fair value is based on the underlying securities in the fund's portfolio which is typically the amount which the fund might reasonably expect to receive for the security upon a current sale.

High Yield Bonds: Consists of investments in individual corporate bonds as well as an investment in a registered investment fund investing in fixed income securities tailored to institutional investors. Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. There are no readily available market quotations for registered investment company funds. The fair value is based on the underlying securities in the fund's portfolio which is typically the amount which the fund might reasonably expect to receive for the security upon a current sale.

Real Estate: The RIP's real estate investments are comprised of both open-end and closed-end funds. There are no readily available market quotations for these real estate funds. The fund's fair value is based on the underlying real estate assets held by the fund. Underlying real estate assets are valued on the basis of a discounted cash flow approach, which includes the future rental receipts, expenses and residual values as the highest and best use of the real estate from a market participant view. Independent appraisals may also be used to determine fair value for the underlying assets of these funds.

Other Investments: Consists of investments in a group insurance annuity contract and a limited partnership. The fair value for the group insurance annuity contract was determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. For our investment in the limited partnership, the majority of the partnership's underlying securities are invested in publicly traded securities which are valued at the

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closing price reported on the active market on which the individual securities are traded. The remaining other investments within the partnership are valued based on available inputs, including recent financing rounds, comparable company valuations, and other available data. The investment in the limited partnership is non-redeemable until the expiration of the term of the agreement.

Money Market Investments: The money market investment consists of an institutional investor mutual fund, valued at the fund's net asset value ("NAV") which is normally calculated at the close of business daily.

Cash and Other Short Term Investments: Cash and short term investments consist primarily of cash and cash equivalents and other payables and receivables (net). The carrying amounts of cash and cash equivalents approximate fair value due to the short-term maturity of these instruments. Other payables and receivables consist primarily of margin on account for a fund, accrued fees and receivables related to investment positions liquidated for which proceeds had not been received at December 31. The carrying amounts of payables and receivables approximate fair value due to the short-term nature of these instruments.

The RIP has \$698.3 million of investments in alternative investment funds which are reported at fair value, and we have concluded that the net asset value reported by the underlying fund approximates the fair value of the investment. These investments are redeemable at net asset value under agreements with the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the RIP's interest in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the RIP's interest in the funds.

Basis of Rate-of-Return Assumption

Long-term asset class return assumptions are determined based on input from investment professionals on the expected performance of the asset classes over 10 to 20 years. The forecasts were averaged to come up with consensus passive return forecasts for each asset class. An incremental component was added for the expected return from active management based both on the RIP's experience and on historical information obtained from the RIP's investment consultants. These forecast gross returns were reduced by estimated management fees and expenses, yielding a long-term return forecast of 8.00% per annum for 2009.

Amounts recognized in assets and (liabilities) at year end consist of :

	Pension Benefits		Retiree Health and Life Insurance Benefits	
	2009	2008	2009	2008
Prepaid pension costs	\$ 114.1	—	—	—
Accounts payable and accrued expenses	(3.3)	\$ (3.3)	\$ (30.6)	\$ (31.7)
Postretirement and postemployment benefit liabilities	—	—	(296.9)	(302.6)
Pension benefit liabilities	(40.6)	(50.8)	—	—
Net amount recognized	<u>\$ 70.2</u>	<u>\$ (54.1)</u>	<u>\$ (327.5)</u>	<u>\$ (334.3)</u>

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Pre-tax amounts recognized in accumulated other comprehensive income at year end consist of:

	Pension Benefits		Retiree Health and Life Insurance Benefits	
	2009	2008	2009	2008
Net actuarial loss (gain)	\$ 550.2	\$ 627.2	\$ (46.9)	\$ (46.2)
Prior service cost	14.2	3.1	0.1	—
Accumulated other comprehensive loss (income)	<u>\$ 564.4</u>	<u>\$ 630.3</u>	<u>\$ (46.8)</u>	<u>\$ (46.2)</u>

We expect to amortize \$6.2 million of previously unrecognized prior service cost and net actuarial losses into the pension credit in 2010. We expect to amortize \$2.8 million of previously unrecognized net actuarial gains into postretirement benefit cost in 2010.

The accumulated benefit obligation for the U.S. defined benefit pension plans was \$1,755.7 million and \$1,734.2 million at December 31, 2009 and 2008, respectively.

U.S. pension plans with benefit obligations in excess of assets	2009	2008
Projected benefit obligation, December 31	\$ 43.9	\$ 1,755.7
Accumulated benefit obligation, December 31	42.8	1,734.2
Fair value of plan assets, December 31	—	1,701.6

The decrease in U.S. pension plans with benefit obligation in excess of assets occurred primarily because the RIP, which was underfunded at December 31, 2008, was overfunded in relation to its benefit obligations at December 31, 2009.

The components of pension credit are as follows:

U.S. defined-benefit pension plans	2009	2008	2007
Service cost of benefits earned during the period	\$ 18.0	\$ 17.4	\$ 16.9
Interest cost on projected benefit obligation	96.0	97.8	96.3
Expected return on plan assets	(171.2)	(175.3)	(169.4)
Amortization of prior service cost	1.8	0.3	—
Net periodic pension credit	<u>\$ (55.4)</u>	<u>\$ (59.8)</u>	<u>\$ (56.2)</u>

The components of postretirement benefit costs are as follows:

U.S. defined-benefit retiree health and life insurance plans	2009	2008	2007
Service cost of benefits earned during the period	\$ 1.9	\$ 1.7	\$ 1.8
Interest cost on accumulated postretirement benefit obligation	16.7	18.9	19.1
Amortization of net actuarial (gain) loss	(4.4)	(1.5)	(0.9)
Net periodic postretirement benefit cost	<u>\$ 14.2</u>	<u>\$ 19.1</u>	<u>\$ 20.0</u>

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For measurement purposes, average rates of annual increase in the per capita cost of covered health care benefits of 8.5% for pre-65 retirees and 9.0% for post-65 retirees were assumed for 2010, decreasing 1% per year to an ultimate rate of 5%. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

U.S. retiree health and life insurance benefit plans	One percentage point	
	Increase	Decrease
Effect on total service and interest cost components	\$ 0.4	\$ (0.4)
Effect on postretirement benefit obligation	7.8	(7.4)

We expect to contribute \$3.3 million to our U.S. defined benefit pension plans and \$30.5 million to our U.S. postretirement benefit plans in 2010.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten years for our U.S. plans:

	Pension Benefits	Retiree Health and Life Insurance Benefits, Gross	Retiree Health Medicare Subsidy Receipts
2010	\$ 119.3	\$ 32.2	\$ (1.7)
2011	122.6	32.9	(1.8)
2012	122.4	32.7	(2.0)
2013	125.0	32.1	(2.1)
2014	126.8	31.2	(2.2)
2015-2019	654.2	139.7	(13.4)

These estimated benefit payments are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

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NON-U.S. PLANS

We have defined benefit pension plans covering employees in a number of foreign countries that utilize assumptions which are consistent with, but not identical to, those of the U.S. plans. The following tables summarize the balance sheet impact of foreign pension benefit plans, as well as the related benefit obligations, assets, funded status and rate assumptions.

We use a December 31 measurement date for all of our non-U.S. defined benefit plans.

Non-U.S. defined-benefit plans	2009	2008
Change in benefit obligation:		
Benefit obligation as of beginning of period	\$ 329.2	\$ 403.0
Service cost	5.1	5.6
Interest cost	19.3	21.3
Plan participants' contributions	2.0	2.1
Foreign currency translation adjustment	18.7	(50.2)
Effect of plan curtailment	(0.2)	—
Actuarial loss (gain)	36.2	(28.1)
Benefits paid	(24.5)	(24.5)
Benefit obligation as of end of period	<u>\$ 385.8</u>	<u>\$ 329.2</u>
Change in plan assets:		
Fair value of plan assets as of beginning of period	\$ 156.1	\$ 246.0
Actual return on plan assets — gain (loss)	23.2	(39.8)
Employer contributions	17.7	18.9
Plan participants' contributions	2.0	2.1
Foreign currency translation adjustment	15.8	(46.6)
Benefits paid	(24.5)	(24.5)
Fair value of plan assets as of end of period	<u>\$ 190.3</u>	<u>\$ 156.1</u>
Funded status of the plans	\$ (195.5)	\$ (173.1)
Non-U.S. defined-benefit plans		
Weighted-average assumptions used to determine benefit obligations at end of period:		
Discount rate	5.1%	5.9%
Rate of compensation increase	3.3%	3.4%
Weighted-average assumptions used to determine net periodic benefit cost for the period:		
Discount rate	5.8%	5.5%
Expected return on plan assets	6.5%	6.7%
Rate of compensation increase	3.4%	3.5%

Investment Policies

Each of the funded non-US pension plan's primary investment objective is to earn sufficient long-term returns on investments both to increase the ratio of the assets to liabilities in order for the plans to meet their benefits obligations, and to minimize required cash contributions to the plans. This is to be achieved by (a) investing primarily in publicly-traded equities, (b) limiting return volatility by diversifying investments among additional asset classes with differing expected rates of return and return correlations, and (c) utilizing long duration bonds to limit the volatility of the plans' asset/liability ratios.

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Each of the plans has a targeted asset allocation for each asset class. The table below shows, for each asset class, the weighted average of the several plans' asset allocation targets and positions at December 31, 2009 and 2008:

Asset Class	Target Weight at	Position at December 31,	
	December 31, 2009	2009	2008
Equities	54%	60%	56%
Long duration bonds	27%	26%	26%
Other fixed income	9%	8%	12%
Real estate	10%	6%	6%

The following table sets forth by level within the fair value hierarchy a summary of our non-U.S. plan assets measured at fair value on a recurring basis as of December 31, 2009:

Description	Level 1	Level 2	Total
Bonds	—	\$ 64.4	\$ 64.4
Equities	\$ 4.3	110.0	114.3
Real estate	—	11.1	11.1
Cash and other short term investments	0.5	—	0.5
Net assets	\$ 4.8	\$ 185.5	\$ 190.3

Following is a description of the valuation methodologies used for non-U.S. plan assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Bonds: Consists of investments in individual corporate bonds as well as investments in registered investment funds and common and collective trust funds investing in fixed income securities tailored to institutional investors. Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. There are no readily available market quotations for registered investment company funds or common collective trust funds. The fair value is based on the underlying securities in the fund's portfolio which is typically the amount which the fund might reasonably expect to receive for the security upon a current sale.

Equities: Consists of investments in common and preferred stocks as well as investments in registered investment funds investing in international equities tailored to institutional investors. Equity securities are valued at the closing price reported on the active market on which the individual securities are traded. There are no readily available market quotations for registered investment company funds. The fair value is based on the underlying securities in the fund's portfolio which is typically the amount which the fund might reasonably expect to receive for the security upon a current sale.

Real Estate: The plans' real estate investments are comprised of pooled real estate mutual funds valued based on a compilation of primarily observable market information or a broker quote in a non-active market.

Cash and other Short Term Investments: Cash and short term investments consist primarily of cash and cash equivalents. The carrying amounts of cash and cash equivalents approximate fair value due to the short-term maturity of these instruments.

The non-U.S. pension plans have \$179.9 million of investments in alternative investment funds which are reported at fair value, and we have concluded that the net asset value reported by the underlying fund approximates the fair value of the investment. These investments are redeemable at net asset value

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under agreements with the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the plans' interest in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the plans' interest in the funds.

Basis of Rate-of-Return Assumption

Long-term asset class return forecasts were obtained from investment professionals. The forecasts were averaged to come up with consensus passive return forecasts for each asset class. These forecast asset class returns were weighted by the plans' target asset class weights, yielding a long-term return forecast of 6.5% for the year ended December 31, 2009 and 6.7% for the year ended December 31, 2008.

Amounts recognized in the consolidated balance sheets consist of:

	2009	2008
Prepaid pension costs	\$ 0.1	\$ 0.3
Accounts payable and accrued expenses	(12.8)	(12.8)
Pension benefit liabilities	(182.8)	(160.6)
Net amount recognized	<u>\$ (195.5)</u>	<u>\$ (173.1)</u>

Pre-tax amounts recognized in accumulated other comprehensive income at year end consist of:

	2009	2008
Net actuarial loss (gain)	\$ 14.4	\$ (14.1)
Accumulated other comprehensive loss (income)	<u>\$ 14.4</u>	<u>\$ (14.1)</u>

We expect to amortize \$0.4 million of previously unrecognized net actuarial losses into pension cost in 2010.

The accumulated benefit obligation for the non-U.S. defined benefit pension plans was \$360.2 million and \$309.0 million at December 31, 2009 and 2008, respectively.

Non-U.S. pension plans with benefit obligations in excess of assets	2009	2008
Projected benefit obligation, December 31	\$ 384.6	\$ 328.3
Accumulated benefit obligation, December 31	359.1	308.1
Fair value of plan assets, December 31	189.0	154.9

The components of pension cost are as follows:

Non-U.S. defined-benefit plans	2009	2008	2007
Service cost of benefits earned during the period	\$ 5.1	\$ 5.6	\$ 6.9
Interest cost on projected benefit obligation	19.3	21.3	19.2
Expected return on plan assets	(12.8)	(16.0)	(15.4)
Amortization of net actuarial gain	(0.9)	(0.5)	—
Net periodic pension cost	<u>\$ 10.7</u>	<u>\$ 10.4</u>	<u>\$ 10.7</u>

We expect to contribute \$17.6 million to our non-U.S. defined benefit pension plans in 2010.

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten years:

	Pension Benefits
2010	\$ 22.2
2011	22.5
2012	21.4
2013	23.0
2014	24.5
2015-2019	125.6

Costs for other worldwide defined contribution benefit plans and multiemployer pension plans were \$13.3 million in 2009, \$14.8 million in 2008 and \$15.2 million in 2007.

NOTE 18. FINANCIAL INSTRUMENTS

We do not hold or issue financial instruments for trading purposes. The estimated fair values of our financial instruments are as follows:

	December 31, 2009		December 31, 2008	
	Carrying amount	Estimated Fair Value	Carrying amount	Estimated Fair Value
Assets/(Liabilities):				
Money market investments	\$ 250.1	\$ 250.1	\$ 192.1	\$ 192.1
Long-term debt, including current portion	(472.5)	(462.1)	(495.7)	(405.0)
Foreign currency contract obligations	(4.1)	(4.1)	7.4	7.4
Natural gas contracts	(4.6)	(4.6)	(13.5)	(13.5)

The carrying amounts of cash and cash equivalents (which consists primarily of money market investments totaling \$250.1 million and bank deposits totaling \$319.4 million at December 31, 2009), receivables, accounts payable and accrued expenses, short-term debt and current installments of long-term debt approximate fair value because of the short-term maturity of these instruments. The fair value estimates of long-term debt were based upon quotes from a major financial institution of recently observed trading levels of our Term Loan B debt. The fair value estimates of foreign currency contract obligations are estimated from national exchange quotes. The fair value estimates of natural gas contracts are estimated by obtaining quotes from major financial institutions with verification using internal valuation models.

Refer to Note 17 for a discussion of fair value and the related inputs used to measure fair value. Assets and liabilities measured at fair value on a recurring basis are summarized below:

	December 31, 2009		December 31, 2008	
	Fair value based on		Fair value based on	
	Quoted, active markets Level 1	Other observable inputs Level 2	Quoted, active markets Level 1	Other observable inputs Level 2
Assets/(Liabilities):				
Money market investments	\$ 250.1	—	\$ 192.1	—
Foreign currency contract obligations	(4.1)	—	7.4	—
Natural gas contracts	—	\$ (4.6)	—	\$ (13.5)

We do not have any financial assets or liabilities that are valued using Level 3 (unobservable) inputs.

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NOTE 19. DERIVATIVE FINANCIAL INSTRUMENTS

We are exposed to market risk from changes in foreign exchange rates, interest rates and commodity prices that could impact our results of operations and financial condition. We use forward swaps and option contracts to hedge these exposures. Exposure to individual counterparties is controlled and derivative financial instruments are entered into with a diversified group of major financial institutions. Forward swaps and option contracts are entered into for periods consistent with underlying exposure and do not constitute positions independent of those exposures. At inception, we formally designate and document our derivatives as either (1) a hedge of a forecasted transaction or "cash flow" hedge, or (2) a hedge of the fair value of a recognized liability or asset or "fair value" hedge. We also formally assess both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer probable of occurring, we discontinue hedge accounting, and any future mark to market adjustments are recognized in earnings. We use derivative financial instruments as risk management tools and not for speculative trading purposes.

Counter Party Risk

We only enter into derivative transactions with established counterparties having a credit rating of A or better. We monitor counterparty credit default swap levels and credit ratings on a regular basis. All of our derivative transactions with counterparties are governed by master International Swap Dealer Agreements ("ISDA's") with netting arrangements. These agreements can limit our exposure in situations where we have gain and loss positions outstanding with a single counterparty. We generally do not post nor receive cash collateral with any counterparty for our derivative transactions. As of December 31, 2009 we had no cash collateral posted or received for any of our derivative transactions. These ISDA agreements do not have any credit contingent features; however, a default under our bank credit facility would trigger a default under these agreements. Exposure to individual counterparties is controlled, and thus we consider the risk of counterparty default to be negligible.

Commodity Price Risk — We purchase natural gas for use in the manufacture of ceiling tiles and other products, and to heat many of our facilities. As a result, we are exposed to movements in the price of natural gas. We have a policy to reduce cost volatility for North American natural gas purchases by purchasing natural gas forward contracts and swaps, purchased call options, and zero-cost collars up to 15 months forward to reduce our overall exposure to natural gas price movements. There is a high correlation between the hedged item and the hedged instrument. The gains and losses on these transactions offset gains and losses on the transactions being hedged. These instruments are designated as cash flow hedges. At December 31, 2009 the notional amount of these hedges was 4.6 Million British Thermal Units ("MMBTU's"). The mark-to-market gain or loss on qualifying hedges is included in other comprehensive income to the extent effective, and reclassified into cost of goods sold in the period during which the underlying gas is consumed. The mark-to-market gains or losses on ineffective portions of hedges are recognized in cost of goods sold immediately. The earnings impact of the ineffective portion of these hedges was not material for the year ended December 31, 2009. The contracts are based on forecasted usage of natural gas measured in MMBTU's.

As of June 30, 2009 we de-designated several monthly natural gas hedge contracts maturing in 2009 and 2010 due to their over hedged positions. The over hedged positions were due to updated projected production volumes (and gas usage) at our U.S. ceilings plants that were significantly lower than originally forecasted when the hedges were entered. We discontinued hedge accounting on the hedges and re-designated a portion of the original contracts based upon our revised forecasts, which have been designated as cash flow hedges. Starting in July 2009 the fair value adjustments for the portion of the derivative contracts not designated as a hedge have been recognized in cost of goods sold. The earnings impact related to the over hedged portion of these hedges was not material for the year ended December 31, 2009.

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Currency Rate Risk—

Sales and Purchases— We manufacture and sell our products in a number of countries throughout the world and, as a result we are exposed to movements in foreign currency exchange rates. To a large extent, our global manufacturing and sales provide a natural hedge of foreign currency exchange rate movement, as foreign currency expenses generally offset foreign currency revenues. We manage our cash flow exposures on a net basis and use derivatives to hedge the majority of our unmatched foreign currency cash inflows and outflows. At December 31, 2009, our major foreign currency exposures are to the Euro, the Canadian dollar, and the British pound.

We use foreign currency forward exchange contracts to reduce our exposure to the risk that the eventual net cash inflows and outflows, resulting from the sale of products to foreign customers and purchases from foreign suppliers, will be adversely affected by changes in exchange rates. These derivative instruments are used for forecasted transactions and are classified as cash flow hedges. Cash flow hedges are executed quarterly up to 15 months forward and allow us to further reduce our overall exposure to exchange rate movements, since gains and losses on these contracts offset gains and losses on the transactions being hedged. The notional amount of these hedges was \$86.7 million at December 31, 2009. Gains and losses on these instruments are deferred in other comprehensive income, to the extent effective, until the underlying transaction is recognized in earnings. The earnings impact of the ineffective portion of these hedges was not material for the year ended December 31, 2009.

Intercompany Loan Hedges— We also use foreign currency forward exchange contracts to hedge exposures created by cross-currency intercompany loans. The underlying intercompany loans are classified as short-term and translation adjustments related to these loans are recorded in other non-operating income or expense. The offsetting gains or losses on the related derivative contracts are also recorded in other non-operating income or expense. These contracts are decreased or increased as repayments are made or additional intercompany loans are extended. The notional amount of these hedges was \$8.3 million at December 31, 2009.

Interest Rate Risk— We utilize interest rate swaps to minimize the fluctuations in earnings caused by interest rate volatility. Interest expense on variable-rate debt increases or decreases as a result of interest rate fluctuations. In February 2009 we entered into interest rate swaps with a total notional amount of \$100 million that matured in December 2009. Under the terms of the swaps, we received 1-month LIBOR and paid a fixed rate over the hedged period. These swaps were designated as cash flow hedges against changes in LIBOR for a portion of our variable rate debt during their contract period.

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Financial Statement Impacts

The following tables detail amounts related to our derivatives as of December 31, 2009.

	Asset Derivatives	
	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments		
Foreign exchange contracts — purchases and sales	Other current assets	\$ 0.2
Total derivative assets designated as hedging instruments		\$ 0.2

Derivatives not designated as hedging instruments		
Foreign exchange contracts — intercompany loans	Other current assets	\$ 0.1
Total derivative assets not designated as hedging instruments		\$ 0.1

	Liability Derivatives	
	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments		
Natural gas commodity contracts	Accounts payable and accrued expenses	\$ 3.6
Natural gas commodity contracts	Other long-term liabilities	0.2
Foreign exchange contracts — purchases and sales	Accounts payable and accrued expenses	4.3
Total derivative liabilities designated as hedging instruments		\$ 8.1

	Liability Derivatives	
	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments		
Natural gas commodity contracts	Accounts payable and accrued expenses	\$ 0.8
Foreign exchange contracts — intercompany loans	Accounts payable and accrued expenses	0.1
Total derivative liabilities not designated as hedging instruments		\$ 0.9

	Amount of Gain/(Loss) Recognized in Other Comprehensive Income ("OCI") (Effective Portion)
Derivatives in Cash Flow Hedging Relationships	
Natural gas commodity contracts	\$ (4.3)
Foreign exchange contracts — purchases and sales	(4.1)
Total	\$ (8.4)

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Derivatives in Cash Flow Hedging Relationships	Location	Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (a)	
		Year Ended December 31, 2009	
		Amount	
Natural gas commodity contracts	Cost of goods sold	\$	(22.4)
Foreign exchange contracts — purchases and sales	Cost of goods sold		1.4
Total		\$	(21.0)

(a) As of December 31, 2009 the amount of existing (losses) in AOCI expected to be recognized in earnings over the next twelve months is \$(8.2) million.

Derivatives in Cash Flow Hedging Relationships	Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion) (b)	
Natural gas commodity contracts	Cost of goods sold	
Foreign exchange contracts — purchases and sales	SG&A expense	
Interest rate swap contracts	Interest expense	

(b) The loss recognized in income for the year ended December 31, 2009 of \$0.9 million related to the ineffective portion of the hedging relationships. No gains or losses are excluded from the assessment of hedge effectiveness.

The amount of loss recognized in income for derivative instruments not designated as hedging instruments was \$1.0 million for the year ended December 31, 2009.

NOTE 20. GUARANTEES

In disposing of assets, AWI and some subsidiaries have entered into contracts that included various indemnity provisions, covering such matters as taxes, environmental liabilities and asbestos and other litigation. Some of these contracts have exposure limits, but many do not. Due to the nature of the indemnities, it is not possible to estimate the potential maximum exposure under these contracts. For contracts under which an indemnity claim has been received, a liability of \$5.4 million has been recorded as of December 31, 2009.

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NOTE 21. PRODUCT WARRANTIES

We provide direct customer and end-user warranties for our products. These warranties cover manufacturing defects that would prevent the product from performing in line with its intended and marketed use. The terms of these warranties vary by product and generally provide for the repair or replacement of the defective product. We collect and analyze warranty claims data with a focus on the historic amount of claims, the products involved, the amount of time between the warranty claims and their respective sales and the amount of current sales. The following table summarizes the activity for the accrual of product warranties for 2009 and 2008:

	2009	2008
Balance at beginning of year	\$ 16.3	\$ 17.6
Reductions for payments	(20.4)	(25.2)
Current period warranty accruals	18.7	25.4
Preexisting warranty accrual changes	(0.5)	(1.2)
Effects of foreign exchange translation	—	(0.3)
Balance at end of year	<u>\$ 14.1</u>	<u>\$ 16.3</u>

The warranty reserve is recorded as a reduction of sales and accounts receivable.

NOTE 22. OTHER LONG-TERM LIABILITIES

	December 31, 2009	December 31, 2008
Long-term deferred compensation arrangements	\$ 29.8	\$ 30.4
U.S. workers' compensation	11.9	13.4
Environmental liabilities	6.3	6.5
Other	10.0	12.1
Total other long-term liabilities	<u>\$ 58.0</u>	<u>\$ 62.4</u>

NOTE 23. STOCK-BASED COMPENSATION PLANS

The 2006 Long-Term Incentive Plan ("2006 Plan") authorizes us to issue stock options, stock appreciation rights, restricted stock awards, stock units, performance-based awards and cash awards to officers and key employees. No more than 5,349,000 common shares may be issued under the 2006 Plan, and the 2006 Plan will terminate on October 2, 2016, after which time no further awards may be made. As of December 31, 2009, 2,775,740 shares were available for future grants under the 2006 plan.

For grants made between our Chapter 11 emergence on October 2, 2006 and October 17, 2006, options were granted to purchase shares at a price equal to the volume weighted average closing price of the shares for the period October 18, 2006 through October 31, 2006. For grants made on or after October 18, 2006, options were granted to purchase shares at prices equal to the closing market price of the shares on the dates the options were granted. The options generally become exercisable in two to four years and expire 10 years from the date of grant.

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In August 2009 TPG and the Asbestos PI Trust entered into an agreement whereby TPG purchased 7,000,000 shares of AWI common stock from the Asbestos PI Trust, and acquired an economic interest in an additional 1,039,777 shares from the Asbestos PI Trust. The Asbestos PI Trust and TPG together hold more than 60% of AWI's outstanding shares and have entered into a shareholders' agreement pursuant to which the Asbestos PI Trust and TPG have agreed to vote their shares together on certain matters. Under the terms of the 2006 Plan, a change in control occurred, causing the accelerated vesting of all unvested stock-based compensation. The non-cash charge to earnings related to this accelerated vesting was \$31.6 million and was recorded within SG&A expenses in the third quarter of 2009.

	Year Ended December 31, 2009			
	Number of shares (thousands)	Weighted- average exercise price	Weighted- average remaining contractual term (years)	Aggregate intrinsic value (millions)
Option shares outstanding at beginning of period	1,532.9	\$ 29.85		
Options granted	434.9	13.46		
Option shares exercised	(79.3)	(29.37)		\$ 1.0
Options forfeited	(261.0)	(27.37)		
Option shares outstanding at end of period	1,627.5	\$ 25.87	7.3	\$ 21.3
Option shares exercisable at end of period	1,627.5	25.87	7.3	\$ 21.3
Option shares expected to vest	—	—		
	Year Ended December 31, 2008			
	Number of shares (thousands)	Weighted- average exercise price	Weighted- average remaining contractual term (years)	Aggregate intrinsic value (millions)
Option shares outstanding at beginning of period	1,569.8	\$ 38.99		
Options granted	195.7	29.73		
Option adjustment for March dividend (see below)	95.8	29.16		
Option shares exercised	—	—		
Options forfeited	(328.4)	(31.02)		
Option shares outstanding at end of period	1,532.9	\$ 29.85	7.9	—
Option shares exercisable at end of period	505.8	29.85	7.9	—
Option shares expected to vest	936.6	30.17		—

We have reserved sufficient authorized shares to allow us to issue new shares upon exercise of all outstanding options. When options are actually exercised, we issue new shares, use treasury shares (if available), acquire shares held by investors, or a combination of these alternatives in order to satisfy the option exercises. The total value of options exercised during the year ended December 31, 2009 was \$1.2 million. Cash proceeds received from options exercised for the year ended December 31, 2009 were \$2.3 million.

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The fair value of option grants was estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions for the years 2009, 2008 and 2007 are presented in the table below.

	2009	2008	2007
Weighted-average grant date fair value of options granted (dollars per option)	\$ 4.77	\$ 12.21	\$ 20.64
Assumptions			
Risk free rate of return	2.1%	3.2%	4.8%
Expected volatility	32.7%	29.8%	30.2%
Expected term (in years)	6.0	6.0	6.0
Expected dividend yield	0.0%	0.0%	0.0%

The risk free rate of return is determined based on the implied yield available on zero coupon U.S. Treasury bills at the time of grant with a remaining term equal to the expected term of the option. Because reorganized Armstrong's stock has only been trading since the fourth quarter of 2006, the expected volatility is established based on an average of the actual historical volatilities of the stock prices of a peer group of companies. The expected life is the midpoint of the average vesting period and the contractual life of the grant. For the same reasons mentioned earlier we are using an allowable simplified method to determine an appropriate expected term for our option valuation assumptions. The expected dividend yield is assumed to be zero because, at the time of each grant, we had no plans to declare a dividend. The assumptions outlined above are applicable to all option grants.

Under the terms of the 2006 Plan, the Management Development and Compensation Committee of our Board of Directors is required to make equitable adjustments to stock option grants if there is a change in our capital structure. The special cash dividend in 2008 qualified as a change to our capital structure under the terms of the 2006 Plan. We used the Black-Scholes option pricing model to determine the fair value of the awards before and after the special cash dividend, using consistent assumptions for the risk free rate of return, expected term, expected volatility and expected dividend yield. The stock prices used in the before and after calculations were \$35.10 (the closing price on March 6, 2008, the day before the ex-dividend date) and \$29.37 (the closing price on March 7, 2008, the ex-dividend date), respectively. For all option grants, the fair value of the award before and after the dividend remained the same. Therefore, there was no incremental cost recognized in our financial statements due to these award modifications. The following changes were made to the options outstanding as a result of this change:

	Original Grant Terms		Adjusted Grant Terms	
	Number of Shares	Exercise Price	Number of Shares	Exercise Price
Options granted in 2006	1,445,700	\$ 38.42	1,520,024	\$ 29.37
Options granted in 2007	64,100	52.38	64,100	39.88
Options granted in 2008	110,370	34.00	131,904	28.45

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In addition to options, we have also granted restricted stock and restricted stock units. These awards generally had vesting periods of two to four years at the grant date. A summary of the 2009 and 2008 activity related to these awards follows:

	Non-Vested Stock Awards	
	Number of Shares	Weighted- average fair value at grant date
January 1, 2008	590,934	\$ 39.24
Granted	307,866	32.61
Vested	(152,945)	(36.89)
Forfeited	(138,369)	(37.54)
December 31, 2008	607,486	\$ 36.86
Granted	445,183	13.46
Vested	(947,459)	(26.53)
Forfeited	(105,210)	(34.23)
December 31, 2009	0	\$ 0.00

In 2009 and 2008, we granted 116,624 and 58,390 performance restricted shares, respectively, to our Chief Executive Officer, which entitled him to receive a specified number of shares of Armstrong's common stock on various vesting dates, provided certain cumulative financial targets were achieved over the three-year performance period. We estimated the fair value of these share awards based on the market price of the underlying stock on the date of grant. All outstanding performance restricted shares vested to the maximum extent, or 150%, resulting in an additional 106,457 shares being awarded in August 2009 as a result of the change in control caused by the TPG and Asbestos PI Trust agreement.

In addition to the equity awards described above, as of December 31, 2009 we had 30,924 fully-vested phantom shares outstanding for non-employee directors under the 2006 Phantom Stock Unit Plan. These awards are settled in cash and generally had vesting periods of one to three years. The awards are generally payable six months following the director's separation from service. The total liability recorded for these shares as of December 31, 2009 was \$1.6 million. The awards under the 2006 Phantom Stock Unit Plan are not reflected in the Non-Vested Stock Awards table above. The 2006 Phantom Stock Unit Plan is still in place; however, no additional shares will be granted under that plan.

During 2008, we adopted the 2008 Directors Stock Unit Plan. At December 31, 2009 and 2008 there were 141,782 and 111,950 restricted stock units, respectively, outstanding under the 2008 Directors Stock Unit Plan. In 2009 and 2008, we granted 29,832 and 61,630 restricted stock units, respectively, to non-employee directors. Additionally, 50,320 phantom shares were converted to restricted stock units during 2008. These awards generally have vesting periods of one to three years, and as of December 31, 2009 and 2008, 111,950 and 38,320 shares, respectively, were vested. The awards are generally payable six months following the director's separation from service. The awards granted under the 2008 Directors Stock Unit Plan are not reflected in the Non-Vested Stock Awards table above.

We recognize share-based compensation expense on a straight-line basis over the vesting period. Share-based compensation cost, including the impact of the accelerated vesting, was \$38.9 million (\$29.6 million net of tax benefit) in 2009, \$8.1 million (\$5.2 million net of tax benefit) in 2008 and \$13.6 million (\$9.1 million net of tax benefit) in 2007. Share-based compensation expense is recorded as a component of SG&A expenses. The benefits of tax deductions in excess of grant date fair value for the vesting of stock-based awards for the year ended December 31, 2009 was \$1.5 million. To the extent the vesting date value is greater than the grant date value, the excess tax benefit is a credit to additional paid in capital ("APIC"), but only if it reduces income tax currently payable. Due to our NOL, the credit to APIC will be suspended until the NOL is fully utilized.

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As of December 31, 2009, there was \$1.0 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements with our non-employee directors. That cost is expected to be recognized over a weighted-average period of 1.7 years.

NOTE 24. EMPLOYEE COMPENSATION

Employee compensation is presented in the table below. Charges for severance costs and early retirement incentives to terminated employees that were otherwise recorded as restructuring charges have been excluded.

Employee compensation cost	2009	2008	2007
Wages, salaries and incentive compensation	\$ 635.6	\$ 710.8	\$ 742.7
Payroll taxes	69.7	75.7	77.2
Pension expense (credits), net	(31.4)	(34.6)	(30.3)
Insurance and other benefit costs	69.1	77.5	84.0
Stock-based compensation	38.3	8.1	13.6
Total	<u>\$ 781.3</u>	<u>\$ 837.5</u>	<u>\$ 887.2</u>

NOTE 25. LEASES

We rent certain real estate and equipment. Several leases include options for renewal or purchase, and contain clauses for payment of real estate taxes and insurance. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases.

	2009	2008	2007
Rent expense	\$ 25.8	\$ 25.0	\$ 23.8
Sublease (income)	(3.1)	(2.0)	(1.5)
Net rent expense	<u>\$ 22.7</u>	<u>\$ 23.0</u>	<u>\$ 22.3</u>

Future minimum payments at December 31, 2009 by year and in the aggregate, having noncancelable lease terms in excess of one year are as follows:

Scheduled minimum lease payments	Total Minimum Lease Payments	Sublease (Income)	Net Minimum Lease Payments
2010	\$ 14.4	\$ (2.2)	\$ 12.2
2011	10.6	(1.8)	8.8
2012	6.7	(1.0)	5.7
2013	3.6	(0.6)	3.0
2014	1.9	(0.5)	1.4
Thereafter	6.3	(2.3)	4.0
Total	<u>\$ 43.5</u>	<u>\$ (8.4)</u>	<u>\$ 35.1</u>

Assets under capital leases are included in the consolidated balance sheet as follows:

Assets under capital leases	2009	2008
Land	\$ 1.6	\$ 1.6
Building	3.2	3.2
Machinery	3.0	3.0
Less accumulated amortization	(2.7)	(2.0)
Net assets	<u>\$ 5.1</u>	<u>\$ 5.8</u>

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NOTE 26. SHAREHOLDERS' EQUITY

There were no treasury shares at December 31, 2009 or December 31, 2008.

The balance of each component of accumulated other comprehensive (loss) as of December 31, 2009 and 2008 is presented in the table below.

	December 31, 2009	December 31, 2008
Foreign currency translation adjustments	\$ 23.9	\$ (10.5)
Derivative (loss), net	(5.5)	(3.3)
Pension and postretirement adjustments	(316.2)	(335.0)
Accumulated other comprehensive (loss)	<u>\$ (297.8)</u>	<u>\$ (348.8)</u>

The amounts and related tax effects allocated to each component of other comprehensive income (loss) during 2009 are presented in the table below.

	Pre-tax Amount	Tax (Expense)	After tax Amount
Foreign currency translation adjustments	\$ 38.3	\$ (3.9)	\$ 34.4
Derivative (loss), net	(1.6)	(0.6)	(2.2)
Pension and postretirement adjustments	37.9	(19.1)	18.8
Total other comprehensive income (loss)	<u>\$ 74.6</u>	<u>\$ (23.6)</u>	<u>\$ 51.0</u>

NOTE 27. SUPPLEMENTAL FINANCIAL INFORMATION

	2009	2008	2007
Selected operating expenses			
Maintenance and repair costs	\$ 103.5	\$ 111.3	\$ 116.9
Research and development costs	38.0	38.8	44.0
Advertising costs	28.8	29.6	36.2
Other non-operating expense			
Foreign currency translation loss, net of hedging activity	\$ 0.3	\$ 1.1	\$ 0.7
Other	0.6	0.2	0.7
Total	<u>\$ 0.9</u>	<u>\$ 1.3</u>	<u>\$ 1.4</u>
Other non-operating income			
Interest income	\$ 3.1	\$ 10.5	\$ 15.3
Foreign currency translation gain, net of hedging activity	0.1	0.1	2.5
Other	—	—	0.4
Total	<u>\$ 3.2</u>	<u>\$ 10.6</u>	<u>\$ 18.2</u>

NOTE 28. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008	2007
Interest paid	\$ 10.4	\$ 24.2	\$ 47.8
Income taxes paid (refunded), net	8.9	25.7	(181.4)

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NOTE 29. RELATED PARTIES

We purchase grid products from WAVE, our 50%-owned joint venture with Worthington Industries. The total amount of these purchases was approximately \$67 million in 2009, \$98 million in 2008, and \$88 million in 2007. We also provide certain selling, promotional and administrative processing services to WAVE for which we receive reimbursement. Those services amounted to \$14.2 million in 2009, \$16.1 million in 2008, and \$15.0 million in 2007. The net amounts due from us to WAVE for all of our relationships were \$4.1 million and \$2.8 million at the end of 2009 and 2008, respectively. See Note 10 for additional information.

During 2009 we incurred approximately \$0.6 million in consulting fees related to services provided by an affiliate of TPG. See Note 1 for additional information.

NOTE 30. LITIGATION AND RELATED MATTERS

ENVIRONMENTAL MATTERS

Environmental Expenditures

Our manufacturing and research facilities are affected by various federal, state and local requirements relating to the discharge of materials and the protection of the environment. We make expenditures necessary for compliance with applicable environmental requirements at each of our operating facilities. Regulatory requirements continually change, therefore we cannot predict with certainty future expenditures associated with compliance with environmental requirements.

Environmental Remediation

Summary

We are actively involved in proceedings under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), and similar state "Superfund" laws at three off-site locations. We have also been investigating and/or remediating environmental contamination allegedly resulting from past industrial activity at four domestic and five foreign current or former plant sites. In a few cases, we are one of many potentially responsible parties ("PRPs") which have potential liability for the required investigation and remediation of each site. In some cases, we have agreed to jointly fund that required investigation and remediation, while at some sites, we dispute the liability, the proposed remedy or the proposed cost allocation among the PRPs. We may also have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies.

Estimates of our future environmental liability at the Superfund sites and current or former plant sites are based on evaluations of currently available facts regarding each individual site and consider factors such as our activities in conjunction with the site, existing technology, presently enacted laws and regulations and prior company experience in remediating contaminated sites. Although current law imposes joint and several liability on all parties at Superfund sites, our contribution to the remediation of these sites is expected to be limited by the number of other companies potentially liable for site remediation. As a result, our estimated liability reflects only our expected share. In determining the probability of contribution, we consider the solvency of other parties, whether liability is being disputed, the terms of any existing agreements and experience with similar matters, and the impact of AWI's emergence from Chapter 11 upon the validity of the claim.

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Effects of Chapter 11

Upon AWI's emergence from Chapter 11 on October 2, 2006, AWI's environmental liabilities with respect to properties that AWI does not own or operate (such as formerly owned sites, or landfills to which AWI's waste was taken) were discharged. Claims brought by a federal or state agency alleging that AWI should reimburse the claimant for money that it spent cleaning up a site which AWI does not own or operate, and claims by private parties, such as other PRPs with respect to sites with multiple PRPs, were discharged upon emergence. Having emerged from Chapter 11, AWI does not bear any responsibility for these claims. Environmental obligations with respect to AWI's subsidiaries and to property that they currently own or operate have not been discharged.

In addition to the right to sue for reimbursement of the money it spends, however, CERCLA also gives the federal government the right to sue for an injunction compelling a defendant to perform a cleanup. Several state statutes give similar injunctive rights to those states. While we believe such rights against AWI were also discharged upon AWI's emergence from Chapter 11, there does not appear to be controlling judicial precedent in that regard. Thus, according to some cases, while a governmental agency's right to require AWI to reimburse it for the costs of cleaning up a site may be dischargeable, the same government agency's right to compel us to spend our money cleaning up the same site may not be discharged even though the financial impact to AWI would have been the same in both instances if the liability had not been discharged.

Specific Events

Upon emergence, AWI resolved its environmental liabilities at 45 sites through its Chapter 11 Case. The liabilities at 38 sites were resolved through the global environmental settlement ("Global Settlement") with the Department of Justice ("DOJ") and the U.S. Environmental Protection Agency ("EPA") with respect to CERCLA liability. The Global Settlement, which was approved by the Bankruptcy Court in October 2005 and further amended in July 2007, provided the EPA an approved proof of claim in the amount of \$9.2 million, which included \$7.8 million with respect to the Peterson Puritan site. At one CERCLA site, however, AWI will continue to participate in the cleanup under a previously approved Consent Decree. In addition to the federal claims resolved by the Global Settlement, AWI's emergence from Chapter 11 also resolved its environmental liabilities with respect to claims asserted by the state and/or private parties at seven other sites.

AWI is subject to an order of the Oregon Department of Environmental Quality ("DEQ") to investigate and remediate hazardous substances present at its St. Helens, Oregon facility which was previously owned by Kaiser Gypsum Company, Inc. ("Kaiser") and then Owens Corning Fiberglas Corp. ("OC"). Costs and responsibilities for the remedial investigation and remedy design are being shared with Kaiser pursuant to an agreement between AWI and Kaiser. Contributions to these costs are also being made available by DEQ pursuant to its settlement with OC for OC's liabilities for the property.

DEQ subsequently approached AWI to perform investigations in Scappoose Bay adjacent to the St. Helens, Oregon facility. In January 2010 DEQ requested EPA evaluation of the site, which could lead to listing on the federal National Priorities List. AWI has denied liability for any contamination in Scappoose Bay. However, Kaiser entered into an agreement with DEQ to conduct such investigations in the Bay and AWI and OC have cooperated with Kaiser and provided a portion of the funding for the investigation, without waiving any defenses to liability. AWI continues to deny all liability for any contamination of the adjacent bay. We are not currently able to estimate with reasonable certainty any amounts we may incur with respect to the bay, although it is possible that such amounts may be material.

Summary of Financial Position

Liabilities of \$6.3 million and \$6.5 million at December 31, 2009 and December 31, 2008, respectively, were for potential environmental liabilities that we consider probable and for which a reasonable estimate of the probable liability could be made. Where existing data is sufficient to estimate the liability, that estimate has been used; where only a range of probable liabilities is available and no amount within that range is more likely than any other, the lower end of the range has been used. As assessments and

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remediation activities progress at each site, these liabilities are reviewed to reflect new information as it becomes available. These liabilities are undiscounted.

The estimated liabilities above do not take into account any claims for recoveries from insurance or third parties. In the fourth quarter of 2008, AWI concluded a settlement with an insurance carrier and the U.S. EPA for the reimbursement of funds for environmental costs related to specific, identified sites. This arrangement included a recovery by AWI from the carrier, a payment from AWI to the carrier for retrospective premiums and a payment from AWI to the EPA. This matter has been concluded, and we recorded a gain of \$6.9 million within SG&A during the fourth quarter of 2008. It is our policy to record probable recoveries that are either available through settlement or anticipated to be recovered through negotiation or litigation as assets in the Consolidated Balance Sheets. The amount of the recorded asset for estimated recoveries was zero at December 31, 2009 and December 31, 2008.

Actual costs to be incurred at identified sites may vary from our estimates. Based on our current knowledge of the identified sites, we are not able to estimate with reasonable certainty future costs which may exceed amounts already recognized.

PATENT INFRINGEMENT CLAIMS

We are a defendant in a lawsuit claiming patent infringement related to some of our laminate flooring products. We are being defended and indemnified by our supplier for costs and potential damages related to the litigation. The jury verdict held the asserted patent claims to be invalid and non-infringed for several reasons. The plaintiffs, Pergo, Inc. and Pergo (Europe) AB, filed an appeal, which was heard by the US Court of Appeals for the Federal Circuit ("CAFC"). In February 2010 the CAFC affirmed the trial court on all issues presented on appeal.

In the third quarter of 2009 AWI filed a lawsuit against Congoleum Corporation seeking a judgment to invalidate a patent Congoleum holds relating to its Dura-Ceramic[®] vinyl tile. AWI also claimed that Congoleum violated federal law in its marketing of this product. Congoleum filed a response claiming that AWI infringed its patent, and sought damages and injunctive relief. In February 2010 the parties entered into a confidential settlement agreement resolving all issues regarding this patent and the related litigation.

OTHER CLAIMS

Additionally, we are involved in various other claims and legal actions involving product liability, patent infringement, breach of contract, distributor termination, employment law issues and other actions arising in the ordinary course of business. While complete assurance cannot be given to the outcome of these claims, we do not believe there is a reasonable possibility that a loss exceeding amounts already recognized would be material.

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NOTE 31. EARNINGS PER SHARE

Earnings per share components may not add due to rounding.

The following table is a reconciliation of net earnings to net earnings attributable to common shares used in our basic and diluted EPS calculations for the years ended December 31, 2009, 2008, and 2007:

	2009	2008	2007
Net earnings	\$ 77.7	\$ 81.0	\$ 145.3
Net earnings allocated to non-vested share awards	(0.4)	(0.6)	(1.6)
Net earnings attributable to common shares	<u>\$ 77.3</u>	<u>\$ 80.4</u>	<u>\$ 143.7</u>

The following table is a reconciliation of basic shares outstanding to diluted shares outstanding for the years ended December 31, 2009, 2008, and 2007:

millions of shares	2009	2008	2007
Basic shares outstanding	56.8	56.4	56.1
Dilutive effect of stock option awards	0.2	—	—
Diluted shares outstanding	<u>57.0</u>	<u>56.4</u>	<u>56.1</u>

NOTE 32. SUBSEQUENT EVENT

Pursuant to a February 2010 separation agreement between Mr. Lockhart and the Company, Mr. Lockhart will step down as Chief Executive Officer and President of the Company and Chairman and member of the Board of Directors effective February 28, 2010. Terms of the separation agreement include a severance payment to Mr. Lockhart of approximately \$11 million.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and our chief financial officer, performed an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act")) as of the end of the period covered by this Annual Report on Form 10-K. Our chief executive officer and our chief financial officer have concluded that our disclosure controls and procedures were effective insofar as they are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and they include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm are incorporated by reference to Item 8.

ITEM 9B. OTHER INFORMATION

The Board of Directors established Friday, July 2, 2010 as the date for the Company's annual meeting of shareholders. Shareholders of record at the close of trading on April 5, 2010 will be entitled to vote at that meeting. Pursuant to Article II, Section 5 of the Company's Bylaws, if a shareholder other than the Asbestos Personal Injury Settlement Trust should wish to propose business to come before that meeting, written notice of such business must be received by the Corporate Secretary of the Company no later than March 24, 2010. Any such notice should be addressed to the attention of: Jeffrey D. Nickel, Corporate Secretary, Armstrong World Industries, Inc., 2500 Columbia Avenue, Lancaster, PA 17603. It is recommended that any notice be sent via means that will provide confirmation of the delivery date.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10, other than information regarding the executive officers of the Company which is presented in Item 4A. Executive Officers of the Company, is incorporated by reference to the sections entitled "Board of Directors," "Director Information," "Company Leadership Structure," "Board's Role in Risk Management Oversight," "Audit Committee," "Audit Committee Expert," "Management Development and Compensation Committee," "Nominating and Governance Committee," "Code of Ethics" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's proxy statement for its 2010 annual meeting of shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the sections entitled "Compensation Discussion and Analysis," "Compensation Committee Report," "Summary Compensation Table," "Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Nonqualified Deferred Compensation," "Potential Payments Upon Termination or Change in Control," "Compensation Committee Interlocks and Insider Participation" and "Compensation of Directors" in the Company's proxy statement for its 2010 annual meeting of shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated by reference to the sections entitled "Security Ownership of Certain Beneficial Owners," "Security Ownership of Management" and "Equity Compensation Plan Information" in the Company's proxy statement for its 2010 annual meeting of shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference to the sections entitled "Certain Relationships and Related Transactions" and "Director Independence" in the Company's proxy statement for its 2010 annual meeting of shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the section entitled "Audit Committee Report" in the Company's proxy statement for its 2010 annual meeting of shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Listing of Documents

1. The financial statements and schedule of Armstrong World Industries, Inc. filed as a part of this 2009 Annual Report on Form 10-K is listed in the "Index to Financial Statements and Schedules" on Page 48.
2. The financial statements required to be filed pursuant to Item 15 of Form 10-K are:
Worthington Armstrong Venture consolidated financial statements for the years ended December 31, 2009, 2008, and 2007 (filed herewith as Exhibit 99.1)
3. The following exhibits are filed as part of this 2009 Annual Report on Form 10-K:

Exhibit No.	Description
No. 2	Armstrong World Industries, Inc.'s Fourth Amended Plan of Reorganization, as amended by modifications through May 23, 2006, is incorporated by reference from the 2005 Annual Report on Form 10-K, wherein it appeared as Exhibit 2.3.
No. 3.1	Amended and Restated Certificate of Incorporation of Armstrong World Industries, Inc. is incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein it appeared as Exhibit 3.1.
No. 3.2	Bylaws of Armstrong World Industries, Inc. are incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein they appeared as Exhibit 3.2.
No. 10.1	Management Achievement Plan for Key Executives, effective as of November 28, 1983, as amended April 30, 2007 and December 8, 2008, is incorporated by reference from the 2008 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.1. *
No. 10.2	Retirement Benefit Equity Plan, effective January 1, 2005, as amended October 29, 2007 and December 8, 2008, is incorporated by reference from the 2008 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.2. *
No. 10.3	Bonus Replacement Retirement Plan, effective as of January 1, 1998, as amended January 1, 2007, is incorporated by reference from the 2007 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.9.*
No. 10.4	Employment Agreement with Michael D. Lockhart, as amended, is incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, wherein it appeared as Exhibit 10.8. *
No. 10.5	Nonqualified Deferred Compensation Plan effective January 2005 is incorporated by reference from the 2005 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.29. *
No. 10.6	Schedule of Armstrong World Industries, Inc. Nonemployee Directors Compensation is incorporated by reference from the Quarterly Report filed on Form 10-Q for the quarter ended September 30, 2009, wherein it appeared as Exhibit 10.8.*

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<u>Exhibit No.</u>	<u>Description</u>
No. 10.7	Credit Agreement, dated as of October 2, 2006, by and among the Company, certain subsidiaries of the Company as guarantors, Bank of America, N.A., as Administrative Agent, the other lenders party thereto, JP Morgan Chase Bank, N.A. and Barclays Bank PLC, as Co-Syndication Agents and LaSalle Bank National Association and the Bank of Nova Scotia, as Co-Documentation Agents, is filed with this Report.
No. 10.8	Amendment No. 1, dated February 25, 2008, to the Credit Agreement, dated October 2, 2006, by and among the Company, certain subsidiaries of the Company as guarantors, Bank of America, N.A., as Administrative Agent, the other lenders party thereto, JP Morgan Chase Bank, N.A. and Barclays Bank PLC, as Co-Syndication Agents and LaSalle Bank National Association and the Bank of Nova Scotia, as Co-Documentation Agents, is filed with this Report.
No. 10.9	Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust Agreement dated as of October 2, 2006, by and among Armstrong World Industries, Inc. and trustees, is incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein it appeared as Exhibit 10.2.
No. 10.10	Stockholder and Registration Rights Agreement, dated as of October 2, 2006, by and between Armstrong World Industries, Inc. and the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust is incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein it appeared as Exhibit 10.3.
No. 10.11	2006 Long-Term Incentive Plan, as amended February 23, 2009, is incorporated by reference from the 2008 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.13. *
No. 10.12	Form of 2006 Long-Term Incentive Plan Stock Option Agreement is incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein it appeared as Exhibit 10.5. *
No. 10.13	Form of 2006 Long-Term Incentive Plan Restricted Stock Award Agreement is incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein it appeared as Exhibit 10.6. *
No. 10.14	Form of 2006 Long-Term Incentive Plan notice of restricted stock and/or option award is incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein it appeared as Exhibit 10.7. *
No. 10.15	Form of Indemnification Agreement for Officers and Directors of Armstrong World Industries, Inc. is incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein it appeared as Exhibit 10.8. A Schedule of Participating Officers and Directors is filed with this Report. *
No. 10.16	2006 Phantom Stock Unit Plan, as amended December 8, 2008, is incorporated by reference from the 2008 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.18. *
No. 10.17	2006 Phantom Stock Unit Agreement is incorporated by reference from the Current Report on Form 8-K dated October 23, 2006, wherein it appeared as Exhibit 10.3. A Schedule of Participating Directors is incorporated by reference from the 2006 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.36. *

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<u>Exhibit No.</u>	<u>Description</u>
No. 10.18	2007 Award under the 2006 Phantom Stock Unit Agreement and the Schedule of Participating Directors are incorporated by reference from the Current Report on Form 8-K dated October 22, 2007, wherein they appeared as Exhibits 10.1 and 10.2, respectively. *
No. 10.19	Stipulation and Agreement with Respect to Claims of Armstrong Holdings, Inc. and Armstrong Worldwide, Inc.; and Motion for Order Approving Stipulation and Agreement are incorporated by reference from the Current Report on Form 8-K dated February 26, 2007, wherein they appeared as Exhibits 99.2 and 99.3, respectively.
No. 10.20	Form of grant letter used in connection with the equity grant of stock options and performance restricted shares under the 2006 Long-Term Incentive Plan to Michael D. Lockhart is incorporated by reference from the 2007 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.34.*
No. 10.21	Form of grant letter used in connection with awards of restricted stock under the 2006 Long-Term Incentive Plan is incorporated by reference from the 2007 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.35.*
No. 10.22	Form of grant letter used in connection with award of stock options under the 2006 Long-Term Incentive Plan is incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, wherein it appeared as Exhibit 10.37. *
No. 10.23	2008 Directors Stock Unit Plan, as amended December 8, 2008 is incorporated by reference from the 2008 Annual Report on Form 10-K, wherein it appeared as Exhibit 10.27. *
No. 10.24	Form of Service Commencement Award to each of James C. Melville and Edward E. Steiner is incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, wherein it appeared as Exhibit 10.26. *
No. 10.25	Form of 2009 Award under the 2008 Director Stock Unit Plan is incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, wherein it appeared as Exhibit 10.27. *
No. 10.26	Schedule of Participating Directors to the 2009 Award under the 2008 Directors Stock Unit Plan is incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, wherein it appeared as Exhibit 10.28. *
No. 10.27	Form of Change in Control Agreement with Michael D. Lockhart is incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, wherein it appeared as Exhibit 10.39. *
No. 10.28	Form of Indemnification Agreement for Officers and Directors of Armstrong World Industries, Inc. is incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, wherein it appeared as Exhibit 10.32. A Schedule of Participating Officers and Directors is filed with this Report. *
No. 10.29	Non-Disclosure Agreement, dated July 30, 2009, between Armstrong World Industries, Inc. and TPG Capital, L.P. (incorporated by reference to Exhibit 3 to the Schedule 13D filed by TPG Advisors VI, Inc., TPG Advisors V, Inc., David Bonderman and James G. Coulter with the SEC on August 11, 2009).

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Exhibit No.	Description
No. 10.30	Undertaking Letter from TPG Capital L.P., dated August 10, 2009, to Armstrong World Industries, Inc. (incorporated by reference to Exhibit (e)(4) to the Schedule 14D-9 filed by Armstrong World Industries, Inc. with the SEC on September 15, 2009).
No. 10.31	Offer Letter to Thomas B. Mangas dated December 23, 2009, is incorporated by reference from the Current Report on Form 8-K dated January 8, 2010, wherein it appeared as Exhibit 99.2. *
No. 10.32	Letter to Frank J. Ready dated January 8, 2010 is filed with this Report. *
No. 11	Computation of Earnings Per Share.
No. 21	Armstrong World Industries, Inc.'s Subsidiaries.
No. 23.1	Consent of Independent Registered Public Accounting Firm.
No. 23.2	Consent of Independent Registered Public Accounting Firm.
No. 24	Power of Attorney and Authorizing Resolution.
No. 31.1	Certification of Principal Executive Officer required by Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act.
No. 31.2	Certification of Principal Financial Officer required by Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act.
No. 32.1	Certification of Chief Executive Officer required by Rule 13a and 18 U.S.C. Section 1350 (furnished herewith).
No. 32.2	Certification of Chief Financial Officer required by Rule 13a and 18 U.S.C. Section 1350 (furnished herewith).
No. 99.1	Worthington Armstrong Venture consolidated financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007.
No. 99.2	Shareholders' Agreement, dated as of August 28, 2009, by and among Armor TPG Holdings LLC and Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust (incorporated by reference to Exhibit (d)(3) of the Schedule TO filed on September 3, 2009, by TPG Advisors VI, Inc., Armor TPG Holdings LLC and others with respect to Armstrong World Industries, Inc.).

* Management Contract or Compensatory Plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARMSTRONG WORLD INDUSTRIES, INC.
(Registrant)

By: /s/ Michael D. Lockhart
Chairman and Chief Executive Officer

Date: February 26, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant Armstrong and in the capacities and on the dates indicated.

Directors and Principal Officers of the registrant AWI:

<u>Name</u>	<u>Title</u>
Michael D. Lockhart	Chairman and Chief Executive Officer (Principal Executive Officer)
Thomas B. Mangas	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Stephen F. McNamara	Vice President and Controller (Chief Accounting Officer)
Stanley A. Askren	Director
David Bonderman	Director
Jon A. Boscia	Director
Kevin Burns	Director
James J. Gaffney	Director
Judith R. Haberkorn	Director
James C. Melville	Director
James J. O'Connor	Director
John J. Roberts	Director
Edward E. Steiner	Director

By: /s/ Michael D. Lockhart
(Michael D. Lockhart, as attorney-in-fact
for AWI directors and on his own behalf)
As of February 26, 2010

By: /s/ Thomas B. Mangas
(Thomas B. Mangas)
As of February 26, 2010

By: /s/ Stephen F. McNamara
(Stephen F. McNamara)
As of February 26, 2010

SCHEDULE II

Armstrong World Industries, Inc.
Valuation and Qualifying Reserves of Accounts Receivable
(amounts in millions)

	2009	2008	2007
Provision for Losses			
Balance at beginning of year	\$ 10.8	\$ 11.8	\$ 10.6
Additions charged to earnings	7.8	8.6	10.3
Deductions	(8.1)	(9.6)	(9.1)
Balance at end of year	<u>\$ 10.5</u>	<u>\$ 10.8</u>	<u>\$ 11.8</u>
Provision for Discounts and Warranties			
Balance at beginning of year	\$ 43.7	\$ 51.9	\$ 56.2
Additions charged to earnings	182.0	225.6	228.6
Deductions	(187.9)	(233.8)	(232.9)
Balance at end of year	<u>\$ 37.8</u>	<u>\$ 43.7</u>	<u>\$ 51.9</u>

Exhibit Index

Exhibit No.

- No. 10.7 Credit Agreement, dated as of October 2, 2006, by and among the Company, certain subsidiaries of the Company as guarantors, Bank of America, N.A., as Administrative Agent, the other lenders party thereto, JP Morgan Chase Bank, N.A. and Barclays Bank PLC, as Co-Syndication Agents and LaSalle Bank National Association and the Bank of Nova Scotia, as Co-Documentation Agents.
- No. 10.8 Amendment No. 1, dated February 25, 2008, to the Credit Agreement, dated October 2, 2006, by and among the Company, certain subsidiaries of the Company as guarantors, Bank of America, N.A. and Barclays Bank PLC, as Co-Syndication Agents and LaSalle Bank National Association and the Bank of Nova Scotia, as Co-Documentation Agents.
- No. 10.15 Schedule of Participating Officers and Directors to form of Indemnification Agreement for Officers and Directors incorporated by reference from the Current Report on Form 8-K dated October 2, 2006, wherein it appeared as Exhibit 10.8.
- No. 10.28 Schedule of Participating Officers and Directors to form of Indemnification Agreement for Officers and Directors incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, wherein it appeared as Exhibit 10.32.
- No. 10.32 Letter to Frank J. Ready dated January 8, 2010.
- No. 11 Computation of Earnings Per Share.
- No. 21 Armstrong World Industries, Inc.'s Subsidiaries.
- No. 23.1 Consent of Independent Registered Public Accounting Firm.
- No. 23.2 Consent of Independent Registered Public Accounting Firm.
- No. 24 Power of Attorney and Authorizing Resolution.
- No. 31.1 Certification of Principal Executive Officer required by Rule 13a-15(e) or 15d-15(e) of the Exchange Act.
- No. 31.2 Certification of Principal Financial Officer required by Rule 13a-15(e) or 15d-15(e) of the Exchange Act.
- No. 32.1 Certification of Chief Executive Officer required by Rule 13a and 18 U.S.C. Section 1350.
- No. 32.2 Certification of Chief Financial Officer required by Rule 13a and 18 U.S.C. Section 1350.
- No. 99.1 Worthington Armstrong Venture consolidated financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007.

CREDIT AGREEMENT

Dated as of October 2, 2006

among

ARMSTRONG WORLD INDUSTRIES, INC.,
as the Borrower,

CERTAIN SUBSIDIARIES OF THE BORROWER IDENTIFIED HEREIN,
as the Guarantors,

BANK OF AMERICA, N.A.,
as Administrative Agent,

THE OTHER LENDERS PARTY HERETO

JPMORGAN CHASE BANK, N.A., and
BARCLAYS BANK PLC,
as Co-Syndication Agents,

and

LASALLE BANK NATIONAL ASSOCIATION, and
THE BANK OF NOVA SCOTIA,
as Co-Documentation Agents

Arranged By:

BANC OF AMERICA SECURITIES LLC,
J.P. MORGAN SECURITIES, INC.,
and
BARCLAYS CAPITAL,

the investment banking division of Barclays Bank PLC, as Co-Lead Arrangers and Joint Book Managers

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EXHIBITS

- A-1 Form of Loan Notice
 - A-2 Form of Notice of Continuation/Conversion
 - B Form of Swing Line Loan Notice
 - C-1 Form of Revolving Note
 - C-2 Form of Swing Line Note
 - C-3 Form of Tranche A Term Note
 - C-4 Form of Tranche B Term Note
 - D Form of Compliance Certificate
 - E Form of Assignment and Assumption
 - F Form of Guarantor Joinder Agreement
-

CREDIT AGREEMENT

This CREDIT AGREEMENT is entered into as of October 2, 2006 among ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation (the "Borrower"), the Guarantors (defined herein), the Lenders (defined herein) and BANK OF AMERICA, N.A., as Administrative Agent.

The Borrower has requested that the Lenders provide credit facilities for the purposes set forth herein, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms.

As used in this Agreement, the following terms shall have the meanings set forth below:

"144A Indenture" means any indenture executed by the Borrower pursuant to which 144A Notes have been or will be issued.

"144A Notes" means any senior unsecured notes issued by the Borrower after the Closing Date pursuant to an offering consummated in accordance with Section 144A of the Securities Exchange Act of 1933.

"Acquisition", by any Person, means the acquisition by such Person, in a single transaction or in a series of related transactions, of all or any substantial portion of the Property of, or of a business unit or division of, another Person or at least a majority of the Voting Stock of another Person, in each case whether or not involving a merger or consolidation with such other Person and whether for cash, property, services, assumption of Indebtedness, securities or otherwise.

"Administrative Agent" means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent's Office" means the Administrative Agent's address as set forth on Schedule 11.02, or such other address as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Aggregate Commitments" means the aggregate principal amount of the Revolving Commitments, the Tranche A Term Loan Commitments and the Tranche B Term Loan Commitments.

"Aggregate Revolving Committed Amount" has the meaning given such term in Section 2.01(a).

"Agreement" means this Credit Agreement.

"Applicable Rate" means, from time to time:

(a) with respect to Revolving Loans, Letters of Credit, Swing Line Loans and the Tranche A Term Loan, if any, the following percentages per annum, based upon the Consolidated Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 7.02(b):

Pricing Tier	Consolidated Leverage Ratio	Commitment Fee	Letters of Credit	Eurodollar Rate Loans	Base Rate Loans
1	(greater than or equal to) 3.50:1	0.500%	2.00%	2.00%	1.00%
2	(greater than or equal to) 3.00:1 but <3.50:1	0.500%	1.75%	1.75%	0.75%
3	(greater than or equal to) 2.00:1 but <3.00:1	0.375%	1.50%	1.50%	0.50%
4	(greater than or equal to) 1.00:1 but <2.00:1	0.200%	1.25%	1.25%	0.25%
5	<1.00:1	0.175%	1.00%	1.00%	0.00%

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is required to be delivered pursuant to Section 7.02(b); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then Pricing Tier 1 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall continue to apply until the first Business Day immediately following the date a Compliance Certificate is delivered in accordance with Section 7.02(b), whereupon the Applicable Rate shall be adjusted based upon the calculation of the Consolidated Leverage Ratio contained in such Compliance Certificate. The Applicable Rate in effect from the Closing Date through the first Business Day immediately following the date a Compliance Certificate is required to be delivered pursuant to Section 7.02(b) for the fiscal year ending December 31, 2006 shall be determined based upon Pricing Tier 3.

(b) with respect to the Tranche B Term Loan, if any, (i) 2.00% in the case of Eurodollar Rate Loans and (ii) 1.00% in the case of Base Rate Loans.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Asbestos PI Trust” means the trust established by the Borrower in accordance with the Asbestos PI Trust Agreement.

“Asbestos PI Trust Agreement” means the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust Agreement, dated as of October 2, 2006, by the Borrower, the Legal Representative for Asbestos-Related Future Claimants, the Official Committee of Asbestos Creditors, the Trustees and the members of the PI Trust Advisory Committee.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 11.07(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E or any other form approved by the Administrative Agent.

“Attorney Costs” means and includes all reasonable fees, expenses and disbursements of any law firm or other external counsel.

“Attributable Indebtedness” means, on any date, (a) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (b) in respect of any Synthetic Lease, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capital Lease, (c) in respect of any Securitization Transaction of any Person, the outstanding principal amount of such financing, after taking into account reserve accounts and making appropriate adjustments, determined by the Administrative Agent in its reasonable judgment and (d) in the case of any Sale and Leaseback Transaction, the present value (discounted in accordance with GAAP at the debt rate implied in the applicable lease) of the obligations of the lessee for rental payments during the term of such lease).

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2005, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of the Borrower and its Subsidiaries, including the notes thereto.

“Availability Period” means, with respect to the Revolving Commitments, the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Revolving Committed Amount pursuant to Section 2.06, and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the of the L/C Issuers to make L/C Credit Extensions pursuant to Section 9.02.

“Bank of America” means Bank of America, N.A. and its successors.

“Bankruptcy Court” means the United States Bankruptcy Court for the District of Delaware.

“BAS” means Banc of America Securities LLC, in its capacity as co-lead arranger and joint book manager.

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate.” The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the “prime rate” announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Borrower Materials” has the meaning specified in Section 7.02.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, New York, New York and, if such day relates to any interest rate settings as to a Eurodollar Rate Loan, any fundings, disbursements, settlements and payments in respect of any such Eurodollar Rate Loan, or any other dealings to be carried out pursuant to this Agreement in respect of any such Eurodollar Rate Loan, means any such day on which dealings in deposits in Dollars are conducted by and between banks in the London interbank eurodollar market.

“Businesses” means, at any time, a collective reference to the businesses operated by the Borrower and its Subsidiaries at such time.

“Capital Lease” means, as applied to any Person, any lease of any Property by that Person as lessee which, in accordance with GAAP, is required to be accounted for as a capital lease on the balance sheet of that Person.

“Capital Stock” means (i) in the case of a corporation, capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, membership interests and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

“Cash Collateralize” has the meaning specified in Section 2.03(g).

“Cash Equivalents” means, as at any date, (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) Dollar denominated time deposits and certificates of deposit of (i) any Lender, (ii) any domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 or (iii) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody’s is at least P-1 or the equivalent thereof (any such bank being an “Approved Bank”), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody’s and maturing within six months of the date of acquisition, (d) repurchase agreements entered into by any Person with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus in excess of \$500,000,000 for direct obligations issued by or fully guaranteed by the United States in which such Person shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations, (e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940 which are administered by reputable financial institutions having capital of at least \$500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing subdivisions (a) through (d), and (f) with respect to Foreign Subsidiaries of the Borrower, instruments equivalent to those referred to in clauses (a) through (e) above denominated in any foreign currency comparable in credit quality and tenor to those referred to above and customarily used by corporations for cash management purposes in any jurisdiction outside the United States.

“Change of Control” means an event or series of events by which:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding (i) the Asbestos PI Trust and (ii) any employee benefit plan of such person or its subsidiaries and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934), directly or indirectly, of forty percent (40%) or more of the Capital Stock of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully diluted basis; provided, however, that the occurrence of the foregoing event shall not be deemed a Change of Control if the Asbestos PI Trust owns, directly or indirectly, of record and beneficially, fifty percent (50%) or more of the Capital Stock of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully diluted basis;

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body, (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iv) who were members of that board or equivalent governing body on the Closing Date or who receives the vote of the Asbestos PI Trust in his or her election by the stockholders of the Borrower; or

(c) the occurrence of a “Change of Control” (or any comparable term) under, and as defined in, the Plan Note Indenture or any 144A Indenture.

“Closing Date” means the date hereof.

“Collateral” means a collective reference to all Property with respect to which Liens in favor of the Collateral Agent are purported to be granted pursuant to and in accordance with the terms of the Collateral Documents.

“Collateral Agent” means Bank of America in its capacity as collateral agent for the holders of the secured obligations identified in the Collateral Documents, and its successors and assigns in such capacity.

“Collateral Documents” means a collective reference to the Security Agreement, the Pledge Agreement, each Collateral Joinder Agreement and other security documents as may be executed and delivered by the Loan Parties pursuant to the terms of Section 7.14.

“Collateral Joinder Agreement” means a joinder agreement by which an additional pledgor or guarantor may be added to a Pledge Agreement or Security Agreement.

“Commitments” means the Revolving Commitments, the L/C Commitment, the Swing Line Commitment, the Tranche A Term Loan Commitments and/or the Tranche B Term Loan Commitments.

“Compliance Certificate” means a certificate substantially in the form of Exhibit D.

“Confirmation Order” means that certain Order Confirming the Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., as Modified, dated August 18, 2006, in the Chapter 11 Case captioned In re Armstrong World Industries, Inc., et al., pending in the United States Bankruptcy Court for the District of Delaware, Chapter 11 Case No. 00-4471 (JKF).

“Consolidated Capital Expenditures” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, all capital expenditures, as determined in accordance with GAAP; provided, however, that Consolidated Capital Expenditures shall not include (a) expenditures made with proceeds of any Involuntary Disposition to the extent such expenditures are used to purchase Property that is the same as or similar to the Property subject to such Involuntary Disposition or (b) Permitted Acquisitions.

“Consolidated EBITDA” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to (i) Consolidated Operating Income for such period plus (ii) the amount of depreciation and amortization expense for such period, as determined in accordance with GAAP, plus (iii) to the extent relating to the applicable period, the Consolidated EBITDA Adjustments for such period.

“Consolidated EBITDA Adjustments” means for each fiscal quarter identified on Schedule 8.11, the items or amounts identified on such Schedule as “Consolidated EBITDA Adjustments” for each such fiscal quarter.

“Consolidated Excess Cash Flow” means, for any period for the Borrower and its Subsidiaries, an amount equal to (a) Consolidated EBITDA minus (b) Consolidated Capital Expenditures paid in cash minus (c) the cash portion of Consolidated Interest Charges minus (d) cash taxes paid minus (e) Consolidated Scheduled Funded Debt Payments minus (f) the amount of any voluntary prepayments of Consolidated Funded Indebtedness (other than voluntary prepayments of revolving lines of credit unless accompanied by a corresponding permanent reduction in the commitments thereunder) during such fiscal year plus (g) Consolidated Net Changes in Working Capital minus (h) the aggregate amount of cash consideration paid during the period for Permitted Acquisitions minus (i) the aggregate amount of Restricted Payments paid in cash by the Borrower during the period, in each case on a consolidated basis determined in accordance with GAAP.

“Consolidated Funded Indebtedness” means Funded Indebtedness of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP.

“Consolidated Interest Charges” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to the sum of (i) all interest, premium payments, debt discount, fees, charges and related expenses of the Borrower and its Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, plus (ii) the portion of rent expense of the Borrower and its Subsidiaries with respect to such period under Capital Leases that is treated as interest in accordance with GAAP; provided, that for purposes of calculating Consolidated Interest Charges for the periods of four consecutive fiscal quarters ended December 31, 2006, March 31, 2007 and June 30, 2007, respectively, Consolidated Interest Charges shall be deemed to be (i) the actual Consolidated Interest Charges for the fiscal quarter ended December 31, 2006 multiplied by four, (ii) the actual Consolidated Interest Charges for the two consecutive fiscal quarters ended March 31, 2007 multiplied by two, and (iii) the actual Consolidated Interest Charges for the three consecutive fiscal quarters ended June 30, 2007 multiplied by 4/3, respectively.

“Consolidated Interest Coverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the period of the four fiscal quarters most recently ended for which the Borrower has delivered financial statements pursuant to Section 7.01(a) or (b) to (b) Consolidated Interest Charges for the period of the four fiscal quarters most recently ended for which the Borrower has delivered financial statements pursuant to Section 7.01(a) or (b).

“Consolidated Leverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated Funded Indebtedness as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended for which the Borrower has delivered financial statements pursuant to Section 7.01(a) or (b).

“Consolidated Net Changes in Working Capital” means, for any period for the Borrower and its Subsidiaries, an amount (positive or negative) equal to the sum of (a) the net amount of decreases (or minus the amount of increases) in accounts receivable, inventory, prepaid expenses and other current assets, plus (b) the net amount of increases (or minus the amount of decreases) in accounts payable (including accrued interest expense), accrued expenses and other current liabilities, in each case on a consolidated basis determined in accordance with GAAP and as set forth in the audited annual financial statements for the Borrower and its Subsidiaries delivered pursuant to Section 7.01(a).

“Consolidated Net Income” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, the net income of the Borrower and its Subsidiaries for that period, as determined in accordance with GAAP.

“Consolidated Operating Income” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, the operating income of the Borrower and its Subsidiaries (before deductions for interest and taxes) for that period, as determined in accordance with GAAP, including in any event, without limitation, the Borrower’s share of reported net income from WAVE for such period on an “as-earned” basis rather than on an “as-received” basis.

“Consolidated Scheduled Funded Debt Payments” means for any period for the Borrower and its Subsidiaries on a consolidated basis, the sum of all scheduled payments of principal on Consolidated Funded Indebtedness, as determined in accordance with GAAP. For purposes of this definition, “scheduled payments of principal” (a) shall be determined without giving effect to any reduction of such scheduled payments resulting from the application of any voluntary or mandatory prepayments made during the applicable period, (b) shall be deemed to include the Attributable Indebtedness in respect of Capital Leases, Sale and Leaseback Transactions and Synthetic Leases, and (c) shall not include any voluntary prepayments or mandatory prepayments required pursuant to Section 2.05.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” has the meaning specified in the definition of “Affiliate”.

“Corporate Rating” means, as of any date of determination, the rating as determined by either S&P or Moody’s (collectively, the “Corporate Ratings”) of the corporate credit rating or corporate family rating of the Borrower, as appropriate.

“Credit Extension” means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

“Debt Rating” means, as of any date of determination, the rating as determined by either S&P or Moody’s (collectively, the “Debt Ratings”) of the Loans and extensions of credit under this Agreement.

“Debtor Entities” means Nitram Liquidators, Inc. and Desseaux Corporation of North America.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, in each case to the fullest extent permitted by applicable Laws and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum, in all cases to the fullest extent permitted by applicable Laws.

“Defaulting Lender” means, as of any date of determination, any Lender that (a) has failed to fund any portion of the Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder and such failure has not been cured, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due (unless the subject of a good faith dispute) and such failure has not been cured, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

“DIP Loan Agreement” means that certain Revolving Credit and Guaranty Agreement dated as of December 6, 2000 among the Borrower, certain of its Subsidiaries, Nitram Liquidators, Inc., Desseaux Corporation of North America, the financial institutions party thereto and JPMorgan Chase Bank, N.A.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any Sale and Leaseback Transaction) of any Property by the Borrower or any Subsidiary (including the Capital Stock of any Subsidiary), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith, but excluding (i) the sale, lease, license, transfer or other disposition of inventory or other Property in the ordinary course of business of the Borrower and its Subsidiaries, (ii) the sale, lease, license, transfer or other disposition of machinery, equipment or other Property no longer used or useful in the conduct of business of the Borrower and its Subsidiaries, (iii) any sale, lease, license, transfer or other disposition of Property by the Borrower or any Subsidiary to any Loan Party, (iv) any Disposition by the Borrower or any Subsidiary to the extent constituting a Permitted Investment, (v) any sale, lease, license, transfer or other disposition of Property by any Foreign Subsidiary to the Borrower or any other Subsidiary, (vi) dispositions of equipment or real property to the extent that (a) such property is exchanged for credit against the purchase price of similar replacement equipment or property or (b) the proceeds of such disposition are reasonably promptly applied to the purchase price of such replacement equipment or property; (vii) licenses, sublicenses, leases and subleases not interfering in any material respect with the business of the Borrower or its Subsidiaries, (viii) sales or discounts of accounts receivable in connection with the compromise or collection thereof and (ix) dispositions set forth on Schedule 8.05.

“Dollar” and “\$” mean lawful money of the United States.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of any state of the United States or the District of Columbia, other than (a) a Subsidiary which is a disregarded entity for U.S. Federal income tax purposes and directly or indirectly holds any interest in a Subsidiary not organized under the laws of any state of the United States or the District of Columbia or (b) any other Subsidiary which is a Subsidiary of an entity described in the foregoing clause (a).

“Eligible Assignee” means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent (and, in the case of an assignment of a Revolving Commitment, the L/C Issuers and the Swing Line Lender), and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, “Eligible Assignee” shall not include the Borrower or any of the Borrower’s Affiliates or Subsidiaries.

“Environmental Laws” means any and all federal, state, local, foreign and other applicable statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Internal Revenue Code (and Sections 414(m) and (o) of the Internal Revenue Code for purposes of provisions relating to Section 412 of the Internal Revenue Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“Eurodollar Base Rate” means, for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

“Eurodollar Rate” means for any Interest Period with respect to any Eurodollar Rate Loan, a rate per annum determined by the Administrative Agent to be equal to the quotient obtained by dividing (a) the Eurodollar Base Rate for such Eurodollar Rate Loan for such Interest Period by (b) one minus the Eurodollar Reserve Percentage for such Eurodollar Rate Loan for such Interest Period.

“Eurodollar Rate Loan” means a Loan that bears interest at a rate based on the Eurodollar Rate.

“Eurodollar Reserve Percentage” means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurodollar funding (currently referred to as “Eurodollar liabilities”). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

“Event of Default” has the meaning specified in Section 9.01.

“Excluded Property” means, with respect to any Loan Party, (a) any owned or leased personal Property which is located outside of the United States, (b) any personal Property (including, without limitation, motor vehicles and aircraft) in respect of which perfection of a Lien is not either (i) governed by the Uniform Commercial Code or (ii) effected by appropriate evidence of the Lien being filed in either the United States Copyright Office or the United States Patent and Trademark Office, unless requested by the Administrative Agent or the Required Lenders, (c) the Capital Stock of any First-Tier Foreign Subsidiary to the extent not required to be pledged to secure the Obligations pursuant to Section 7.14(b), (d) any personal Property which, subject to the terms of Section 8.09, is subject to a Lien of the type described in Section 8.01(i) pursuant to documents which prohibit such Loan Party from granting any other Liens in such Property, but only to the extent that any such prohibition would not be rendered ineffective under applicable provisions of the Uniform Commercial Code, other applicable law (including Debtor Relief Laws) or principles of equity and a violation of such prohibition would not result in the termination thereof or give the other parties thereto the right to terminate, accelerate or otherwise materially and adversely alter such Loan Party’s rights, titles and interests thereunder (including upon the giving of notice or the lapse of time or both), (e) any fee or leasehold interests in real property, (f) any Property that is subject to a Lien pursuant to a Securitization Transaction permitted pursuant to Section 8.03(l), (g) the Capital Stock of WAVE or any Debtor Entity and (h) any permit, lease, license, contract or instrument now or hereafter in effect of a Loan Party if the grant of a security interest in such permit, lease, license, contract or instrument in a manner contemplated by the Loan Documents, under the terms thereof or under applicable Law, is prohibited and would result in the termination thereof or give the other parties thereto the right to terminate, accelerate or otherwise materially and adversely alter such Loan Party’s rights, titles and interests thereunder (including upon the giving of notice or the lapse of time or both).

“Existing DIP Letters of Credit” means the letters of credit outstanding on the Closing Date and identified on Schedule 2.03.

“Existing Swap Contracts” means the Swap Contracts with a Lender or an Affiliate of a Lender existing on the Closing Date.

“Facilities” means, at any time, a collective reference to the facilities and real properties owned, leased or operated by the Borrower or any Subsidiary.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

“Fee Letter” means the letter agreement, dated September 22, 2006 among the Borrower, the Administrative Agent and BAS.

“First Tier Foreign Subsidiary” means each Foreign Subsidiary that is owned directly by a Loan Party.

“Foreign Lender” has the meaning specified in Section 11.15(a)(i).

“Foreign Subsidiary” means any Subsidiary that is not a Domestic Subsidiary.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“Funded Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations for borrowed money, whether current or long-term (including the Obligations) and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all purchase money Indebtedness;

(c) the principal portion of all obligations under conditional sale or other title retention agreements relating to Property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business);

(d) all obligations arising under standby letters of credit and similar obligations that back obligations that would constitute Indebtedness (but specifically excluding those that support performance obligations);

(e) all obligations in respect of the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);

(f) all Attributable Indebtedness;

(g) all preferred stock or other equity interests providing for mandatory redemptions, sinking fund or like payments prior to the Maturity Date;

(h) all Funded Indebtedness of others secured by (or for which the holder of such Funded Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed;

(i) all Guarantees with respect to Funded Indebtedness of the types specified in clauses (a) through (h) above of another Person; and

(j) all Funded Indebtedness of the types referred to in clauses (a) through (h) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or joint venturer and has liability for such obligations, but only to the extent there is recourse to such Person for payment thereof.

For purposes hereof, except as provided in clause (d) above, obligations arising under letters of credit and similar instruments shall not constitute Funded Indebtedness.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, consistently applied and as in effect from time to time.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Guaranty” means the Guaranty made by the Guarantors in favor of the Administrative Agent and the Lenders pursuant to Article IV hereof.

“Guaranty Joinder Agreement” means a joinder agreement by which a Domestic Subsidiary of the Borrower or other Person may become a Guarantor hereunder. A form of Guaranty Joinder Agreement is attached as Exhibit F.

“Guarantors” means each Domestic Subsidiary of the Borrower identified as a “Guarantor” on the signature pages hereto and each other Person that joins as a Guarantor pursuant to Section 7.12, together with their successors and permitted assigns.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Honor Date” has the meaning set forth in Section 2.03(c).

“Incremental Credit Facilities” has the meaning set forth in Section 2.01(d).

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

- (a) all Funded Indebtedness;
- (b) the Swap Termination Value of any Swap Contract;
- (c) all Guarantees with respect to outstanding Indebtedness of the types specified in clauses (a) and (b) above of any other Person; and
- (d) all Indebtedness of the types referred to in clauses (a) through (c) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or joint venturer, and has liability for such obligations, but only to the extent there is recourse to such Person for payment thereof.

“Indemnified Liabilities” has the meaning set forth in Section 11.05.

“Indemnites” has the meaning set forth in Section 11.05.

“Interest Payment Date” means (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including a Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date.

“Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Loan Notice; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date.

“Interim Financial Statements” has the meaning set forth in Section 5.01(c).

“Internal Revenue Code” means the Internal Revenue Code of 1986.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Capital Stock of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) an Acquisition. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“Involuntary Disposition” means any loss of, damage to or destruction of, or any condemnation or other taking for public use of, any Property of the Borrower or any of its Subsidiaries.

“IP Rights” has the meaning set forth in Section 6.17.

“IRS” means the United States Internal Revenue Service.

“ISP” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

“Issuer Documents” means with respect to any Letter of Credit, the Letter Credit Application, and any other document, agreement and instrument entered into by the L/C Issuer and the Borrower (or any Subsidiary) or in favor of the applicable L/C Issuer and relating to any such Letter of Credit.

“Joinder Agreements” means a Guaranty Joinder Agreement, a Lender Joinder Agreement and/or a Collateral Joinder Agreement, as appropriate.

“Laws” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“L/C Advance” means, with respect to each Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Pro Rata Share.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Borrowing of Revolving Loans.

“L/C Commitment” means, with respect to any L/C Issuer, the commitment of such L/C Issuer to issue and to honor payment obligations under Letters of Credit in accordance with Section 2.03.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

“L/C Issuer” means with respect to a particular Letter of Credit (a) as to Existing DIP Letters of Credit, the Lenders identified on Schedule 2.03, (b) Bank of America in its capacity as issuer of such Letter of Credit or (c) such other Lender selected by the Borrower (upon notice to the Administrative Agent) from time to time to issue such Letter of Credit, or any successor issuer of Letters of Credit hereunder.

“L/C Obligations” means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.07. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“Lender Joinder Agreement” means a joinder agreement by which a Lender is joined under this Agreement to provide additional commitments in respect of an Incremental Credit Facility or otherwise.

“Lenders” means the Revolving Lenders, the Tranche A Term Lenders and the Tranche B Term Lenders and, as the context requires, includes the L/C Issuers and the Swing Line Lender.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

“Letter of Credit” means any letter of credit issued hereunder and shall include the Existing DIP Letters of Credit. A Letter of Credit may be a commercial letter of credit or a standby letter of credit.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a letter of credit in the form from time to time in use by the applicable L/C Issuer.

“Letter of Credit Expiration Date” means the day that is thirty days prior to the Maturity Date then in effect (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Fee” has the meaning specified in Section 2.03(i).

“Letter of Credit Sublimit” has the meaning specified in Section 2.03(a)(i). The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Revolving Committed Amount.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” means an extension of credit by a Lender to the Borrower under Article II in the form of a Revolving Loan, Swing Line Loan, Tranche A Term Loan or Tranche B Term Loan.

“Loan Documents” means this Agreement, each Note, each Letter of Credit, each Letter of Credit Application, each Joinder Agreement, the Collateral Documents and the Fee Letter.

“Loan Notice” means a notice of (a) a Borrowing of Revolving Loans, Tranche A Term Loan or Tranche B Term Loan, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A-1.

“Loan Parties” means, collectively, the Borrower and each Guarantor.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Borrower and its Subsidiaries taken as a whole to perform their obligations under any Loan Document to which they are a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower and its Subsidiaries taken as a whole of any Loan Document to which they are a party.

“Material Domestic Subsidiary” means any Domestic Subsidiary of the Borrower that individually, or together with its Subsidiaries on a consolidated basis, has assets of more than \$1,000,000; provided, however, that notwithstanding the foregoing, the Debtor Entities shall not constitute Material Domestic Subsidiaries.

“Material First-Tier Foreign Subsidiary” means any First-Tier Foreign Subsidiary that individually, or together with its Subsidiaries on a consolidated basis, has assets of more than \$10,000,000; provided, however, that notwithstanding the foregoing, the following Foreign Subsidiaries shall not constitute Material First-Tier Foreign Subsidiaries: (a) any Foreign Subsidiary organized under the laws of the People’s Republic of China or any state or other political subdivision thereof and (b) any other Foreign Subsidiary if a pledge of such Foreign Subsidiary’s Capital Stock violates any Law or could reasonably be expected to have an adverse effect on the business of such Foreign Subsidiary.

“Maturity Date” (a) as to the Revolving Loans, Tranche A Term Loan, Swing Line Loans and Letters of Credit (and the related L/C Obligations), October 2, 2011 and (b) as to the Tranche B Term Loan, October 2, 2013 or such later date provided in the applicable Lender Joinder Agreement.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Net Cash Proceeds” means the aggregate cash or Cash Equivalents proceeds (including insurance proceeds and condemnation awards) received by the Borrower or any Subsidiary in respect of any Disposition or Involuntary Disposition, net of (a) direct costs incurred in connection therewith (including, without limitation, legal, accounting and investment banking fees, and sales commissions), (b) taxes paid or payable as a result thereof and (c) the amount necessary to retire any Indebtedness secured by a Permitted Lien (ranking senior to any Lien of the Administrative Agent) on the related Property; it being understood that “Net Cash Proceeds” shall include, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received by the Borrower or any Subsidiary in any Disposition or Involuntary Disposition.

“Note” or “Notes” means the Revolving Notes, the Swing Line Note, the Tranche A Term Notes and/or the Tranche B Term Notes, individually or collectively, as appropriate.

“Notice of Continuation/Conversion” means the written notice of continuation or conversion in substantially the form of Exhibit A-2.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding. The foregoing shall also include (a) all obligations under any Swap Contract between any Loan Party and any Lender or Affiliate of a Lender that is permitted to be incurred pursuant to Section 8.03(d) and (b) all obligations under any Treasury Management Agreement between any Loan Party and any Lender or Affiliate of a Lender.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Taxes” has the meaning set forth in Section 3.01(b).

“Outstanding Amount” means (i) with respect to any Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of any Loans occurring on such date; and (ii) with respect to any L/C Obligations on any date, the aggregate outstanding amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Overnight Rate” means, for any day, the greater of (a) the Federal Funds Rate and (b) an overnight rate determined by the Administrative Agent, the applicable L/C Issuer, or the Swing Line Lender, as the case may be, in accordance with banking industry rules on interbank compensation.

“Participant” has the meaning specified in Section 11.07(d).

“PBG” means the Pension Benefit Guaranty Corporation.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“Permitted Acquisitions” means Investments consisting of an Acquisition by a Loan Party, provided that (i) immediately after giving effect to such Acquisition, such Loan Party would be in compliance with Section 8.07, (ii) in the case of an Acquisition of all or substantially all of the Capital Stock of another Person, the board of directors (or other comparable governing body) of such other Person shall have duly approved such Acquisition, (iii) the Borrower shall have delivered to the Administrative Agent a Pro Forma Compliance Certificate demonstrating that, upon giving effect to such Acquisition on a Pro Forma Basis, the Loan Parties would be in compliance with the financial covenants set forth in Section 8.11 as of the most recent fiscal quarter for which the Borrower has delivered financial statements pursuant to Section 7.01(a) or (b) and (iv) no Default or Event of Default shall exist immediately after giving effect to such Acquisition.

“Permitted Investments” means, at any time, Investments by the Borrower or any of its Subsidiaries permitted to exist at such time pursuant to the terms of Section 8.02.

“Permitted Liens” means, at any time, Liens in respect of Property of the Borrower or any of its Subsidiaries permitted to exist at such time pursuant to the terms of Section 8.01.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Internal Revenue Code or Title IV of ERISA, any ERISA Affiliate.

“Plan Note Indenture” means the Indenture or Indentures, by and among the Borrower and Wells Fargo Bank Minnesota, National Association, as trustee, pursuant to which any of the Plan Notes will be issued.

“Plan Notes” means the “Plan Notes” as defined by the Reorganization Plan.

“Platform” has the meaning specified in Section 7.02.

“Pledge Agreement” means the pledge agreement dated as of the Closing Date executed in favor of the Collateral Agent by each of the Loan Parties.

“Pro Forma Basis” means, for purposes of calculating the financial covenants set forth in Section 8.11 and for purposes of determining the Applicable Rate, that any Disposition, Involuntary Disposition, Acquisition or incurrence of Indebtedness pursuant to Section 8.03(e) or 8.03(g) shall be deemed to have occurred as of the first day of the most recent four fiscal quarter period preceding the date of such transaction for which the Borrower has delivered financial statements pursuant to Section 7.01 (a) or (b). In connection with the foregoing, (a) with respect to any Disposition or Involuntary Disposition, (i) income statement and cash flow statement items (whether positive or negative) attributable to the Property disposed of shall be excluded to the extent relating to any period occurring prior to the date of such transaction and (ii) Indebtedness which is retired shall be excluded and deemed to have been retired as of the first day of the applicable period and (b) with respect to any Acquisition, (i) income statement items attributable to the Person or Property acquired shall be included to the extent relating to any period applicable in such calculations to the extent (A) such items are not otherwise included in such income statement items for the Borrower and its Subsidiaries in accordance with GAAP or in accordance with any defined terms set forth in Section 1.01 and (B) such items are supported by financial statements or other information reasonably satisfactory to the Administrative Agent and (ii) any Indebtedness incurred or assumed by the Borrower or any Subsidiary (including the Person or Property acquired) in connection with such transaction and any Indebtedness of the Person or Property acquired which is not retired in connection with such transaction (A) shall be deemed to have been incurred as of the first day of the applicable period and (B) if such Indebtedness has a floating or formula rate, shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate which is or would be in effect with respect to such Indebtedness as at the relevant date of determination.

“Pro Forma Compliance Certificate” means a certificate of a Responsible Officer of the Borrower containing reasonably detailed calculations of the financial covenants set forth in Section 8.11 as of the most recent fiscal quarter end for which the Borrower has delivered financial statements pursuant to Section 7.01(a) or (b) after giving effect to the applicable transaction on a Pro Forma Basis.

“Pro Rata Share” means, as to each Lender at any time, (a) with respect to such Lender’s Revolving Commitment at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Revolving Commitment of such Lender at such time and the denominator of which is the Aggregate Revolving Committed Amount at such time; provided that if the commitment of each Lender to make Revolving Loans and the obligation of the L/C Issuers to make L/C Credit Extensions have been terminated pursuant to Section 9.02, then the Pro Rata Share of each Lender shall be determined based on the Pro Rata Share of such Lender immediately prior to such termination and after giving effect to any subsequent assignments made pursuant to the terms hereof, (b) with respect to such Lender’s outstanding Tranche A Term Loan at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the principal amount of the Tranche A Term Loan held by such Lender at such time and the denominator of which is the aggregate principal amount of the Tranche A Term Loan at such time and (c) with respect to such Lender’s outstanding Tranche B Term Loan at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the principal amount of the Tranche B Term Loan held by such Lender at such time and the denominator of which is the aggregate principal amount of the Tranche B Term Loan at such time. The initial Pro Rata Share of each Lender is set forth opposite the name of such Lender on Schedule 2.01.

“Property” means any interest of any kind in any property or asset, whether real, personal or mixed, or tangible or intangible.

“Register” has the meaning specified in Section 11.07(c).

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Reorganization Plan” means the Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., et al., as Modified, dated as of February 21, 2006, and as confirmed by the Bankruptcy Court by order entered on August 18, 2006.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the thirty-day notice period has been waived.

“Request for Credit Extension” means (a) with respect to a Borrowing, a Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application, and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

“Required Lenders” means, as of any date of determination, Lenders having more than fifty percent (50%) of the Aggregate Commitments, or if the Commitments shall have expired or been terminated, Lenders holding in the aggregate more than fifty percent (50%) of the outstanding Loans and L/C Obligations (including, in each case, the aggregate amount of each Lender’s participation interests in L/C Obligations and Swing Line Loans); provided that the Commitments of, and the portion of the applicable Obligations held or deemed held by, any Defaulting Lender shall be excluded for purposes of making determinations of “Required Lenders” hereunder.

“Required Revolving Lenders” means, as of any date of determination, Revolving Lenders having more than fifty percent (50%) of the Revolving Commitments, or if the Revolving Commitments shall have expired or been terminated, Revolving Lenders holding in the aggregate more than fifty percent (50%) of the Total Revolving Outstandings (including, in each case, the aggregate amount of each Revolving Lender’s participation interests in L/C Obligations and Swing Line Loans); provided that the Revolving Commitments of, and the portion of the Total Revolving Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making determinations of “Required Revolving Lenders” hereunder.

“Required Tranche A Term Lenders” means, as of any date of determination, Lenders having more than fifty percent (50%) of the aggregate principal amount of Tranche A Term Loan Commitments; provided that the Tranche A Term Loan Commitments held or deemed held by any Defaulting Lenders shall be excluded for purposes of making determinations of “Required Tranche A Term Lenders” hereunder.

“Required Tranche B Term Lenders” means, as of any date of determination, Lenders having more than fifty percent (50%) of the aggregate principal amount of Tranche B Term Loan Commitments; provided that the Tranche B Term Loan Commitments held or deemed held by any Defaulting Lenders shall be excluded for purposes of making determinations of “Required Tranche B Term Lenders” hereunder.

“Responsible Officer” means the chief executive officer, president, chief financial officer, vice president and treasurer or vice president and controller of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Capital Stock of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Capital Stock or of any option, warrant or other right to acquire any such Capital Stock.

“Revolving Commitment” means, as to each Revolving Lender, its obligation to (a) make Revolving Loans to the Borrower pursuant to Section 2.01, (b) purchase participations in L/C Obligations, and (c) purchase participations in Swing Line Loans. The amount of the initial Revolving Commitments is identified on Schedule 2.01.

“Revolving Lenders” means those Lenders with Revolving Commitments, together with their successors and permitted assigns. The initial Revolving Lenders are identified on the signature pages hereto and on Schedule 2.01.

“Revolving Loan” has the meaning specified in Section 2.01(a).

“Revolving Note” has the meaning specified in Section 2.11(a).

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

“Sale and Leaseback Transaction” means, with respect to the Borrower or any Subsidiary, any arrangement, directly or indirectly, with any person whereby the Borrower or such Subsidiary shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Securitization Receivables” has the meaning specified in the definition of “Securitization Transaction”.

“Securitization Transaction” means, with respect to any Person, any financing transaction or series of financing transactions (including factoring arrangements) pursuant to which such Person or any Subsidiary of such Person may sell, convey or otherwise transfer, or grant a security interest in, accounts, payments, receivables, rights to future lease payments or residuals or similar rights to payment (the “Securitization Receivables”) to a special purpose subsidiary or affiliate of such Person.

“Security Agreement” means the security agreement dated as of the Closing Date executed in favor of the Collateral Agent by each of the Loan Parties.

“Solvent” or “Solvency” means, with respect to any Person as of a particular date, that on such date (a) such Person is generally able to pay its debts and other liabilities, contingent obligations and other commitments as they mature, (b) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person’s Property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage, (c) the fair value of the Property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person and (d) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay all liabilities of such Person on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of Capital Stock having ordinary voting power for the election of directors or other governing body (other than Capital Stock having such power only by reason of the happening of a contingency) are at the time beneficially owned, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower. Notwithstanding anything to the contrary herein or in any other Loan Document, any reference to any Subsidiary of the Borrower shall be deemed not to include any Debtor Entity.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

“Swing Line Commitment” means, with respect to the Swing Line Lender, the commitment of the Swing Line Lender to make Swing Line Loans in accordance with Section 2.04.

“Swing Line Lender” means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

“Swing Line Loan” has the meaning specified in Section 2.04(a).

“Swing Line Loan Notice” means a notice of a Borrowing of Swing Line Loans pursuant to Section 2.04(b), which, if in writing, shall be substantially in the form of Exhibit B.

“Swing Line Note” has the meaning specified in Section 2.11(a).

“Swing Line Sublimit” has the meaning specified in Section 2.04(a). The Swing Line Sublimit is part of, and not in addition to, the Aggregate Revolving Committed Amount.

“Synthetic Lease” means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing arrangement whereby the arrangement is considered borrowed money indebtedness for tax purposes but is classified as an operating lease or does not otherwise appear on a balance sheet under GAAP.

“Total Revolving Outstandings” means the aggregate Outstanding Amount of all Revolving Loans, all Swing Line Loans and all L/C Obligations.

“Tranche A Term Lenders” means those Lenders having a portion of the Tranche A Term Loan, together with their successors and permitted assigns.

“Tranche A Term Loan” has the meaning specified in Section 2.01(d).

“Tranche A Term Loan Commitment” means, as to each Tranche A Term Lender, upon establishment of the Tranche A Term Loan under Section 2.01(f) or increase in the Tranche A Term Loan under Section 2.01(e), its obligation to make its portion of the Tranche A Term Loan to the Borrower pursuant to Section 2.01(b); provided that at any time after funding of the Tranche A Term Loan, determinations of “Required Lenders” and “Required Tranche A Lenders” shall be based on the Outstanding Amount of the Tranche A Term Loan.

“Tranche A Term Note” has the meaning specified in Section 2.11(a).

“Tranche B Term Lenders” means those Lenders having a portion of the Tranche B Term Loan, together with their successors and permitted assigns.

“Tranche B Term Loan” has the meaning specified in Section 2.01(d).

“Tranche B Term Loan Commitment” means, as to each Tranche B Term Lender, upon establishment of the Tranche B Term Loan under Section 2.01(g) or increase in the Tranche B Term Loan under Section 2.01(e), its obligation to make its portion of the Tranche B Term Loan to the Borrower pursuant to Section 2.01(c); provided that at any time after funding of the Tranche B Term Loan, determinations of “Required Lenders” and “Required Tranche B Lenders” shall be based on the Outstanding Amount of the Tranche B Term Loan.

“Tranche B Term Note” has the meaning specified in Section 2.11(a).

“Treasury Management Agreement” means any agreement governing the provision of treasury or cash management services, including deposit accounts, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services.

“Type” means, with respect to any Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“Uniform Commercial Code” means the Uniform Commercial Code in effect in any applicable jurisdiction from time to time.

“United States” and “U.S.” mean the United States of America.

“Unreimbursed Amount” has the meaning specified in Section 2.03(c)(i).

“Voting Stock” means, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

“WAVE” means the unincorporated joint venture established pursuant to that Joint Venture Agreement dated March 23, 1992, between Armstrong Ventures, Inc. and Worthington Industries, Inc.

“Wholly Owned Subsidiary” means any Person 100% of whose Capital Stock is at the time owned by the Borrower directly or indirectly through other Persons 100% of whose Capital Stock is at the time owned, directly or indirectly, by the Borrower.

1.02 Other Interpretive Provisions.

With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

- (a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.
- (b) (i) The words “herein,” “hereto,” “hereof” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.
- (ii) Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears.
- (iii) The term “including” is by way of example and not limitation.
- (iv) The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.
- (c) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.”

(d) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms.

(a) Except as otherwise specifically prescribed herein, all accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time.

(b) The Borrower will provide a written summary of material changes in GAAP and in the consistent application thereof with each annual and quarterly Compliance Certificate delivered in accordance with Section 7.02(b). If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

(c) Notwithstanding the above, the parties hereto acknowledge and agree that all calculations of the financial covenants in Section 8.11 shall be made on a Pro Forma Basis.

1.04 Rounding.

Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 References to Agreements and Laws.

Unless otherwise expressly provided herein, (a) references to Organization Documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

1.06 Times of Day.

Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.07 Letter of Credit Amounts.

Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

ARTICLE II

THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Revolving Loans and Term Loans.

(a) Revolving Loans. Subject to the terms and conditions set forth herein, each Revolving Lender severally agrees to make loans (each such loan, a "Revolving Loan") to the Borrower in Dollars from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of such Revolving Lender's Revolving Commitment; provided, however, that after giving effect to any Borrowing of Revolving Loans, (i) with regard to the Revolving Lenders collectively, the Total Revolving Outstandings shall not exceed THREE HUNDRED MILLION DOLLARS (\$300,000,000) (as such amount may be increased or decreased in accordance with the provisions hereof, the "Aggregate Revolving Committed Amount") and (ii) with regard to each Revolving Lender individually, such Revolving Lender's Pro Rata Share of Total Revolving Outstandings shall not exceed such Revolving Lender's Revolving Commitment. Within the limits of each Revolving Lender's Revolving Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.05, and reborrow under this Section 2.01. Revolving Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

(b) Tranche A Term Loan. At any time on or after the Closing Date, the Borrower may elect to establish a Tranche A Term Loan hereunder in Dollars in accordance with the provisions of subsections (d) and (f) of this Section 2.01. Amounts repaid on the Tranche A Term Loan may not be reborrowed. The Tranche A Term Loan may consist of Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

(c) Tranche B Term Loan. At any time on or after the Closing Date, the Borrower may elect to establish a Tranche B Term Loan hereunder in accordance with the provisions of subsections (d) and (g) of this Section 2.01. Amounts repaid on the Tranche B Term Loan may not be reborrowed. The Tranche B Term Loan may consist of Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

(d) Incremental Loan Facilities. At any time on or after the Closing Date, the Borrower may, on written notice to the Administrative Agent, establish additional credit facilities (collectively, the "Incremental Credit Facilities") by increasing the Aggregate Revolving Committed Amount, the amount of the Tranche A Term Loan or the amount of the Tranche B Term Loan hereunder as provided in Section 2.01(e), establishing the Tranche A Term Loan as provided in Section 2.01(f) (the "Tranche A Term Loan") or establishing the Tranche B Term Loan as provided in Section 2.01(g) (the "Tranche B Term Loan"), or some combination thereof; provided that:

- (i) no Default shall have occurred and be continuing or shall result after giving effect to the Incremental Credit Facility;
- (ii) the conditions to all Credit Extensions in Section 5.02 shall have been satisfied;

(iii) the Borrower will provide (A) a compliance certificate from a Responsible Officer confirming that no Default shall exist immediately before or immediately after giving effect to the establishment of the Incremental Credit Facility and demonstrating compliance with the financial covenants hereunder after giving effect to the Incremental Credit Facility (assuming, for purposes hereof, that the Incremental Credit Facility is fully drawn and funded), and (b) supporting resolutions, legal opinions, promissory notes and other items as may be reasonably required by the Administrative Agent and the Lenders providing the commitments for the Incremental Credit Facility; and

(iv) to the extent reasonably necessary in the judgment of the Administrative Agent, amendments to each of the Collateral Documents, if any, and related documents or agreements shall have been made, in each case in a manner satisfactory to the Administrative Agent.

In connection with establishment of any Incremental Credit Facility, (A) none of the Lenders or their affiliates shall have any obligation to provide commitments or loans for any Incremental Credit Facility without their prior written approval, and (B) Schedule 2.01 will be deemed to be revised to reflect the Lenders, Loans, Commitments and Pro Rata Shares after giving effect to establishment of any Incremental Credit Facility.

(e) Increases in the Aggregate Revolving Committed Amount, the Tranche A Term Loan and the Tranche B Term Loan. Subject to Section 2.01(d), the Borrower may increase the Aggregate Revolving Committed Amount, the Tranche A Term Loan and the Tranche B Term Loan; provided that:

(i) the aggregate amount of additional commitments established pursuant to this subsection will not exceed TWO HUNDRED MILLION DOLLARS (\$200,000,000);

(ii) the Aggregate Revolving Committed Amount, after giving effect to all such increases, will not exceed FIVE HUNDRED MILLION DOLLARS (\$500,000,000);

(iii) such increase shall be in a minimum amount of \$50,000,000 and in integral multiples of \$5,000,000 in excess thereof;

(iv) any new lender providing additional commitments pursuant to this subsection must be reasonably acceptable to the Administrative Agent and, in the case of an increase in the Revolving Commitments, also to the L/C Issuers and the Swing Line Lender;

(v) lenders providing additional commitments pursuant to this subsection will provide a Lender Joinder Agreement and such other agreements reasonably acceptable to the Administrative Agent;

(vi) if any Revolving Loans, Tranche A Term Loans or Tranche B Term Loans, as appropriate, are outstanding at the time of any such increase, the Borrower will make such payments and adjustments on the subject Loans (including payment of any break-funding amounts owing under Section 3.05) as may be necessary to give effect to the revised commitment amounts and percentages; and

(vii) in the case of an increase in the amount of the Tranche A Term Loan or the Tranche B Term Loan after the first principal amortization payment date, adjustments will be made to the schedule of amortization payment provided in Section 2.07(c) or (d), as appropriate, to give effect thereto; provided that the principal amortization amount payable on any payment date in respect of the Tranche A Term Loan or Tranche B Term Loan, as applicable, as in effect prior to the increase will not be reduced.

(f) Establishment of Tranche A Term Loan. Subject to Section 2.01(d), the Borrower may, at any time on or after the Closing Date, establish a Tranche A Term Loan; provided that:

(i) the aggregate amount of commitments under the Tranche A Term Loan plus the aggregate amount of commitments under the Tranche B Term Loan will not exceed EIGHT HUNDRED MILLION DOLLARS (\$800,000,000);

(ii) such Tranche A Term Loan shall be in a minimum amount of \$50,000,000 and in integral multiples of \$5,000,000 in excess thereof;

(iii) the Tranche A Term Loan shall be established not later than October 16, 2006;

(iv) the proceeds of the Tranche A Term Loan will be used to fund the Asbestos PI Trust and other payments required under the Reorganization Plan and to pay transaction costs, fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby;

(v) the aggregate principal amount of the Tranche A Term Loan, the Tranche B Term Loan and the Plan Notes shall be at least \$775,000,000 and, if applicable, the Administrative Agent shall have received a copy, certified by a Responsible Officer of the Borrower as true and complete, of the Plan Note Indenture as originally executed and delivered, together with all exhibits and schedules thereto;

(vi) any new lender providing commitments for the Tranche A Term Loan must be reasonably acceptable to the Administrative Agent; and

(vii) lenders providing commitments for the Tranche A Term Loan pursuant to this Section 2.01(f) will provide a Lender Joinder Agreement and such other agreements reasonably acceptable to the Administrative Agent.

(g) Establishment of Tranche B Term Loan. Subject to Section 2.01(d), the Borrower may, at any time on or after the Closing Date, establish a Tranche B Term Loan; provided that:

(i) the aggregate amount of commitments under the Tranche A Term Loan plus the aggregate amount of commitments under the Tranche B Term Loan will not exceed EIGHT HUNDRED MILLION DOLLARS (\$800,000,000);

(ii) such Tranche B Term Loan shall be in a minimum amount of \$50,000,000 and in integral multiples of \$5,000,000 in excess thereof;

(iii) the Tranche B Term Loan shall be established not later than October 16, 2006;

(iv) the proceeds of the Tranche B Term Loan will be used to fund the Asbestos PI Trust and other payments required under the Reorganization Plan and to pay transaction costs, fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby;

(v) the aggregate principal amount of the Tranche A Term Loan, the Tranche B Term Loan and the Plan Notes shall be at least \$775,000,000 and, if applicable, the Administrative Agent shall have received a copy, certified by a Responsible Officer of the Borrower as true and complete, of the Plan Note Indenture as originally executed and delivered, together with all exhibits and schedules thereto;

(vi) lenders providing commitments for the Tranche B Term Loan must be reasonably acceptable to the Administrative Agent; and

(vii) lenders providing commitments for the Tranche B Term Loan pursuant to this Section 2.01(f) will provide a Lender Joinder Agreement and such other agreements reasonably acceptable to the Administrative Agent.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) (i) Each Borrowing shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to the requested date of any Borrowing of Eurodollar Rate Loans, and (B) one Business Day prior to the requested date of any Borrowing of Base Rate Loans. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Loan Notice, appropriately completed and signed by an authorized officer of the Borrower. Each Borrowing of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Except as provided in Sections 2.03(c) and 2.04(c), each Borrowing of Base Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (A) the requested date of the Borrowing (which shall be a Business Day), (B) the principal amount of Loans to be borrowed, (C) the Type of Loans to be borrowed and (E) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of a Loan in a Loan Notice, then the applicable Loans shall be made as Base Rate Loans. Any automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of Eurodollar Rate Loans in any Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(ii) Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Pro Rata Share of the applicable Loans. Each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 5.02 (and, if such Borrowing is the initial Credit Extension, Section 5.01), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided, however, that if, on the date of a Borrowing of Revolving Loans, there are L/C Borrowings outstanding, then the proceeds of such Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings and second, shall be made available to the Borrower as provided above.

(iii) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. The determination of the Eurodollar Rate by the Administrative Agent shall be conclusive in the absence of manifest error. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(b) The Borrower shall have the option, on any Business Day, to extend existing Loans into a subsequent permissible Interest Period or to convert Loans into Loans of another interest rate type; provided, however, that (i) except as provided in Section 3.05, Eurodollar Loans may be converted into Base Rate Loans or extended as Eurodollar Loans for new Interest Periods only on the last day of the Interest Period applicable thereto, (ii) Loans extended as, or converted into, Eurodollar Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof and (iii) any request for continuation or conversion of a Eurodollar Loan which shall fail to specify an Interest Period shall be deemed to be a request for an Interest Period of one month. Each such continuation or conversion shall be effected by the Borrower by giving a Notice of Extension/Conversion (or telephonic notice promptly confirmed in writing) to the office of the Administrative Agent specified in Section 11.02, or at such other office as the Administrative Agent may designate in writing, prior to 11:00 a.m., on the Business Day of, in the case of the conversion of a Eurodollar Loan into a Base Rate Loan, and on the third Business Day prior to, in the case of the continuation of a Eurodollar Loan as, or conversion of a Base Rate Loan into, a Eurodollar Loan, the date of the proposed continuation or conversion, the Loans to be so extended or converted, the types of Loans into which such Loans are to be converted and, if appropriate, the applicable Interest Periods with respect thereto. In the event the Borrower fails to request continuation or conversion of any Eurodollar Loan in accordance with this Section, or any such conversion or continuation is not permitted or required by this Section, then such Eurodollar Loan shall be automatically converted into a Base Rate Loan at the end of the Interest Period applicable thereto. The Administrative Agent shall give each Lender notice as promptly as practicable of any such proposed continuation or conversion affecting any Revolving Loan.

(c) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than 5 Interest Periods in effect with respect to Revolving Loans, 5 Interest Periods in effect with respect to the Tranche A Term Loan and 5 Interest Periods in effect with respect to the Tranche B Term Loan.

2.03 Letters of Credit.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) each L/C Issuer agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit denominated in Dollars for the account of the Borrower or its Subsidiaries, and to amend or extend Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) to honor drawings under the Letters of Credit issued by it; and (B) the Revolving Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower or its Subsidiaries and any drawings thereunder; provided that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (w) with regard to the Revolving Lenders collectively, the Total Revolving Outstandings shall not exceed the Aggregate Revolving Committed Amount, (x) with regard to each Revolving Lender individually, such Revolving Lender's Pro Rata Share of Total Revolving Outstandings shall not exceed such Revolving Lender's Revolving Commitment and (y) the Outstanding Amount of the L/C Obligations shall not exceed ONE HUNDRED FIFTY MILLION DOLLARS (\$150,000,000) (the "Letter of Credit Sublimit"). Each request by the Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing DIP Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(ii) An L/C Issuer shall not issue any Letter of Credit if:

(A) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension, unless the Required Revolving Lenders have approved such expiry date; or

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Revolving Lenders have approved such expiry date.

(iii) An L/C Issuer shall be under no obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such L/C Issuer from issuing such Letter of Credit, or any Law applicable to such L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such L/C Issuer shall prohibit, or request that such L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which such L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate any Laws or one or more policies of such L/C Issuer;

(C) except as otherwise agreed by the Administrative Agent and such L/C Issuer, such Letter of Credit is in an initial face amount less than \$100,000, in the case of a commercial Letter of Credit, or \$250,000, in the case of a standby Letter of Credit;

(D) such Letter of Credit is to be denominated in a currency other than Dollars; or

(E) a default of any Revolving Lender's obligations to fund under Section 2.03(e) exists or any Revolving Lender is at such time a Defaulting Lender hereunder, unless the L/C Issuer has entered into satisfactory arrangements with the Borrower or such Revolving Lender to eliminate the L/C Issuer's risk with respect to such Revolving Lender.

(iv) An L/C Issuer shall not amend any Letter of Credit if such L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(v) An L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) such L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(vi) An L/C Issuer shall be under no obligation to issue or amend any Letter of Credit if such L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, on or prior to the Business Day prior to the requested date of issuance or amendment of such Letter of Credit, that one or more applicable conditions contained in Section 5.02 shall not then be satisfied.

(vii) Each L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and such L/C Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in Article X with respect to any acts taken or omissions suffered by such L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in Article X included such L/C Issuer with respect to such acts or omissions, and (ii) as additionally provided herein with respect to such L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Extension Letters of Credit.

(i) Requests for Issuance. Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the applicable L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by an authorized officer of the Borrower. Such Letter of Credit Application must be received by the applicable L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least five Business Days prior to the proposed issuance date or date of amendment, as the case may be, or such later date and time as the Administrative Agent and such L/C Issuer may agree in a particular instance in their sole discretion. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as such L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as such L/C Issuer may require. Additionally, the Borrower shall furnish to the applicable L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as such L/C Issuer or the Administrative Agent may require.

(ii) Issuance. Promptly after receipt of any Letter of Credit Application, the applicable L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, such L/C Issuer will provide the Administrative Agent with a copy thereof. Unless the applicable L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Section 5.02 shall not then be satisfied, then, subject to the terms and conditions hereof, such L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower (or the applicable Subsidiary) or enter into the applicable amendment, as the case may be, in each case in accordance with such L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Revolving Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from such L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Revolving Lender's Pro Rata Share times the amount of such Letter of Credit.

(iii) Auto-Extension Letters of Credit. If the Borrower so requests in any applicable Letter of Credit Application, the applicable L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable L/C Issuer, the Borrower shall not be required to make a specific request to such L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Revolving Lenders shall be deemed to have authorized (but may not require) the applicable L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that such L/C Issuer shall not permit any such extension if (A) such L/C Issuer has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clauses (ii) and (iii) of Section 2.03(a) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Revolving Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or any Loan Party that one or more of the applicable conditions specified in Section 5.02 is not then satisfied, and in each such case directing such L/C Issuer not to permit such extension.

(iv) Reporting by L/C Issuer. Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment. On a monthly basis, each L/C Issuer shall deliver to the Administrative Agent a complete list of all outstanding Letters of Credit issued by such L/C Issuer as provided in Section 2.03(f).

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of drawing under such Letter of Credit, the applicable L/C Issuer shall notify the Borrower and the Administrative Agent thereof. The applicable L/C Issuer shall notify the Borrower of the amount of the drawing promptly following the determination thereof, and in any event no later than 9:00 a.m. on the Honor Date (as hereafter defined). Not later than 11:00 a.m. on the date of any payment by the applicable L/C Issuer under a Letter of Credit (each such date, an "Honor Date"), the Borrower shall reimburse such L/C Issuer in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the applicable L/C Issuer by such time, such L/C Issuer shall promptly notify the Administrative Agent, whereupon the Administrative Agent shall promptly notify each Revolving Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Revolving Lender's Pro Rata Share thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, the amount of the unutilized portion of the Aggregate Revolving Committed Amount or the conditions set forth in Section 5.02. Any notice given by the applicable L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Revolving Lender (including any Revolving Lender acting as L/C Issuer) shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the applicable L/C Issuer in Dollars at the Administrative Agent's Office in an amount equal to its Pro Rata Share of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Revolving Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the applicable L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans for any reason, the Borrower shall be deemed to have incurred from the applicable L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Revolving Lender's payment to the Administrative Agent for the account of the applicable L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Revolving Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Revolving Lender funds its Revolving Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the applicable L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Revolving Lender's Pro Rata Share of such amount shall be solely for the account of such L/C Issuer.

(v) Each Revolving Lender's obligation to make Revolving Loans or L/C Advances to reimburse the applicable L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Revolving Lender may have against such L/C Issuer, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, (C) noncompliance with the conditions set forth in Section 5.02 or (D) any other occurrence, event or condition, whether or not similar to any of the foregoing. No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the applicable L/C Issuer for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Revolving Lender fails to make available to the Administrative Agent for the account of the applicable L/C Issuer any amount required to be paid by such Revolving Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such L/C Issuer shall be entitled to recover from such Revolving Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such L/C Issuer at a rate per annum equal to the applicable Overnight Rate from time to time in effect. A certificate of the applicable L/C Issuer submitted to any Revolving Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the applicable L/C Issuer has made a payment under any Letter of Credit and has received from any Revolving Lender such Revolving Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of such L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Revolving Lender its Pro Rata Share thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Revolving Lender's L/C Advance was outstanding) in Dollars and in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the applicable L/C Issuer pursuant to Section 2.03(c) (i) is required to be returned under any of the circumstances described in Section 11.06 (including pursuant to any settlement entered into by such L/C Issuer in its discretion), each Revolving Lender shall pay to the Administrative Agent for the account of such L/C Issuer its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Revolving Lender, at a rate per annum equal to the applicable Overnight Rate from time to time in effect. The obligations of the Revolving Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Obligations Absolute. The obligation of the Borrower to reimburse the applicable L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement or any other Loan Document;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower or any Subsidiary may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), such L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by such L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by such L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any Subsidiary.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the applicable L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against the applicable L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuer. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the applicable L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any of the respective correspondents, participants or assignees of the L/C Issuers shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders, the Revolving Lenders, the Required Revolving Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any of the respective correspondents, participants or assignees of the L/C Issuers, shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the applicable L/C Issuer, and such L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by such L/C Issuer's willful misconduct or gross negligence or such L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, each L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and such L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason. Each L/C Issuer shall provide to the Administrative Agent a list of outstanding Letters of Credit (together with amounts) issued by it on a monthly basis (and upon the request of the Administrative Agent); the Administrative Agent shall provide a copy of such list to any Lender upon request.

(g) Cash Collateral. (i) Upon the request of the Administrative Agent, (A) if the applicable L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (B) if, as of the Letter of Credit Expiration Date, any Letter of Credit for any reason remains outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations (in an amount equal to such Outstanding Amount determined as of the date of such L/C Borrowing or the Letter of Credit Expiration Date, as the case may be).

(ii) In addition, if the Administrative Agent notifies the Borrower at any time that the Outstanding Amount of all L/C Obligations at such time exceeds 105% of the Letter of Credit Sublimit then in effect, then, within two Business Days after receipt of such notice, the Borrower shall Cash Collateralize the L/C Obligations in an amount equal to the amount by which the Outstanding Amount of all L/C Obligations exceeds the Letter of Credit Sublimit.

(iii) Sections 2.05 and 9.02(c) set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.05 and Section 9.02(c), "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuers (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked, interest bearing deposit accounts at Bank of America.

(h) Applicability of ISP and UCP. Unless otherwise expressly agreed by the applicable L/C Issuer and the Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing DIP Letter of Credit), (i) the rules of ISP shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

(i) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Revolving Lender in accordance with its Pro Rata Share, in Dollars, a Letter of Credit fee (the "Letter of Credit Fee") (i) for each commercial Letter of Credit equal to the Applicable Rate times the daily amount available to be drawn under such Letter of Credit and (ii) for each standby Letter of Credit equal to the Applicable Rate times the daily amount available to be drawn under such Letter of Credit. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.07. Letter of Credit Fees shall be (i) computed on a monthly basis in arrears and (ii) due and payable on the fifth (5th) Business Day after the end of each month, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. If there is any change in the Applicable Rate during any month, the daily maximum amount of each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such month that such Applicable Rate was in effect. Notwithstanding anything to the contrary contained herein, upon the request of the Required Revolving Lenders, while any Event of Default exists, all Letter of Credit Fees shall accrue at the Default Rate.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrower shall pay directly to the applicable L/C Issuer for its own account, (i) a one time fronting fee for each commercial Letter of Credit issued by it (other than Existing DIP Letters of Credit) equal to 1/8 of 1% times the amount of such commercial Letter of Credit, due and payable at the time of issuance and (ii) a fronting fee with respect to each standby Letter of Credit issued by it (other than Existing DIP Letters of Credit) in an amount equal to 1/8 of 1% per annum on the daily amount available to be drawn thereunder, due and payable monthly in arrears on the fifth (5th) Business Day after the end of each month, commencing with the first such date to occur after the issuance of such standby Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.07. In addition, the Borrower shall pay directly to the applicable L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

(l) Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the applicable L/C Issuer hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries inures to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

(m) Existing DIP Letters of Credit and Existing Swap Contracts. The Borrower has assumed all obligations under the Existing DIP Letters of Credit and Existing Swap Contracts and shall be considered substituted as account party or contracting party for all purposes in respect thereof.

2.04 Swing Line Loans.

(a) Swing Line Facility. Subject to the terms and conditions set forth herein, the Swing Line Lender agrees to make loans (each such loan, a "Swing Line Loan") to the Borrower in Dollars from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed TWENTY-FIVE MILLION DOLLARS (\$25,000,000) (the "Swing Line Sublimit") at any time outstanding, notwithstanding the fact that such Swing Line Loans, when aggregated with the Pro Rata Share of the Outstanding Amount of Revolving Loans and L/C Obligations of the Swing Line Lender in its capacity as a Revolving Lender, may exceed the amount of such Revolving Lender's Revolving Commitment; provided, however, that after giving effect to any Swing Line Loan, (i) with regard to the Revolving Lenders collectivity, the Total Revolving Outstandings shall not exceed the Aggregate Revolving Committed Amount, and (ii) with regard to each Revolving Lender individually such Revolving Lender's Pro Rata Share of Total Revolving Outstandings shall not exceed such Revolving Lender's Revolving Commitment. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.04, prepay under Section 2.05, and reborrow under this Section 2.04. Each Swing Line Loan shall bear interest at such rate mutually agreed to between the Borrower and the Swing Line Lender or, in the absence of such mutual agreement, shall be a Base Rate Loan. Immediately upon the making of a Swing Line Loan, each Revolving Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Revolving Lender's Pro Rata Share times the amount of such Swing Line Loan.

(b) Borrowing Procedures. Each Borrowing of Swing Line Loans shall be made upon the Borrower's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum principal amount of \$250,000 and integral multiples of \$100,000 in excess thereof, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Administrative Agent of a written Swing Line Loan Notice, appropriately completed and signed by an authorized officer of the Borrower. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 2:00 p.m. on the date of the proposed Borrowing of Swing Line Loans (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the proviso to the first sentence of Section 2.04(a), or (B) that one or more of the applicable conditions specified in Section 5.02 is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 3:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Borrower.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrower (which hereby irrevocably requests and authorizes the Swing Line Lender to so request on its behalf), that each Revolving Lender make a Base Rate Loan in an amount equal to such Revolving Lender's Pro Rata Share of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, the unutilized portion of the Aggregate Revolving Committed Amount or the conditions set forth in Section 5.02. The Swing Line Lender shall furnish the Borrower with a copy of the applicable Loan Notice promptly after delivering such notice to the Administrative Agent. Each Revolving Lender shall make an amount equal to its Pro Rata Share of the amount specified in such Loan Notice available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office not later than 1:00 p.m. on the day specified in such Loan Notice, whereupon, subject to Section 2.04(c)(ii), each Revolving Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by such a Borrowing of Revolving Loans in accordance with Section 2.04(c)(i), the request for Base Rate Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Revolving Lenders fund its risk participation in the relevant Swing Line Loan and each Revolving Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.04(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Revolving Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Revolving Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(i), the Swing Line Lender shall be entitled to recover from such Revolving Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the applicable Overnight Rate from time to time in effect. A certificate of the Swing Line Lender submitted to any Revolving Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Revolving Lender's obligation to make Revolving Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.04(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right that such Revolving Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, (C) non-compliance with the conditions set forth in Section 5.02 or (D) any other occurrence, event or condition, whether or not similar to any of the foregoing. No such purchase or funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Revolving Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Revolving Lender its Pro Rata Share of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Revolving Lender's risk participation was funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 11.06 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Revolving Lender shall pay to the Swing Line Lender its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the applicable Overnight Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender. The obligations of the Revolving Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Revolving Lender funds its Revolving Loans that are Base Rate Loans or risk participation pursuant to this Section 2.04 to refinance such Revolving Lender's Pro Rata Share of any Swing Line Loan, interest in respect of such Pro Rata Share shall be solely for the account of the Swing Line Lender.

(f) Payments Directly to Swing Line Lender. The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.05 Prepayments.

(a) Voluntary Prepayments. The Loans may be repaid in whole or in part without premium or penalty; provided that

(i) (A) in the case of Loans other than Swing Line Loans, (1) notice thereof must be received by 11:00 a.m. by the Administrative Agent at least three Business Days prior to the date of prepayment, in the case of Eurodollar Rate Loans and (2) one Business Day prior to the date of prepayment, in the case of Base Rate Loans, (B) any such prepayment shall be a minimum principal amount of (1) \$5,000,000 and integral multiples of \$1,000,000 in excess thereof, in the case of Eurodollar Rate Loans and (2) \$1,000,000 and integral multiples of \$500,000 in excess thereof, in the case of Base Rate Loans, or, in each case, the entire remaining principal amount thereof, if less; and

(ii) in the case of Swing Line Loans, (A) notice thereof must be received by the Swing Line Lender by 1:00 p.m. on the date of prepayment (with a copy to the Administrative Agent), and (B) any such prepayment shall be in the same minimum principal amounts as for advances thereof (or any lesser amount that may be acceptable to the Swing Line Lender).

Each such notice of voluntary prepayment hereunder shall be irrevocable and shall specify the date and amount of prepayment and the Loans and Types of Loans that are being prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans; provided, however, that the Borrower may rescind any notice of voluntary prepayment hereunder if such prepayment would have resulted from a refinancing of all of the Loans and Commitment, and such refinancing shall not have been consummated or shall otherwise have been delayed. The Administrative Agent will give prompt notice to the applicable Lenders of any prepayment on the Loans and the Lender's interest therein. Prepayments of Eurodollar Rate Loans hereunder shall be accompanied by accrued interest on the amount prepaid and breakage amounts, if any, under Section 3.05.

(b) Mandatory Prepayments.

(i) Revolving Commitments. If at any time (A) the Total Revolving Outstandings shall exceed the Aggregate Revolving Committed Amount, (B) the Outstanding Amount of L/C Obligations shall exceed the Letter of Credit Sublimit, or (C) the Outstanding Amount of Swing Line Loans shall exceed the Swing Line Sublimit, the Borrower shall immediately prepay the Total Revolving Outstandings and/or Cash Collateralize L/C Obligations in an amount equal to such excess; provided, however, that, except with respect to clauses (A) and (B) above, L/C Obligations will not be Cash Collateralized hereunder until the Revolving Loans and Swing Line Loans have been paid in full.

(ii) Dispositions. The Borrower shall prepay the Loans and L/C Obligations within 5 Business Days following receipt of Net Cash Proceeds required to be prepaid pursuant to the provisions hereof in an amount equal to 100% of the Net Cash Proceeds received from any Disposition or Involuntary Disposition by the Borrower or any of its Subsidiaries, to the extent (A) such proceeds are not reinvested in the same or similar properties or assets within nine months of the date of such Disposition or Involuntary Disposition (or, if the Borrower or any of its Subsidiaries enters into a commitment to reinvest such Net Cash Proceeds within nine months of the date of such Disposition or Involuntary Disposition, within nine months of the date of such commitment) and (B) the aggregate amount of such proceeds that are not reinvested (or committed to be reinvested) in accordance with clause (A) hereof exceeds \$10,000,000 in any fiscal year.

(iii) Consolidated Excess Cash Flow. The Borrower shall prepay the Loans and L/C Obligations within 5 Business Days following delivery of each annual Compliance Certificate delivered under Section 7.02(b), commencing with the Compliance Certificate for the fiscal year ending December 31, 2007, in an amount equal to 50% of Consolidated Excess Cash Flow for the fiscal year to which such Compliance Certificate relates; provided that no such prepayment shall be required if at such time (A) the Consolidated Leverage Ratio shall be equal to or less than 2.5:1.0 and (B) the Debt Ratings are BB (stable) or higher as rated by S&P and Ba2 (stable) or higher as rated by Moody's.

(c) Application of Prepayments. Within each Loan, prepayments will be applied first to Base Rate Loans, then to Eurodollar Rate Loans in direct order of Interest Period maturities. In addition:

(i) Voluntary Prepayments. Voluntary prepayments shall be applied to such Loans as specified by the Borrower; provided that prepayments on the Tranche A Term Loan or the Tranche B Term Loan, as applicable, shall be applied pro rata to remaining principal amortization installments. Voluntary prepayments will be paid by the Administrative Agent to the Lenders ratably in accordance with their respective interests therein.

(ii) Mandatory Prepayments. Mandatory prepayments on the outstanding Loans and L/C Obligations will be paid by the Administrative Agent to the Lenders ratably in accordance with their respective interests therein; provided that:

(A) mandatory prepayments under subsection (b)(i) above shall be applied to the respective Revolving Loans, Swing Line Loans and/or L/C Obligations as appropriate; and

(B) mandatory prepayments under subsections (b)(ii) and (b)(iii) above shall be applied first to the Tranche B Term Loan until paid in full, second to the Tranche A Term Loan until paid in full and third to the Total Revolving Outstandings. Mandatory prepayments on the Tranche A Term Loan and the Tranche B Term Loan shall be applied pro rata to remaining principal amortization installments.

(iii) Eurodollar Prepayment Account. If the Borrower is required to make a mandatory prepayment of Eurodollar Rate Loans under this Section 2.04(b), so long as no Event of Default exists, the Borrower shall have the right, in lieu of making such prepayment in full, to deposit an amount equal to such mandatory prepayment with the Administrative Agent in a cash collateral account maintained (pursuant to documentation reasonably satisfactory to the Administrative Agent) by and in the sole dominion and control of the Administrative Agent. Any amounts so deposited shall be held by the Administrative Agent as collateral for the prepayment of such Eurodollar Rate Loans and shall be applied to the prepayment of the applicable Eurodollar Rate Loans at the end of the current Interest Periods applicable thereto or, sooner, at the election of the Administrative Agent, upon the occurrence of an Event of Default. At the request of the Borrower, amounts so deposited shall be invested by the Administrative Agent in Cash Equivalents maturing on or prior to the date or dates on which it is anticipated that such amounts will be applied to prepay such Eurodollar Rate Loans; any interest earned on such Cash Equivalents will be for the account of the Borrower and the Borrower will deposit with the Administrative Agent the amount of any loss on any such Cash Equivalents to the extent necessary in order that the amount of the prepayment to be made with the deposited amounts may not be reduced.

2.06 Termination or Reduction of Aggregate Revolving Committed Amount.

The Aggregate Revolving Committed Amount may be permanently reduced in whole or in part by notice from the Borrower to the Administrative Agent; provided that (a) any such notice thereof must be received by 11:00 a.m. at least three Business Days prior to the date of reduction or termination and any such reduction or termination shall be in a minimum principal amount of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof (or the remaining amount of the Aggregate Revolving Committed Amount); and (b) the Aggregate Revolving Committed Amount may not be reduced to an amount less than the Total Revolving Outstandings. The Administrative Agent will give prompt notice to the Revolving Lenders of any such reduction in Aggregate Revolving Committed Amount. Any reduction of the Aggregate Revolving Committed Amount shall be applied to the Revolving Commitments of the Revolving Lenders ratably in accordance with their respective interests therein. All commitment or other fees accrued until the effective date of any termination of the Aggregate Revolving Committed Amount shall be paid on the effective date of such termination.

2.07 Repayment of Loans.

(a) Revolving Loans. The Borrower shall repay to the Revolving Lenders on the Maturity Date the aggregate principal amount of all Revolving Loans outstanding on such date.

(b) Swing Line Loans. The Borrower shall repay each Swing Line Loan on the earlier to occur of (i) demand by the Swing Line Lender and (ii) the Maturity Date.

(c) Tranche A Term Loan. The outstanding principal amount of the Tranche A Term Loan shall be repayable in consecutive quarterly installments on the dates set forth below, beginning on December 31, 2007 and ending on the Maturity Date, as follows (expressed in terms of percentage of original principal amount), unless accelerated sooner pursuant to Section 9.02:

PAYMENT DATE	PRINCIPAL AMORTIZATION PAYMENT AMOUNT
December 31, 2007	1.25%
March 31, 2008	1.25%
June 30, 2008	1.25%
September 30, 2008	1.25%
December 31, 2008	1.25%
March 31, 2009	1.25%
June 30, 2009	1.25%
September 30, 2009	1.25%
December 31, 2009	2.50%
March 31, 2010	2.50%
June 30, 2010	2.50%
September 30, 2010	2.50%
December 31, 2010	2.50%
March 31, 2011	2.50%
June 30, 2011	2.50%
Maturity Date	72.50%
Total	<u>100.00%</u>

(d) Tranche B Term Loan. The outstanding principal amount of the Tranche B Term Loan shall be repayable in consecutive quarterly installments on the dates set forth below, beginning on December 31, 2006 and ending on the Maturity Date, as follows (expressed in terms of percentage of original principal amount), unless accelerated sooner pursuant to Section 9.02.

PAYMENT DATE	PRINCIPAL AMORTIZATION PAYMENT AMOUNT
December 31, 2006	0.25%
March 31, 2007	0.25%
June 30, 2007	0.25%
September 30, 2007	0.25%
December 31, 2007	0.25%
March 31, 2008	0.25%
June 30, 2008	0.25%
September 30, 2008	0.25%
December 31, 2008	0.25%
March 31, 2009	0.25%
June 30, 2009	0.25%
September 30, 2009	0.25%
December 31, 2009	0.25%
March 31, 2010	0.25%
June 30, 2010	0.25%
September 30, 2010	0.25%
December 31, 2010	0.25%
March 31, 2011	0.25%
June 30, 2011	0.25%
September 30, 2011	0.25%
December 31, 2011	0.25%
March 31, 2012	0.25%
June 30, 2012	0.25%
September 30, 2012	0.25%
December 31, 2012	1.00%
March 31, 2013	1.00%
June 30, 2013	1.00%
Maturity Date	91.00%
Total	100.00%

2.08 Interest.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the sum of (A) the Eurodollar Rate for such Interest Period plus (B) the Applicable Rate; (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate; and (iii) unless otherwise mutually agreed between the Borrower and the Swing Line Lender, each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

(b) (i) If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Required Lenders, while any Event of Default exists, the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 Fees.

In addition to certain fees described in subsections (i) and (j) of Section 2.03:

(a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Revolving Lender in accordance with its Pro Rata Share, a commitment fee in Dollars equal to the product of (i) the Applicable Rate times (ii) the actual daily amount by which the Aggregate Revolving Committed Amount exceeds the sum of (y) the Outstanding Amount of Revolving Loans and (z) the Outstanding Amount of L/C Obligations. The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Section 5.02 is not met, and shall be (i) computed on a quarterly basis in arrears and (ii) due and payable on the fifth (5th) Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. For purposes of clarification, Swing Line Loans shall not be considered outstanding for purposes of determining the unused portion of the Aggregate Revolving Committed Amount.

(b) Fee Letter. The Borrower shall pay to BAS and the Administrative Agent for their own respective accounts, in Dollars, fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall be non-refundable for any reason whatsoever.

2.10 Computation of Interest and Fees.

All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day.

2.11 Evidence of Debt.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a promissory note, which shall evidence such Lender's Loans in addition to such accounts or records. Each such promissory note shall (i) in the case of Revolving Loans, be in the form of Exhibit C-1 (a "Revolving Note"), (ii) in the case of Swing Line Loans, be in the form of Exhibit C-2 (a "Swing Line Note"), (iii) in the case of the Tranche A Term Loan, be in the form of Exhibit C-3 (a "Tranche A Term Note") and (iv) in the case of the Tranche B Term Loan, be in the form of Exhibit C-4 (a "Tranche B Term Note"). Each Lender may attach schedules to a Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in subsection (a), each Revolving Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Revolving Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.12 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the applicable Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. Subject to the definition of "Interest Period", if any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Eurodollar Rate Loans (or, in the case of any Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the Overnight Rate, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the time at which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Overnight Rate.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Section 5.02 are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments pursuant to Section 11.05(b) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 11.05(b) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 11.05(b).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.13 Sharing of Payments.

If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it (but not including any amounts applied by the Swing Line Lender to outstanding Swing Line Loans), any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Loans made by them and/or such subparticipations in the participations in L/C Obligations or Swing Line Loans held by them, as the case may be, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Loans or such participations, as the case may be, pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender under any of the circumstances described in Section 11.06 (including pursuant to any settlement entered into by the purchasing Lender in its discretion), such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered, without further interest thereon. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.09) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

ARTICLE III

TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Any and all payments by any Loan Party to or for the account of the Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, branch profits taxes and all liabilities with respect thereto, excluding, in the case of the Administrative Agent and each Lender, taxes imposed on or measured by its overall net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which the Administrative Agent or such Lender, as the case may be, is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If any Loan Party shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), each of the Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Loan Party shall make such deductions, (iii) such Loan Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within thirty days after the date of such payment, such Loan Party shall furnish to the Administrative Agent (which shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) If the Borrower shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, the Borrower shall also pay to the Administrative Agent or to such Lender, as the case may be, at the time interest is paid, such additional amount that the Administrative Agent or such Lender specifies is necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) that the Administrative Agent or such Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) The Borrower agrees to indemnify the Administrative Agent and each Lender for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by the Administrative Agent and such Lender, (ii) amounts payable under Section 3.01(c) and (iii) any liability (including additions to tax, penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Payment under this subsection (d) shall be made within thirty days after the date the Lender or the Administrative Agent makes a demand therefor.

3.02 Illegality.

If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of Dollars in the applicable interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans, shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert such Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.03 Inability to Determine Rates.

If the Administrative Agent determines that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (i) deposits are not being offered to banks in the applicable offshore interbank market for Dollars for the applicable amount and Interest Period of such Eurodollar Rate Loan, (ii) adequate and reasonable means do not exist for determining the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (iii) the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such Loan, the Administrative Agent will promptly notify the Borrower and all Lenders. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing, conversion or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Cost and Reduced Return; Capital Adequacy.

(a) If any Lender determines that as a result of the introduction of or any change in or in the interpretation of any Law, or such Lender's compliance therewith, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans or (as the case may be) issuing or participating in Letters of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this subsection (a) any such increased costs or reduction in amount resulting from (i) Taxes or Other Taxes (as to which Section 3.01 shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or any foreign jurisdiction or any political subdivision of either thereof under the Laws of which such Lender is organized or has its Lending Office, and (iii) reserve requirements utilized, as to Eurodollar Rate Loans, in the determination of the Eurodollar Rate), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender determines that the introduction of any Law regarding capital adequacy or any change therein or in the interpretation thereof, or compliance by such Lender (or its Lending Office) therewith, has the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

3.05 Funding Losses.

Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower;

(c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of:

(i) a request by the Borrower pursuant to Section 11.16; or

(ii) an assignment by Bank of America pursuant to Section 11.07(b) as part of the primary syndication of the Commitments and Loans during the 180-day period immediately following the Closing Date, provided that Bank of America agrees to use reasonable efforts to reduce the breakage costs payable by the Borrower in connection therewith (including, without limitation, to the extent reasonably practical, closing such assignments at the end of Interest Periods of outstanding Eurodollar Rate Loans);

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Base Rate used in determining the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the offshore interbank eurodollar market for Dollars for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Matters Applicable to all Requests for Compensation.

(a) A certificate of the Administrative Agent or any Lender claiming compensation under this Article III and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Administrative Agent or such Lender may use any reasonable averaging and attribution methods.

(b) Upon any Lender's making a claim for compensation under Section 3.01 or 3.04, the Borrower may replace such Lender in accordance with Section 11.16.

3.07 Survival.

All of the Borrower's obligations under this Article III shall survive termination of the Commitments and repayment of all other Obligations hereunder.

ARTICLE IV

GUARANTY

4.01 The Guaranty.

Each of the Guarantors hereby jointly and severally guarantees to each Lender, each Affiliate of a Lender that enters into a Swap Contract or Treasury Management Agreement with a Loan Party, and the Administrative Agent as hereinafter provided, as primary obligor and not as surety, the prompt payment of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) strictly in accordance with the terms thereof. The Guarantors hereby further agree that if any of the Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise), the Guarantors will, jointly and severally, promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) in accordance with the terms of such extension or renewal.

Notwithstanding any provision to the contrary contained herein or in any other of the Loan Documents, Swap Contracts or Treasury Management Agreements, the obligations of each Guarantor under this Agreement and the other Loan Documents shall be limited to an aggregate amount equal to the largest amount that would not render such obligations subject to avoidance under the Debtor Relief Laws or any comparable provisions of any applicable state law.

4.02 Obligations Unconditional.

The obligations of the Guarantors under Section 4.01 are joint and several, absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Loan Documents, Swap Contracts or Treasury Management Agreements, or any other agreement or instrument referred to therein, or any substitution, release, impairment or exchange of any other guarantee of or security for any of the Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.02 that the obligations of the Guarantors hereunder shall be absolute and unconditional under any and all circumstances. Each Guarantor agrees that such Guarantor shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower or any other Guarantor for amounts paid under this Article IV until such time as the Obligations have been paid in full and the Commitments have expired or terminated. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of any Guarantor hereunder, which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to any Guarantor, the time for any performance of or compliance with any of the Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of any of the Loan Documents, any Swap Contract or Treasury Management Agreement between any Loan Party and any Lender, or any Affiliate of a Lender, or any other agreement or instrument referred to in the Loan Documents, such Swap Contracts or such Treasury Management Agreements shall be done or omitted;

(c) the maturity of any of the Obligations shall be accelerated, or any of the Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Loan Documents, any Swap Contract or Treasury Management Agreement between any Loan Party and any Lender, or any Affiliate of a Lender, or any other agreement or instrument referred to in the Loan Documents, such Swap Contracts or such Treasury Management Agreements shall be waived or any other guarantee of any of the Obligations or any security therefor shall be released, impaired or exchanged in whole or in part or otherwise dealt with;

(d) any Lien granted to, or in favor of, the Administrative Agent or any Lender or Lenders as security for any of the Obligations shall fail to attach or be perfected; or

(e) any of the Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of any Guarantor) or shall be subordinated to the claims of any Person (including, without limitation, any creditor of any Guarantor).

With respect to its obligations hereunder, each Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Person under any of the Loan Documents, any Swap Contract or Treasury Management Agreement between any Loan Party and any Lender, or any Affiliate of a Lender, or any other agreement or instrument referred to in the Loan Documents, such Swap Contracts or such Treasury Management Agreements, or against any other Person under any other guarantee of, or security for, any of the Obligations.

4.03 Reinstatement.

The obligations of the Guarantors under this Article IV shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Obligations is rescinded or must be otherwise restored by any holder of any of the Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees and expenses of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

4.04 Certain Additional Waivers.

Each Guarantor further agrees that such Guarantor shall have no right of recourse to security for the Obligations, except through the exercise of rights of subrogation pursuant to Section 4.02 and through the exercise of rights of contribution pursuant to Section 4.06.

4.05 Remedies.

The Guarantors agree that, to the fullest extent permitted by law, as between the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, the Obligations may be declared to be forthwith due and payable as provided in Section 9.02 (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 9.02) for purposes of Section 4.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing the Obligations from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or the Obligations being deemed to have become automatically due and payable), the Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantors for purposes of Section 4.01. The Guarantors acknowledge and agree that their obligations hereunder are secured in accordance with the terms of the Collateral Documents and that the Lenders may exercise their remedies thereunder in accordance with the terms thereof.

4.06 Rights of Contribution.

The Guarantors agree among themselves that, in connection with payments made hereunder, each Guarantor shall have contribution rights against the other Guarantors as permitted under applicable law. Such contribution rights shall be subordinate and subject in right of payment to the obligations of such Guarantors under the Loan Documents and no Guarantor shall exercise such rights of contribution until all Obligations have been paid in full and the Commitments have terminated.

4.07 Guarantee of Payment; Continuing Guarantee.

The guarantee in this Article IV is a guaranty of payment and not of collection, is a continuing guarantee, and shall apply to all Obligations whenever arising.

ARTICLE V

CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

5.01 Conditions of Initial Credit Extension.

The obligation of each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) Loan Documents. Receipt by the Administrative Agent of executed counterparts of this Agreement, the Security Agreement and the Pledge Agreement, each properly executed by a Responsible Officer of the signing Loan Party and, in the case of this Agreement, by each Lender.

(b) Opinions of Counsel. Receipt by the Administrative Agent of favorable opinions of (i) Weil, Gotshal & Manges LLP, legal counsel to the Loan Parties, and (ii) in-house counsel to the Loan Parties with respect to Pennsylvania law, in each case, addressed to the Administrative Agent and each Lender, dated as of the Closing Date, and in form and substance satisfactory to the Administrative Agent.

(c) Financial Statements. The Administrative Agent shall have received:

(i) consolidated financial statements of the Borrower and its Subsidiaries for the fiscal years ended December 31, 2003, December 31, 2004 and December 31, 2005, including balance sheets and income and cash flow statements, in each case audited by independent public accountants of recognized national standing and prepared in conformity with GAAP; and

(ii) unaudited consolidated financial statements of the Borrower and its Subsidiaries for the fiscal quarter ending June 30, 2006, including balance sheets and statements of income or operations, shareholders' equity and cash flows (the "Interim Financial Statements").

(d) No Material Adverse Change. There shall not have occurred a material adverse change since December 31, 2005 in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole.

(e) Litigation. There shall not exist any action, suit, investigation or proceeding pending or threatened in any court or before an arbitrator or Governmental Authority that could reasonably be expected to have a Material Adverse Effect or a material adverse effect on any transaction contemplated hereby or by the Reorganization Plan.

(f) Organization Documents, Resolutions, Etc. Receipt by the Administrative Agent of the following, each of which shall be originals or facsimiles (followed promptly by originals), in form and substance satisfactory to the Administrative Agent and its legal counsel:

(i) copies of the Organization Documents of each Loan Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation or organization, where applicable, and certified by a secretary or assistant secretary of such Loan Party to be true and correct as of the Closing Date;

(ii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party; and

(iii) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and is validly existing, and in good standing in its state of organization or formation.

(g) Perfection and Priority of Liens. Receipt by the Administrative Agent of the following:

(i) searches of Uniform Commercial Code filings in the jurisdiction of formation of each Loan Party, and, if located in the states of Alabama, Mississippi or Arizona, also the jurisdiction of the chief executive office of each Loan Party and each jurisdiction where any Collateral is located;

(ii) all certificates evidencing any certificated Capital Stock (including those evidencing interests in Material First-Tier Foreign Subsidiaries, but subject to the provisions of Section 7.15 regarding certain items and deliveries which may be made after the Closing Date in respect thereof) pledged to the Collateral Agent pursuant to the Pledge Agreement, together with duly executed in blank, undated stock powers attached thereto;

(iii) searches of ownership of, and Liens on, intellectual property of each Loan Party in the United States Copyright Office and the United States Patent and Trademark Office; and

(iv) duly executed notices of grant of security interest in the form required by the Security Agreement as are necessary, in the Collateral Agent's sole discretion, to perfect the Collateral Agent's security interest in the intellectual property of the Loan Parties.

(h) Evidence of Insurance. Receipt by the Administrative Agent of certificates of insurance of the Loan Parties evidencing general liability and property insurance meeting the requirements set forth in the Loan Documents, including, but not limited to, naming the Collateral Agent as additional insured (in the case of general liability insurance) or loss payee for claims in excess of \$10,000,000 (in the case of property insurance) on behalf of the Lenders.

(i) Closing Certificate. Receipt by the Administrative Agent of a certificate signed by a Responsible Officer of the Borrower certifying that the conditions specified in Sections 5.01(d) and (e) and Sections 5.02(a) and (b) have been satisfied.

(j) Reorganization Plan; Confirmation Order. Confirmation that (i) there have been no substantive modifications to the provisions of Section 7.16 of the Reorganization Plan, including clause (g) thereof, (ii) all the conditions to the occurrence of the "Effective Date" of the Reorganization Plan set forth in Sections 7.16(b) — (f) and (h) (other than that related to the effectiveness of the Senior Credit Facility) under the Reorganization Plan shall have been satisfied or waived in a manner provided in the Reorganization Plan, (iii) the senior credit facilities provided hereunder constitute the credit facility referenced in Sections 7.16(g) and 7.23(f) of the Reorganization Plan and (iv) the Confirmation Order (as defined in the Reorganization Plan) shall have been entered, and shall not be subject to any stay and the condition precedent in Section 7.16(a) of the Reorganization Plan has either been satisfied or waived in accordance with the Reorganization Plan.

(k) Availability. After giving effect to the transactions contemplated hereby to occur on the Closing Date (including the initial Credit Extensions), there shall be at least \$50,000,000 of availability existing under the Aggregate Revolving Committed Amount.

(l) DIP Loan Agreement. The commitments under the DIP Loan Agreement shall have been terminated and all obligations owing thereunder shall have been paid in full or otherwise satisfied to the satisfaction of the Administrative Agent.

(m) Fees. Receipt by the Administrative Agent and the Lenders of any fees required to be paid on or before the Closing Date.

(n) Attorney Costs. Unless waived by the Administrative Agent, the Borrower shall have paid all Attorney Costs of the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

Without limiting the generality of the provisions of Section 10.04, for purposes of determining compliance with the conditions specified in this Section 5.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

5.02 Conditions to all Credit Extensions.

The obligation of each Lender to honor any Request for Credit Extension is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower and each other Loan Party contained in Article VI or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date.

(b) No Default shall exist, or would result from such proposed Credit Extension.

(c) The Administrative Agent and, if applicable, the applicable L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof (other than with respect to the Existing DIP Letters of Credit).

Each Request for Credit Extension submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 5.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Loan Parties represent and warrant to the Administrative Agent and the Lenders that:

6.01 Existence, Qualification and Power.

Each Loan Party (a) is a corporation, partnership or limited liability company duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.02 Authorization; No Contravention.

The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under (i) any Contractual Obligation to which such Person is a party or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law (including, without limitation, Regulation U or Regulation X issued by the FRB); except in each case referred to in clause (b) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.03 Governmental Authorization; Other Consents.

No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document other than (i) those that have already been obtained and are in full force and effect and (ii) filings to perfect the Liens created by the Collateral Documents.

6.04 Binding Effect.

This Agreement and each other Loan Document has been duly executed and delivered by each Loan Party that is party thereto. This Agreement and each other Loan Document constitutes a legal, valid and binding obligation of each Loan Party that is party thereto, enforceable against each such Loan Party in accordance with its terms.

6.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, commitments and Indebtedness.

(b) The Interim Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(c) From the date of the Audited Financial Statements to and including the Closing Date, there has been no Disposition by the Borrower or any Subsidiary, or any Involuntary Disposition, of any material part of the business or Property of the Borrower and its Subsidiaries, taken as a whole, and no purchase or other acquisition by any of them of any business or property (including any Capital Stock of any other Person) material in relation to the consolidated financial condition of the Borrower and its Subsidiaries, taken as a whole, in each case, which is not reflected in the foregoing financial statements or in the notes thereto and has not otherwise been disclosed in writing to the Lenders on or prior to the Closing Date.

(d) The financial statements delivered pursuant to Section 7.01(a) and (b) have been prepared in accordance with GAAP (except as may otherwise be permitted under Section 7.01(a) and (b)) and present fairly (on the basis disclosed in the footnotes to such financial statements) the consolidated financial condition, results of operations and cash flows of the Borrower and its Subsidiaries as of such date and for such periods.

(e) Since the date of the Audited Financial Statements, there has been no event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

6.06 Litigation.

There are no actions, suits, proceedings, investigations, claims or disputes pending or, to the knowledge of the Loan Parties, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or any of its Subsidiaries or against any of their properties or revenues that could reasonably be expected to have a Material Adverse Effect.

6.07 No Default.

(a) Neither the Borrower nor any Subsidiary is in default under or with respect to any Contractual Obligation that could reasonably be expected to have a Material Adverse Effect.

(b) No Default has occurred and is continuing.

6.08 Ownership of Property; Liens.

Each of the Borrower and its Subsidiaries has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Borrower and its Subsidiaries is subject to no Liens, other than Permitted Liens.

6.09 Environmental Compliance.

Except as could not reasonably be expected to have a Material Adverse Effect:

(a) Each of the Facilities and all operations at the Facilities are in compliance with all applicable Environmental Laws, and there is no violation of any Environmental Law with respect to the Facilities or the Businesses, and there are no conditions relating to the Facilities or the Businesses that could give rise to liability under any applicable Environmental Laws.

(b) None of the Facilities contains, or has previously contained, any Hazardous Materials at, on or under the Facilities in amounts or concentrations that constitute or constituted a violation of Environmental Laws.

(c) Neither the Borrower nor any Subsidiary has received any written or verbal notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Facilities or the Businesses, nor does any Responsible Officer of any Loan Party have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) Hazardous Materials have not been transported or disposed of from the Facilities, or generated, treated, stored or disposed of at, on or under any of the Facilities or any other location, in each case by or on behalf the Borrower or any Subsidiary in violation of, or in a manner that would be reasonably likely to give rise to liability under, any applicable Environmental Law.

(e) No judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Responsible Officers of the Loan Parties, threatened, under any Environmental Law to which the Borrower or any Subsidiary is or will be named as a party, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Borrower, any Subsidiary, the Facilities or the Businesses.

(f) There has been no release or, threat of release of Hazardous Materials at or from the Facilities, or arising from or related to the operations (including, without limitation, disposal) of the Borrower or any Subsidiary in connection with the Facilities or otherwise in connection with the Businesses, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws.

6.10 Insurance.

The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Subsidiary operates. The insurance coverage of the Loan Parties as in effect on the Closing Date is outlined as to carrier, policy number, expiration date, type, amount and deductibles on Schedule 6.10.

6.11 Taxes.

The Borrower and its Subsidiaries have filed all federal, state and other material tax returns and reports required to be filed, and have paid all federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP and except to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect. There is no proposed tax assessment against the Borrower or any Subsidiary that would, if made, have a Material Adverse Effect.

6.12 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Internal Revenue Code and other federal or state Laws, except non-compliance that has not resulted or could not reasonably be expected to result in a Material Adverse Effect. Each Pension Plan that is intended to qualify under Section 401(a) of the Internal Revenue Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the Loan Parties, nothing has occurred which would prevent, or cause the loss of, such qualification and has resulted or could reasonably be expected to result in a Material Adverse Effect. Each Loan Party and each ERISA Affiliate have timely made all required contributions to each Pension Plan subject to Section 412 of the Internal Revenue Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Internal Revenue Code has been made with respect to any Pension Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(b) There are no pending or, to the best knowledge of the Loan Parties, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Pension Plan that could be reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred since the Closing Date or is reasonably expected to occur; (ii) no Loan Party nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA) which has resulted or could reasonably be expected to result in a Material Adverse Effect; and (iii) no Loan Party nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan, which has resulted or could reasonably be expected to result in a Material Adverse Effect.

6.13 Subsidiaries.

Set forth on Schedule 6.13 is a complete and accurate list as of the Closing Date of each Subsidiary, together with (i) jurisdiction of formation, (ii) with respect to the Loan Parties only, the number of shares of each class of Capital Stock outstanding, (iii) percentage of outstanding shares of each class owned (directly or indirectly) by the Borrower or any Subsidiary and (iv) number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and all other similar rights with respect thereto. The outstanding Capital Stock of each Subsidiary is validly issued, fully paid and non-assessable.

6.14 Margin Regulations; Investment Company Act.

(a) The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Borrower, any Person Controlling the Borrower, or any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

6.15 Disclosure.

Each Loan Party has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished in writing by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Loan Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

6.16 Compliance with Laws.

Each of the Borrower and each Subsidiary is in compliance with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.17 Intellectual Property; Licenses, Etc.

The Borrower and its Subsidiaries own, or possess the legal right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, "IP Rights") that are reasonably necessary for the operation of their respective businesses. Set forth on Schedule 6.17 is a list of all material IP Rights registered or pending registration with the United States Copyright Office or the United States Patent and Trademark Office and owned by each Loan Party as of the Closing Date. Except for such claims and infringements that could not reasonably be expected to have a Material Adverse Effect, no claim has been asserted and is pending by any Person challenging or questioning the use of any IP Rights or the validity or effectiveness of any IP Rights, nor does any Loan Party know of any such claim, and, to the knowledge of the Responsible Officers of the Loan Parties, the use of any IP Rights by the Borrower or any Subsidiary or the granting of a right or a license in respect of any IP Rights from the Borrower or any Subsidiary does not infringe on the rights of any Person. As of the Closing Date, none of the material IP Rights owned by any of the Loan Parties is subject to any licensing agreement or similar arrangement except as set forth on Schedule 6.17.

6.18 Solvency.

The Loan Parties are Solvent on a consolidated basis.

6.19 Perfection of Security Interests in the Collateral.

(a) The Security Agreement is effective to create in favor of the Collateral Agent, for the ratable benefit of the holders of the secured obligations identified therein, a legal and valid security interest in the Collateral identified therein, and, when Uniform Commercial Code financing statements (or other appropriate notices) in appropriate form are duly filed at the office of the secretary of state of the jurisdiction of incorporation or organization of each Loan Party, the Security Agreement shall create a fully perfected Lien on, and security interest in, all right, title and interest of the grantors thereunder in such Collateral, in each case prior and superior in right to any other Lien other than Permitted Liens.

(b) The Pledge Agreement is effective to create in favor of the Collateral Agent, for the ratable benefit of the holders of the secured obligations identified therein, a legal and valid security interest in the Collateral identified therein, and the Pledge Agreement shall create a fully perfected first priority Lien on, and security interest in, all right, title and interest of the pledgors thereunder in such Collateral, in each case prior and superior in right to any other Lien (i) with respect to any such Collateral that is a "security" (as such term is defined in the Uniform Commercial Code) and is evidenced by a certificate, when such Collateral is delivered to the Collateral Agent with duly executed stock powers with respect thereto, (ii) with respect to any such Collateral that is a "security" (as such term is defined in the Uniform Commercial Code) but is not evidenced by a certificate, when Uniform Commercial Code financing statements in appropriate form are filed in the appropriate filing offices in the jurisdiction of organization of the pledgor or when "control" (as such term is defined in the Uniform Commercial Code) is established by the Collateral Agent over such interests in accordance with the provision of Section 8-106 of the Uniform Commercial Code, or any successor provision, and (iii) with respect to any such Collateral that is not a "security" (as such term is defined in the Uniform Commercial Code), when Uniform Commercial Code financing statements in appropriate form are filed in the appropriate filing offices in the jurisdiction of organization of the pledgor.

6.20 Business Locations.

Set forth on Schedule 6.20(a) is the exact legal name, jurisdiction of organization, chief executive office and organizational identification number of each Loan Party as of the Closing Date. Except as set forth on Schedule 6.20(b), no Loan Party has during the four months preceding the Closing Date (i) changed its legal name, (ii) changed its state of formation, or (iii) been party to a merger, consolidation or other change in structure.

6.21 Labor Matters.

Except as set forth on Schedule 6.21, there are no collective bargaining agreements or Multiemployer Plans covering the employees of the Borrower or any Subsidiary as of the Closing Date. Neither the Borrower nor any Subsidiary has suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five years that could reasonably be expected to have a Material Adverse Effect.

ARTICLE VII

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Loan Parties shall and shall cause each Subsidiary to:

7.01 Financial Statements.

Deliver to the Administrative Agent and each Lender:

(a) as soon as available, but in any event within ninety days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of KPMG LLP or another independent certified public accountant of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit; and

(b) as soon as available, but in any event within forty-five days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes. As to any information contained in materials furnished pursuant to Section 7.02(c), the Borrower shall not be separately required to furnish such information under clause (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Borrower to furnish the information and materials described in subsections (a) and (b) above at the times specified therein.

7.02 Certificates; Other Information.

Deliver to the Administrative Agent and each Lender, in form and detail reasonably satisfactory to the Administrative Agent:

- (a) concurrently with the delivery of the financial statements referred to in Sections 7.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower, which certificate shall include (i) in the case of the annual Compliance Certificate, if a prepayment is required pursuant to Section 2.05(b)(iii), a calculation of Consolidated Excess Cash Flow for the applicable fiscal year and (ii) in the case of the annual Compliance Certificate, a listing of (A) all applications, if any, for material Copyrights, Patents or Trademarks (each such term as defined in the Security Agreement) made by any Loan Party since the date of the prior certificate (or, in the case of the first such certificate, the Closing Date) and (B) all issuances of registrations or letters on existing applications for material Copyrights, Patents and Trademarks (each such term as defined in the Security Agreement) received by any Loan Party since the date of the prior certificate (or, in the case of the first such certificate, the Closing Date);
- (b) beginning with the fiscal year ending December 31, 2007, an annual business plan and budget of the Borrower and its Subsidiaries containing, among other things, pro forma financial statements for the fiscal year, when and as available, but in any event within ninety (90) days after the beginning of the fiscal year;
- (c) promptly after any request by the Administrative Agent or any Lender through the Administrative Agent, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any Subsidiary, or any audit of any of them;
- (d) promptly after the same are available, (i) copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934 or to a holder of any Indebtedness owed by the Borrower or any Subsidiary in its capacity as such a holder and not otherwise required to be delivered to the Administrative Agent pursuant hereto and (ii) upon the request of the Administrative Agent, all reports and written information to and from the United States Environmental Protection Agency, or any state or local agency responsible for environmental matters, the United States Occupational Health and Safety Administration, or any state or local agency responsible for health and safety matters, or any successor agencies or authorities concerning environmental, health or safety matters; and
- (e) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 7.01(a) or (b) or Section 7.02(d) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 11.02; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent and each Lender of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 7.02(a) to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or BAS will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, BAS and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 11.08); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated as "Public Investor;" and (z) the Administrative Agent and BAS shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not marked as "Public Investor." Notwithstanding the foregoing, the Borrower shall not be under any obligation to mark any Borrower Materials "PUBLIC."

7.03 Notices.

- (a) Promptly (and in any event, within two Business Days) notify the Administrative Agent and each Lender of the occurrence of any Default.
- (b) Promptly notify the Administrative Agent and each Lender of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect.
- (c) Promptly notify the Administrative Agent and each Lender of the occurrence of any ERISA Event.
- (d) Promptly notify the Administrative Agent and each Lender of any material change in accounting policies or financial reporting practices by the Borrower or any Subsidiary.
- (e) Promptly notify the Administrative Agent and each Lender of any change in the Debt Ratings or Corporate Ratings or the fact that such ratings are no longer being publicly announced by S&P or Moody's.

Each notice pursuant to this Section 7.03 shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 7.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

7.04 Payment of Obligations.

Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness, except in each case to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.05 Preservation of Existence, Etc.

(a) Preserve, renew and maintain in full force and effect its legal existence under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 8.04 or 8.05.

(b) Preserve, renew and maintain in full force and effect its good standing under the Laws of the jurisdiction of its organization, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(c) Take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(d) Preserve or renew all of its material registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

7.06 Maintenance of Properties.

(a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted.

(b) Make all necessary repairs thereto and renewals and replacements thereof, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(c) Use the standard of care typical in the industry in the operation and maintenance of its facilities.

7.07 Maintenance of Insurance.

Maintain in full force and effect insurance (including worker's compensation insurance, liability insurance, casualty insurance and business interruption insurance) with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Subsidiary operates. The Collateral Agent shall be named as loss payee, with respect to property insurance, and as additional insured, with respect to general liability insurance.

7.08 Compliance with Laws.

Comply with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

7.09 Books and Records.

(a) Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be.

(b) Maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Borrower or such Subsidiary, as the case may be.

7.10 Inspection Rights.

(a) Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower.

7.11 Use of Proceeds.

Use the proceeds of the Credit Extensions (a) to fund payments under the Reorganization Plan and (b) to finance working capital, capital expenditures and other lawful corporate purposes, provided that in no event shall the proceeds of the Credit Extensions be used in contravention of any Law or of any Loan Document.

7.12 Additional Subsidiaries.

(a) Material Domestic Subsidiaries. Cause each Material Domestic Subsidiary to become a Guarantor hereunder promptly, but in any event within thirty (30) days of the Subsidiary becoming a Material Domestic Subsidiary, by execution and delivery of a Guaranty Joinder Agreement or such other documents as the Administrative Agent may deem appropriate for such purpose, together with certified copies of resolutions and Organization Documents and favorable opinions of counsel (including, among other things, due authorization, execution, delivery, and enforceability of the Guaranty Joinder Agreement and related documents), all in form, scope and substance reasonably satisfactory to the Administrative Agent.

(b) Other Domestic Subsidiaries. In addition, cause each Domestic Subsidiary that gives a Guarantee in respect of the Plan Notes or any 144A Notes to become a Guarantor hereunder promptly, but within thirty (30) days of the Subsidiary giving such a Guarantee, by execution and delivery of a Guaranty Joinder Agreement or such other documents as the Administrative Agent may deem appropriate for such purpose, together with certified copies of resolutions and Organization Documents and favorable opinions of counsel (including, among other things, due authorization, execution, delivery, and enforceability of the Guaranty Joinder Agreement and related documents), all in form, scope and substance reasonably satisfactory to the Administrative Agent.

7.13 ERISA Compliance.

Cause, and cause each of its ERISA Affiliates to cause, each Plan that is qualified under Section 401(a) of the Internal Revenue Code to maintain such qualification, and make all required contributions to any Plan subject to Section 412 of the Internal Revenue Code, except where the failure to do so would not result in a Material Adverse Effect.

7.14 Pledged Assets.

(a) Capital Stock of Material Domestic Subsidiaries. Subject to clause (d) below, pledge one hundred percent (100%) of the issued and outstanding Capital Stock of each Loan Party's Material Domestic Subsidiaries promptly, but in any event within thirty (30) days of the formation or acquisition thereof, in each case pursuant to a pledge agreement or Collateral Joinder Agreement reasonably acceptable to the Administrative Agent, together with such filings and deliveries necessary or appropriate to perfect the security interests therein, and opinions of counsel relating thereto, all in form, scope and substance reasonably satisfactory to the Administrative Agent.

(b) Capital Stock of Material First-Tier Foreign Subsidiaries. Subject to clause (d) below, pledge sixty-five percent (65%) of the issued and outstanding Capital Stock of each Material First-Tier Foreign Subsidiary promptly, but in any event within ninety (90) days of such Subsidiary becoming a Material First-Tier Foreign Subsidiary, pursuant to a pledge agreement or Collateral Joinder Agreement reasonably acceptable to the Administrative Agent, together with such filings and deliveries necessary or appropriate to perfect the security interests therein, and opinions of counsel (including, among other things, opinions regarding execution, notarization and recordation of local pledge agreements, parallel debt agreements and such other acts necessary or appropriate to give effect to the pledge under local law) relating thereto, all in form, scope and substance reasonably satisfactory to the Administrative Agent; provided that in each such case the Administrative Agent will, in consultation with the Borrower, do an analysis of the relative benefits associated with the prospective pledge and where, in its reasonable discretion, the Administrative Agent shall make a determination, taking into account local custom and practice, that the costs, circumstances and requirements under local law associated with the pledge out-weigh the relative benefits of the pledge, then in any such case local pledge agreements (and related local law requirements) will not be required.

(c) Domestic Personal Property. Subject to clause (d) below, grant a security interest in all of each Loan Party's personal property (other than Excluded Property). In connection with any grant of security interest under this subsection, the Loan Parties will deliver to the Administrative Agent promptly, but in any event within thirty (30) days (with extensions as deemed necessary by the Administrative Agent) (i) a security agreement or Collateral Joinder Agreement in form and substance reasonably satisfactory to the Administrative Agent, executed in multiple counterparts, (ii) notices of grant of security interest in respect of material intellectual property with the United States Copyright Office or the United States Patent and Trademark Office reasonably satisfactory to the Administrative Agent, executed in multiple counterparts, (iii) such opinions of counsel as the Administrative Agent may deem necessary or appropriate, in form and substance reasonably satisfactory to the Administrative Agent, (iv) evidence of property insurance (consistent with the requirements for insurance hereunder) showing the Collateral Agent as loss payee (if insurance is provided by a commercial insurer), and (v) such other filings and deliveries as may be necessary or appropriate as determined by the Administrative Agent in its reasonable discretion.

(d) Release and Reinstatement of Collateral Interests. Where the Corporate Ratings are BB+ (stable) or better by S&P and Ba1 (stable) or better by Moody's (the "Requisite Ratings") and provided that the Tranche B Term Loan has been repaid in full, then the Borrower shall not be required to deliver the security interests provided in this Section 7.14 and the Administrative Agent will promptly release the security interests in the Collateral; provided that should the Borrower fail to maintain the Requisite Ratings, the security interests in such personal property will be re-granted in accordance with the provisions of Sections 7.14(a), 7.14(b) and 7.14(c).

(e) Scope of Secured Obligations. The security interests granted under this Section 7.14 will ratably secure the Obligations hereunder (including obligations under Swap Contracts between a Loan Party and a Lender or its affiliates to the extent permitted hereunder and obligations under Treasury Management Agreements between a Loan Party and a Lender or its affiliates).

7.15 Further Assurances.

The Borrower will provide, or cause to be provided, the following:

(a) Material First-Tier Foreign Subsidiaries. By March 31, 2007 (or such later date acceptable to the Administrative Agent), the Borrower will pledge, or cause to be pledged, the Capital Stock of all its Material First-Tier Foreign Subsidiaries in accordance with the provisions of Section 7.14(b), including local pledge agreements and related instruments, where necessary or appropriate under local law, and together with opinions of local counsel relating thereto, in form and substance reasonably acceptable to the Administrative Agent.

ARTICLE VIII

NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, no Loan Party shall, nor shall it permit any Subsidiary to, directly or indirectly:

8.01 Liens.

Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the date hereof and listed on Schedule 8.01 and any renewals or extensions thereof, provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 8.03(b);

(c) Liens (other than Liens imposed under ERISA) for taxes, assessments or governmental charges or levies not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

- (d) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and suppliers and other Liens imposed by law or pursuant to customary reservations or retentions of title arising in the ordinary course of business, provided that such Liens secure only amounts not yet due and payable or, if due and payable, are unfiled and no other action has been taken to enforce the same or are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established;
- (e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;
- (f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to judgments or litigation), performance bonds and other obligations of a like nature incurred in the ordinary course of business;
- (g) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;
- (h) Liens securing judgments for the payment of money (or appeal or other surety bonds relating to such judgments) that do not result in an Event of Default under Section 9.01(h);
- (i) Liens securing Indebtedness permitted under Section 8.03(e); provided that (i) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness, (ii) the Indebtedness secured thereby does not exceed the cost or fair market value, whichever is lower, of the Property being acquired on the date of acquisition and (iii) such Liens attach to such Property concurrently with or within ninety days after the acquisition thereof;
- (j) leases or subleases granted to others not interfering in any material respect with the business of the Borrower or any of its Subsidiaries;
- (k) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, leases permitted by this Agreement;
- (l) Liens deemed to exist in connection with Investments in repurchase agreements permitted under Section 8.02;
- (m) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;
- (n) Liens of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection;
- (o) Liens of sellers of goods to the Borrower and any of its Subsidiaries arising under Article 2 of the Uniform Commercial Code or similar provisions of applicable law in the ordinary course of business, covering only the goods sold and securing only the unpaid purchase price for such goods and related expenses;
- (p) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(q) Liens on property or assets acquired in connection with a Permitted Acquisition, provided that (i) the indebtedness secured by such Liens is permitted under Section 8.03, and (ii) the Liens are not incurred in connection with, or in contemplation or anticipation of, the acquisition and do not attach or extend to any other property or assets;

(r) Liens on Securitization Receivables sold, contributed, financed or otherwise conveyed or pledged in connection with a Securitization Transaction permitted pursuant to Section 8.03(k); and

(s) other Liens not described above, provided that such Liens do not secure obligations in excess of \$5,000,000 at any one time outstanding.

8.02 Investments.

Make any Investments, except:

(a) Investments held by the Borrower or such Subsidiary in the form of cash or Cash Equivalents;

(b) Investments existing as of the Closing Date and set forth in Schedule 8.02;

(c) Investments in any Person that is a Loan Party prior to giving effect to such Investment;

(d) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(e) Guarantees permitted by Section 8.03;

(f) Permitted Acquisitions;

(g) Investments made after the Closing Date in Foreign Subsidiaries, provided that the aggregate amount of all such Investments made by Loan Parties in Foreign Subsidiaries shall not exceed an amount equal to five percent (5%) of total assets of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP as of the last day of the fiscal quarter immediately preceding the date of determination;

(h) to the extent not prohibited by applicable Law, advances to officers, directors and employees of the Borrower and its Subsidiaries made in the ordinary course of business, for travel, entertainment, relocation and other ordinary business purposes;

(i) Investments by Foreign Subsidiaries in the Borrower and any of its Subsidiaries (including other Foreign Subsidiaries);

(j) Investments made as part of Securitization Transaction permitted pursuant to Section 8.03(k);

(k) Investments representing non-cash consideration received in connection with any Disposition permitted hereunder; and

(l) other Investments not contemplated in the foregoing clauses in an amount not to exceed \$50,000,000 in the aggregate at any time outstanding.

8.03 Indebtedness.

Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness of the Borrower and its Subsidiaries set forth in Schedule 8.03 (and renewals, refinancings and extensions thereof on terms and conditions not materially less favorable to the applicable debtor(s) or at then prevailing market terms);

(c) unsecured intercompany Indebtedness among the Borrower and its Subsidiaries to the extent permitted under Section 8.02;

(d) obligations (contingent or otherwise) of the Borrower or any Subsidiary existing or arising under any Swap Contract, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a "market view;" and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make any termination payments upon the designation of an "early termination date" (as defined therein) to the defaulting party;

(e) purchase money Indebtedness (including obligations in respect of Capital Leases or Synthetic Leases) hereafter incurred by the Borrower or any of its Subsidiaries to finance the purchase of fixed assets, and renewals, refinancings and extensions thereof, provided that (i) such Indebtedness when incurred shall not exceed the purchase price of the asset(s) financed, (ii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing, and (iii) at the time of and immediately after giving effect to such incurrence, the Borrower will be in compliance with the financial covenants in Section 8.11 on a Pro Forma Basis;

(f) Indebtedness evidenced by the Plan Notes in an aggregate principal amount not to exceed \$775,000,000, and renewals, refinancings and extensions thereof on prevailing market terms;

(g) other unsecured Indebtedness of the Borrower, provided that at the time of and immediately after giving effect to such incurrence, the Borrower will be in compliance with the financial covenants in Section 8.11 on a Pro Forma Basis;

(h) Guarantees with respect to Indebtedness permitted under clauses (a) through (g) of this Section 8.03;

(i) Indebtedness acquired or assumed pursuant to a Permitted Acquisition, provided that such Indebtedness was not incurred in connection with, or in anticipation or contemplation of, such Permitted Acquisition;

(j) Indebtedness arising under any performance or surety bond entered into in the ordinary course of business; and

(k) Securitization Transactions in an aggregate principal amount not to exceed \$150,000,000.

8.04 Fundamental Changes.

Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person; provided that, notwithstanding the foregoing provisions of this Section 8.04 but subject to the terms of Sections 7.12 and 7.14, (a) the Borrower may merge or consolidate with any of its Subsidiaries provided that the Borrower shall be the continuing or surviving corporation, (b) any Loan Party other than the Borrower may merge or consolidate with any other Loan Party other than the Borrower, (c) any Foreign Subsidiary may be merged or consolidated with or into any Loan Party provided that such Loan Party shall be the continuing or surviving corporation, (d) any Foreign Subsidiary may be merged or consolidated with or into any other Foreign Subsidiary, (e) any Subsidiary of the Borrower may merge with any Person that is not a Loan Party in connection with a Permitted Acquisition provided that, if such Permitted Acquisition involves the Borrower, the Borrower shall be the continuing or surviving corporation, and (f) any Subsidiary may dissolve, liquidate or wind up its affairs at any time provided that such dissolution, liquidation or winding up, as applicable, could not have a Material Adverse Effect.

8.05 Dispositions.

Make any Disposition (other than an Involuntary Disposition) unless (a) the total consideration shall be in an amount not less than the fair market value of the Property disposed of, (b) such transaction does not involve a sale or other disposition of receivables other than in connection with a Securitization Transaction permitted pursuant to Section 8.03(k) or receivables owned by or attributable to other Property concurrently being disposed of in a transaction otherwise permitted under this Section 8.05, and (c) the aggregate net book value of all of the assets sold or otherwise disposed of by the Borrower and its Subsidiaries in all such transactions in any fiscal year of the Borrower shall not exceed an amount equal to fifteen percent (15%) of the total assets of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP as of the last day of the fiscal quarter immediately preceding the date of determination.

8.06 Restricted Payments.

Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary may make Restricted Payments (directly or indirectly) to its parent or to any Loan Party (and, in the case of a Restricted Payment by a non-wholly-owned Subsidiary, to each owner of Capital Stock in such Subsidiary on a pro rata basis based on such owner's respective ownership interests);

(b) the Borrower and each Subsidiary may declare and make dividend payments or other distributions payable solely in the Capital Stock of such Person; and

(c) the Borrower may declare and make other Restricted Payments in any fiscal year in an amount not exceed the sum of (i) \$25,000,000 plus (ii) an amount equal to the difference of (A) twenty-five percent (25%) of cumulative Consolidated Net Income earned after the Closing Date minus (B) the aggregate amount of Restricted Payments in excess of \$25,000,000 in any fiscal year after the Closing Date, with unused amounts in any fiscal year being carried over to succeeding fiscal years.

8.07 Change in Nature of Business.

Engage in any material line of business substantially different from those lines of business conducted by the Borrower and its Subsidiaries on the Closing Date or any business related or incidental thereto.

8.08 Transactions with Affiliates.

Enter into or permit to exist any transaction or series of transactions with any Affiliate of such Person other than (a) advances of working capital to any Loan Party, (b) transfers of cash and assets to any Loan Party, (c) intercompany transactions expressly permitted by Section 8.02, Section 8.03, Section 8.04, Section 8.05 or Section 8.06, (d) transactions among the Borrower and its Subsidiaries and (e) except as otherwise specifically limited in this Agreement, other transactions which are entered into in the ordinary course of such Person's business on terms and conditions substantially as favorable to such Person as would be obtainable by it in a comparable arms-length transaction with a Person other than an officer, director or Affiliate.

8.09 Burdensome Agreements.

(a) Enter into, or permit to exist, any Contractual Obligation that encumbers or restricts on the ability of any such Person to (i) pay dividends or make any other distributions to any Loan Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (ii) pay any Indebtedness or other obligation owed to any Loan Party, (iii) make loans or advances to any Loan Party, (iv) sell, lease or transfer any of its Property to any Loan Party, (v) pledge its Property pursuant to the Loan Documents or any renewals, refinancings, exchanges, refundings or extension thereof or (vi) act as a Loan Party pursuant to the Loan Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (in respect of any of the matters referred to in clauses (i)-(v) above) for (1) this Agreement, the other Loan Documents, the Plan Note Indenture and any 144A Indenture, (2) with respect to clauses (iv) and (v) above, any document or instrument governing Indebtedness incurred pursuant to Section 8.03(e), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (3) customary restrictions and conditions contained in any agreement relating to the sale of any Property permitted under Section 8.05 pending the consummation of such sale or (4) restrictions and conditions on any Foreign Subsidiary organized under the laws of the People's Republic of China or any state or other political subdivision thereof.

(b) Enter into, or permit to exist, any Contractual Obligation that prohibits or otherwise restricts the existence of any Lien upon any of its Property in favor of the Administrative Agent (for the benefit of the Lenders) for the purpose of securing the Obligations, whether now owned or hereafter acquired, or requiring the grant of any security for any obligation if such Property is given as security for the Obligations, except (i) any document or instrument governing Indebtedness incurred pursuant to Section 8.03(e), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (ii) in connection with any Permitted Lien described in Section 8.01(j) or (k) or any document or instrument governing any such Permitted Lien, provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien, (iii) pursuant to customary restrictions and conditions contained in any agreement relating to the sale of any Property permitted under Section 8.05, pending the consummation of such sale and (iv) the Plan Note Indenture and any 144A Indenture.

8.10 Use of Proceeds.

Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

8.11 Financial Covenants.

(a) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 3.0 to 1.0, commencing with the fiscal quarter ending December 31, 2006.

(b) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as of the end of any fiscal quarter of the Borrower to be greater than 3.75 to 1.0, commencing with the fiscal quarter ending December 31, 2006.

8.12 Prepayment of Other Indebtedness, Etc.

If any Default has occurred and is continuing or shall exist immediately after giving effect thereto, except for the refinancing of the Plan Notes with the proceeds of 144A Notes, make (or give any notice with respect thereto) any voluntary or optional payment or prepayment or redemption or acquisition for value of (including without limitation, by way of depositing money or securities with the trustee with respect thereto before due for the purpose of paying when due), refund, refinance or exchange of any Indebtedness of the Borrower or any Subsidiary (other than Indebtedness arising under the Loan Documents).

8.13 Organization Documents; Fiscal Year; Legal Name, State of Formation and Form of Entity.

(a) Amend, modify or change its Organization Documents in a manner materially adverse to the Lenders.

(b) Change its fiscal year.

(c) With respect to any Loan Party, without providing 5 days' prior written notice to the Administrative Agent, change its name, state of formation or form of organization.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

9.01 Events of Default.

Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or any L/C Obligation, or (ii) within three Business Days after the same becomes due, any interest on any Loan or on any L/C Obligation, or any fee due hereunder, or (iii) within five Business Days after written notice thereof to the defaulting party by the Administrative Agent of the same becoming due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. (i) The Borrower fails to perform or observe any term, covenant or agreement contained in any of Section 7.03(a), 7.05, 7.11, 7.12 or 7.14 or Article VIII; or

(ii) The Borrower fails to perform or observe any term, covenant or agreement contained in any of Section 7.01, 7.02, or 7.10 and such failure continues for five days; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for thirty days after written notice to the defaulting party by the Administrative Agent; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) The Borrower or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$50,000,000, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Borrower or such Subsidiary as a result thereof is greater than \$50,000,000; or

(f) Insolvency Proceedings, Etc. Any Loan Party or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for sixty calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undischarged or unstayed for sixty calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Borrower or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within thirty days after its issue or levy; or

(h) Judgments. There is entered against the Borrower or any Subsidiary (i) one or more final judgments or orders for the payment of money in an aggregate amount exceeding \$50,000,000 (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of ten consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$50,000,000, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$50,000,000; or

(j) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party or any other Person contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document;

(k) Revocation of Confirmation Order. The Confirmation Order shall be revoked by the Bankruptcy Court or any other court of competent jurisdiction;

(l) Plan Note Indenture. There shall occur and be continuing any "Event of Default" (or any comparable term) under, and as defined in, the Plan Note Indenture; or

(m) Change of Control. There occurs any Change of Control.

9.02 Remedies Upon Event of Default.

If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of an L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of each L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

9.03 Application of Funds.

After the exercise of remedies provided for in Section 9.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 9.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including Attorney Costs and amounts payable under Article III) payable to the Administrative Agent and the Collateral Agent, in each case in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including Attorney Costs and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and L/C Borrowings and fees, premiums and scheduled periodic payments, and any interest accrued thereon, due under any Swap Contract between any Loan Party and any Lender, or any Affiliate of a Lender, to the extent such Swap Contract is permitted by Section 8.03(d), ratably among the Lenders (and, in the case of such Swap Contracts, Affiliates of Lenders) in proportion to the respective amounts described in this clause Third held by them;

Fourth, to (a) payment of that portion of the Obligations constituting unpaid principal of the Loans and L/C Borrowings, (b) payment of breakage, termination or other payments, and any interest accrued thereon, due under any Swap Contract between any Loan Party and any Lender, or any Affiliate of a Lender, to the extent such Swap Contract is permitted by Section 8.03(d), (c) payments of amounts due under any Treasury Management Agreement between any Loan Party and any Lender, or any Affiliate of a Lender and (d) Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit, ratably among the Lenders (and, in the case of such Swap Contracts, Affiliates of Lenders) in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

Subject to Section 2.03(c), amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Fourth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

ARTICLE X

ADMINISTRATIVE AGENT

10.01 Appointment and Authority.

(a) Each of the Lenders hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

(b) Each of the Lenders hereby irrevocably appoints Bank of America to act on its behalf as the Collateral Agent hereunder and under the other Loan Documents and authorizes the Collateral Agent to take such actions on its behalf and to exercise such powers as are delegated to the Collateral Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The Collateral Agent shall act on behalf of the Lenders with respect to any Collateral and the Collateral Documents, and the Collateral Agent shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article X with respect to any acts taken or omissions suffered by the Collateral Agent in connection with any Collateral or the Collateral Documents as fully as if the term "Administrative Agent" as used in this Article X and (ii) as additionally provided herein or in the Collateral Documents with respect to the Collateral Agent.

(c) The provisions of this Article are solely for the benefit of the Administrative Agent, the Collateral Agent and the Lenders, and neither the Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions.

10.02 Rights as a Lender.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Loan Party or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

10.03 Exculpatory Provisions.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

- (a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;
- (b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and
- (c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 11.01 and 9.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Collateral Documents, (v) the value or the sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Article V or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

10.04 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Loan Parties), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

10.05 Delegation of Duties.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

10.06 Resignation of Administrative Agent.

The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, with the consent of the Borrower (except if an Event of Default has occurred and is continuing), to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 11.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Any resignation by Bank of America as Administrative Agent pursuant to this Section shall also constitute its resignation as L/C Issuer and Swing Line Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer and Swing Line Lender, (ii) the retiring L/C Issuer and Swing Line Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (iii) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letters of Credit.

10.07 Non-Reliance on Administrative Agent and Other Lenders.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

10.08 No Other Duties; Etc.

Anything herein to the contrary notwithstanding, none of the bookrunners, arrangers, syndication agents, documentation agents or co-agents shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

10.09 Administrative Agent May File Proofs of Claim.

In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations arising under the Loan Documents that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.03 (i) and (j), 2.09 and 11.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 11.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender or in any such proceeding.

10.10 Collateral and Guaranty Matters.

The Lenders irrevocably authorize the Administrative Agent and the Collateral Agent, in each case at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Collateral Agent under any Loan Document (i) upon termination of all Commitments and payment in full of all Obligations arising under the Loan Documents (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is transferred or to be transferred as part of or in connection with any Disposition not prohibited hereunder or under any other Loan Document, or (iii) if approved, authorized or ratified in writing in accordance with Section 11.01;

(b) to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Subsidiary or a Guarantor as a result of a transaction permitted hereunder; and

(c) to subordinate any Lien on any property granted to or held by the Collateral Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 8.01(i).

Upon request by the Administrative Agent or the Collateral Agent at any time, the Required Lenders will confirm in writing the Collateral Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty, pursuant to this Section 10.10. In each case as specified in this Section 10.10, the Collateral Agent will, at the Borrower's expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents or to subordinate its interest in such item, or to release such Guarantor from its obligations under the Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 10.10.

ARTICLE XI
MISCELLANEOUS

11.01 Amendments, Etc.

(a) No amendment or waiver of, or any consent to deviation from, any provision of this Agreement or any other Loan Document shall be effective unless in writing and signed by the Borrower, the Loan Parties and the Required Lenders, and each such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given; provided, further, that:

(i) unless also signed by each Lender directly affected thereby, no such amendment, waiver or consent shall:

(A) extend or increase the Commitment of any Lender (or reinstate such Lender's Commitment terminated pursuant to Section 9.02) (it being understood and agreed that a waiver of any condition precedent set forth in Section 5.02 or of any Default or a mandatory reduction in Commitments is not considered an extension or increase in Commitments of any Lender) without the consent of such Lender;

(B) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal (excluding mandatory prepayments), interest, fees or other amounts due to any Lender hereunder or under any other Loan Document without the consent of such Lender;

(C) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or any fees or other amounts payable to any Lender hereunder or under any other Loan Document without the consent of such Lender; provided, however, that only the consent of the Required Lenders shall be necessary to amend (i) the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest at the Default Rate or (ii) subject to subsection (b)(iii) below, to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or L/C Borrowing or to reduce any fee payable hereunder;

(D) change Section 2.13 or Section 9.03 in a manner that would alter the pro rata sharing of payments required thereby;

(E) change any provision of this Section 11.01(a) or the definition of "Required Lenders" (except as expressly provided in subsection (b) of this Section below), "Required Revolving Lenders", "Required Tranche A Term Lenders" or "Required Tranche B Term Lenders";

(F) except in connection with a Disposition permitted under Section 8.05 or as otherwise contemplated by Section 7.14, release all or substantially all of the Collateral; or

(G) release the Borrower or, except in connection with a merger or consolidation permitted under Section 8.04 or a Disposition permitted under Section 8.05, all or substantially all of the Guarantors, from its or their obligations under the Loan Documents;

(ii) unless also signed by the Required Revolving Lenders, no such amendment, waiver or consent shall:

(A) waive any Default for purposes of Section 5.02 for purposes of any Revolving Loan borrowing, L/C Credit Extension or Swing Line Loan borrowing,

(B) amend or waive the manner of application of any mandatory prepayment to Revolving Loans, Swing Line Loans or L/C Obligations under Section 2.05(c), or

(C) amend or waive the provisions of Section 5.02, this Section 11.01(b);

(iii) unless also signed by the Required Tranche A Term Lenders, no such amendment, waiver or consent shall:

(A) amend or waive the manner of application of any mandatory prepayment to the Tranche A Term Loan under Section 2.05(c),
or

(B) amend or waive the provisions of this Section 11.01(c);

(iv) unless also signed by the Required Tranche B Term Lenders, no such amendment, waiver or consent shall:

(A) amend or waive the manner of application of any mandatory prepayment to the Tranche B Term Loan under Section 2.05(c),
or

(B) amend or waive the provisions of this Section 11.01(d); or

(v) unless also signed by the Collateral Agent, no such amendment, waiver or consent shall affect the rights or duties of the Collateral Agent under this Agreement or any other Loan Document;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the each L/C Issuer in addition to the Lenders required above, affect the rights or duties of such L/C Issuer under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein and (y) the Required Lenders shall determine whether or not to allow a Loan Party to use cash collateral in the context of a bankruptcy or insolvency proceeding and such determination shall be binding on all of the Lenders.

(b) Additional Commitments or Tranches. For the avoidance of doubt and notwithstanding provisions to the contrary in this Section 11.01, this Agreement may be amended (or amended and restated) with the written consent of the Loan Parties and the Required Lenders to (i) increase the aggregate amount of commitments under any of the respective facilities, (ii) add one or more additional borrowing tranches hereunder and to provide for the ratable sharing of the benefits of this Agreement and the other Loan Documents with the other commitments and Obligations contemplated herein and therein, and (iii) include the lenders providing the commitments and extensions of credit therefor in the determination of "Required Lenders" and /or to provide consent rights for such lenders consistent with those afforded under clauses (ii), (iii) and (iv) of Section 11.01(a) above.

11.02 Notices and Other Communications; Facsimile Copies.

(a) General. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, an L/C Issuer or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 11.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower (on behalf of itself and the other Loan Parties) may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender, the L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Borrower, the Administrative Agent, any L/C Issuer and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, the L/C Issuers and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower, except to the extent such losses, costs, expenses or liabilities resulted from the gross negligence or willful misconduct of the applicable Person. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.03 No Waiver; Cumulative Remedies.

No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.04 Attorney Costs, Expenses and Taxes.

The Borrower agrees (a) to pay or reimburse the Administrative Agent for all reasonable costs and expenses incurred in connection with the development, preparation, negotiation, execution and administration of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs and costs and expenses in connection with the use of Intralinks, Inc. or other similar information transmission systems in connection with this Agreement, and (b) to pay or reimburse the Administrative Agent and each Lender for all reasonable costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Lender. All amounts due under this Section 11.04 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the termination of the Commitments and repayment of all other Obligations.

11.05 Indemnification by the Borrower.

(a) Indemnification. Whether or not the transactions contemplated hereby are consummated, the Borrower agrees to indemnify and hold harmless the Administrative Agent, each Lender and their respective Related Parties (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the Loan Documents or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by an L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower, any Subsidiary or any other Loan Party, or any Environmental Liability related in any way to the Borrower, any Subsidiary or any other Loan Party, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date). All amounts due under this Section 11.05 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent or the Collateral Agent, the replacement of any Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Obligations.

(b) Reimbursement by Lenders. To the extent that the Loan Parties for any reason fail to indefeasibly pay any amount required under Section 11.04 or subsection (a) of this Section to be paid by them to the Administrative Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (b) are subject to the provisions of Section 2.12(d).

(c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no Loan Party shall assert, and each Loan Party hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (a) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

11.06 Payments Set Aside.

To the extent that any payment by or on behalf of any Loan Party is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the applicable Overnight Rate from time to time in effect.

11.07 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder or thereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the related Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 in the case of an assignment of a Revolving Commitment (and the related Revolving Loans thereunder), \$2,500,000 in the case of an assignment of Tranche A Term Loans and \$1,000,000 in the case of an assignment of Tranche B Term Loans unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single assignee (or to an assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's Loans and Commitments, and rights and obligations with respect thereto, assigned, except that this clause (ii) shall not (A) apply to the Swing Line Lender's rights and obligations in respect of Swing Line Loans or (B) prohibit any Lender from assigning all or a portion of its rights and obligations in respect of its Revolving Commitment (and the related Revolving Loans thereunder) and its outstanding Tranche A Term Loans or Tranche B Term Loans on a non-pro rata basis;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of (i) any Tranche A Term Loan Commitment, Tranche B Term Loan Commitment or Revolving Commitment if such assignment is to a Person that is not a Lender with a Commitment in respect of the Commitment subject to such assignment, an Affiliate of such Lender or an Approved Fund with respect to such Lender or (ii) any Tranche A Term Loan or Tranche B Term Loan to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund; and

(C) the consent of the L/C Issuers (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(D) the consent of the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment in respect of Revolving Loans and Revolving Commitments.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, 11.04 and 11.05 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The Register shall be available for inspection by the Borrower and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in clause (a) of the first proviso to Section 11.01 that directly affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.09 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) Limitation of Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 11.15 as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Resignation as L/C Issuer or Swing Line Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time any Lender acting as an L/C Issuer or the Swing Line Lender assigns all of its Commitments and Loans pursuant to subsection (b) above, Bank such Lender may, upon thirty days' notice to the Borrower and the Lenders, resign as L/C Issuer and/or Swing Line Lender. In the event of any such resignation as L/C Issuer or Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer or Swing Line Lender hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of the such resigning L/C Issuer or Swing Line Lender, as the case may be. If a Lender acting as an L/C Issuer resigns as L/C Issuer, it shall retain all the rights and obligations of an L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). If the Lender acting as Swing Line Lender resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.04(c). Upon the appointment of a successor L/C Issuer and/or Swing Line Lender, (1) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer or Swing Line Lender, as the case may be, and (2) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit issued by such retiring L/C Issuer, if any, outstanding at the time of such succession or make other arrangements satisfactory to such retiring L/C Issuer to effectively assume the obligations of such retiring L/C Issuer with respect to such Letters of Credit.

11.08 Confidentiality.

Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Affiliates' respective partners, directors, officers, employees, agents, advisors, representatives and to any direct or indirect contractual counterparty (or such contractual counterparty's professional advisor) under any swap agreement relating to Loans outstanding under this Agreement (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Loan Parties; (g) with the consent of the Borrower; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower; or (i) to the National Association of Insurance Commissioners or any other similar organization or any nationally recognized rating agency that requires access to information about a Lender's or its Affiliates' investment portfolio in connection with ratings issued with respect to such Lender or its Affiliates. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement, the other Loan Documents, the Commitments, and the Credit Extensions. For the purposes of this Section, "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary; provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

11.09 Set-off.

In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, each Lender and any Affiliate of any Lender is authorized at any time and from time to time, without prior notice to the Borrower or any other Loan Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each Loan Party) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Loan Parties against any and all Obligations owing to such Lender hereunder or under any other Loan Document, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

11.10 Interest Rate Limitation.

Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

11.11 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.12 Integration.

This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

11.13 Survival of Representations and Warranties.

All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

11.14 Severability.

If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.15 Tax Forms.

(a) (i) Each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code (a "Foreign Lender") shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Internal Revenue Code (or upon accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Foreign Lender and entitling it to an exemption from, withholding tax on all payments to be made to such Foreign Lender by the Borrower pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Foreign Lender by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that such Foreign Lender is entitled to an exemption from U.S. withholding tax, including any exemption pursuant to Section 881(c) of the Internal Revenue Code. Thereafter and from time to time, each such Foreign Lender shall (A) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower and the Administrative Agent to obtain any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Foreign Lender by the Borrower pursuant to this Agreement, (B) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (C) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Borrower make any deduction or withholding for taxes from amounts payable to such Foreign Lender.

(ii) Each Foreign Lender, to the extent it does not act or ceases to act for its own account with respect to any portion of any sums paid or payable to such Lender under any of the Loan Documents (for example, in the case of a typical participation by such Lender), shall deliver to the Administrative Agent on the date when such Foreign Lender ceases to act for its own account with respect to any portion of any such sums paid or payable, and at such other times as may be necessary in the determination of the Administrative Agent (in the reasonable exercise of its discretion), (A) two duly signed completed copies of the forms or statements required to be provided by such Lender as set forth above, to establish the portion of any such sums paid or payable with respect to which such Lender acts for its own account that is not subject to U.S. withholding tax or is subject to U.S. withholding tax at a reduced rate, and (B) two duly signed completed copies of IRS Form W-8IMY (or any successor thereto), together with any information such Lender chooses to transmit with such form, and any other certificate or statement of exemption required under the Internal Revenue Code, to establish that such Lender is not acting for its own account with respect to a portion of any such sums payable to such Lender.

(iii) The Borrower shall not be required to pay any additional amount to any Foreign Lender under Section 3.01 (A) with respect to any Taxes required to be deducted or withheld on the basis of the information, certificates or statements of exemption such Lender transmits with an IRS Form W-8IMY pursuant to this Section 11.15(a) or (B) if such Lender shall have failed to satisfy the foregoing provisions of this Section 11.15(a); provided that if such Lender shall have satisfied the requirement of this Section 11.15(a) on the date such Lender became a Lender or ceased to act for its own account with respect to any payment under any of the Loan Documents, nothing in this Section 11.15(a) shall relieve the Borrower of its obligation to pay any amounts pursuant to Section 3.01 in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender or other Person for the account of which such Lender receives any sums payable under any of the Loan Documents is not subject to withholding or is subject to withholding at a reduced rate; and provided further that if an L/C Issuer shall issue, amend or extend any Letter of Credit from a branch or other office in any jurisdiction at the request of (or with the consent of) the Borrower and such L/C Issuer shall not be lawfully able or entitled to satisfy the requirements of this Section 11.15(a) at the time of issuance, amendment or extension of any Letter of Credit by reason of the selection of such branch or office in such jurisdiction, nothing in this Section 11.15(a) shall relieve the Borrower of its obligation to pay any amounts pursuant to Section 3.01 owing to such L/C Issuer.

(iv) The Administrative Agent may, without reduction, withhold any Taxes required to be deducted and withheld from any payment under any of the Loan Documents with respect to which the Borrower is not required to pay additional amounts under this Section 11.15(a).

(b) Upon the request of the Administrative Agent, each Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code shall deliver to the Administrative Agent two duly signed completed copies of IRS Form W-9. If such Lender fails to deliver such forms, then the Administrative Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable back-up withholding tax imposed by the Internal Revenue Code, without reduction.

(c) If any Governmental Authority asserts that the Administrative Agent did not properly withhold or backup withhold, as the case may be, any tax or other amount from payments made to or for the account of any Lender, such Lender shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, and costs and expenses (including Attorney Costs) of the Administrative Agent. The obligation of the Lenders under this Section shall survive the termination of the Commitments, repayment of all other Obligations hereunder and the resignation of the Administrative Agent.

11.16 Replacement of Lenders.

If (i) any Lender requests compensation under Section 3.04, (ii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, (iii) a Lender (a "Non-Consenting Lender") does not consent to a proposed change, waiver, discharge or termination with respect to any Loan Document that has been approved by the Required Lenders as provided in Section 11.01 but requires unanimous consent of all Lenders or all Lenders directly affected thereby (as applicable) and, or (iv) any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.07), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

- (a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 11.07(b);
- (b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);
- (c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter;
- (d) such assignment does not conflict with applicable Laws; and
- (e) in the case of any such assignment resulting from a Non-Consenting Lender's failure to consent to a proposed change, waiver, discharge or termination with respect to any Loan Document, the applicable replacement bank, financial institution or Fund consents to the proposed change, waiver, discharge or termination; provided that the failure by such Non-Consenting Lender to execute and deliver an Assignment and Assumption shall not impair the validity of the removal of such Non-Consenting Lender and the mandatory assignment of such Non-Consenting Lender's Commitments and outstanding Loans and participations in L/C Obligations and Swing Line Loans pursuant to this Section 11.16 shall nevertheless be effective without the execution by such Non-Consenting Lender of an Assignment and Assumption.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

11.17 Governing Law.

- (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK, NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH PARTY HERETO IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. EACH PARTY HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

11.18 Waiver of Right to Trial by Jury.

EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

11.19 USA PATRIOT Act Notice.

Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

11.20 No Advisory or Fiduciary Responsibility.

In connection with all aspects of each transaction contemplated hereby, the Loan Parties each acknowledge and agree that: (i) the credit facilities provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Loan Parties and their respective Affiliates, on the one hand, and the Administrative Agent and the arrangers, on the other hand, and each of the Loan Parties is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, the Administrative Agent and the Arrangers each is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Loan Parties or any of their respective Affiliates, stockholders, creditors or employees or any other Person; (iii) neither the Administrative Agent nor either arranger has assumed or will assume an advisory, agency or fiduciary responsibility in favor of any Loan Party with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether the Administrative Agent or either arranger has advised or is currently advising any of the Loan Parties or any of their respective Affiliates on other matters) and neither the Administrative Agent nor either arranger has any obligation to any of the Loan Parties or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (iv) the Administrative Agent and the arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Loan Parties and their respective Affiliates, and neither the Administrative Agent nor the Arrangers has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Administrative Agent and the arrangers have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and each Loan Party has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. Each Loan Party hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Administrative Agent and the arrangers with respect to any breach or alleged breach of agency or fiduciary duty.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWER:

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: /s/ Barry M. Sullivan
Name: Barry M. Sullivan
Title: Vice President & Treasurer

GUARANTORS:

ARMSTRONG REALTY GROUP, INC.,
a Pennsylvania corporation

By: /s/ Barry M. Sullivan
Name: Barry M. Sullivan
Title: Treasurer & Assistant Secretary

ARMSTRONG VENTURES, INC.,
a Delaware corporation

By: /s/ Barry M. Sullivan
Name: Barry M. Sullivan
Title: Assistant Secretary

ARMSTRONG WOOD PRODUCTS, INC.,
a Delaware corporation

By: /s/ Barry M. Sullivan
Name: Barry M. Sullivan
Title: Treasurer

AWI LICENSING COMPANY,
a Delaware corporation

By: /s/ Barry M. Sullivan
Name: Barry M. Sullivan
Title: Treasurer

ARMSTRONG HARDWOOD FLOORING COMPANY,
a Tennessee corporation

By: /s/ Barry M. Sullivan
Name: Barry M. Sullivan
Title: Treasurer

WORLDWIDE KITCHENS, INC.,
a Delaware corporation

By: /s/ Barry M. Sullivan
Name: Barry M. Sullivan
Title: Treasurer

HOMERWOOD HARDWOOD FLOORING COMPANY,
a Delaware corporation

By: /s/ Barry M. Sullivan
Name: Barry M. Sullivan
Title: Treasurer

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,
as Administrative Agent and Collateral Agent

By: /s/ Anne B. Lazorik
Name: Anne B. Lazorik
Title: Vice President

LENDERS:

BANK OF AMERICA, N.A.,
as a Lender, L/C Issuer and Swing Line Lender

By: /s/ W. Thomas Barnett
Name: W. Thomas Barnett
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.,
as a Lender and L/C Issuer

By: /s/ Stephanie Parker
Name: Stephanie Parker
Title: Vice President

BARCLAYS BANK PLC

By: /s/ Douglas A. Kelly
Name: Douglas A. Kelly
Title: Director

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ David P. Barrett
Name: David P. Barrett
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ N. Bell
Name: N. Bell
Title: Senior Manager

Schedule 2.01

COMMITMENTS AND PRO RATA SHARES

<u>Lender</u>	<u>Revolving Commitment</u>	<u>Pro Rata Share</u>
Bank of America, N.A.	\$ 60,000,000.00	20.000000000%
JPMorgan Chase Bank, N.A.	\$ 60,000,000.00	20.000000000%
Barclays Bank PLC	\$ 60,000,000.00	20.000000000%
LaSalle Bank National Association	\$ 60,000,000.00	20.000000000%
The Bank of Nova Scotia	\$ 60,000,000.00	20.000000000%
Total	<u>\$300,000,000.00</u>	<u>100.000000000%</u>

Schedule 2.03

ARMSTRONG WORLD INDUSTRIES, INC.
LETTERS OF CREDIT OUTSTANDING
09/30/06

ISSUING BANK	BENEFICIARY/LOCATION	L/C #	DIP/PRE-DIP	COMPANY	TYPE	DOCUMENTARY / STANDBY	CURRENCY CURR.	CURRENCY AMOUNT	USD EQUIVALENT	DATE ISSUED	DATE EXPIRY	EXPIRY NOTE *
JPMorgan Chase	Asia Dekor (Hong Kong) Limited/Hong Kong	P-619979	DIP	AWI	TRADE	SBY	USD	500,000.00	500,000.00	02/08/05	12/08/06	
JPMorgan Chase	Bank of America/U.S.	P-250914	DIP	AWI	CREDIT SUPPORT	SBY	USD	3,300,000.00	3,300,000.00	09/30/04	08/06/07	*
JPMorgan Chase	Felix Huard, Inc./Canada	TPTS-219752	DIP	AWI	TRADE	SBY	USD	75,000.00	75,000.00	12/23/05	12/08/06	
JPMorgan Chase	Florida Self-Insurers Guaranty/U.S.	P-209526	DIP	AWI	WCOMP	SBY	USD	180,865.00	180,865.00	01/08/01	02/01/07	**
JPMorgan Chase	Kronospan (Beijing) Flooring Co./China	TPTS-281038	DIP	AWI	TRADE	SBY	USD	1,000,000.00	1,000,000.00	09/11/06	12/08/06	
JPMorgan Chase	Natl. Union Fire Ins. Co./U.S.	P-225067	DIP	AWI	CASUALTY	SBY	USD	28,000,000.00	28,000,000.00	04/30/02	12/06/06	***
JPMorgan Chase	State of California/U.S.	P-243889	DIP	AWI	WCOMP	SBY	USD	220,000.00	220,000.00	12/18/03	12/08/06	****
JPMorgan Chase	Travelers Casualty/U.S.	P-209441	DIP	AWI	TRADE	SBY	USD	710,000.00	710,000.00	01/11/01	01/15/07	*
JPMorgan Chase	Western Petroleum/U.S.	P-209965	DIP	AWI	TRADE	SBY	USD	15,000.00	15,000.00	01/24/01	12/08/06	
JPMorgan Chase	China Kingdom/China	TBTI-248763	DIP	AWP	TRADE	DOC	USD	1,079,970.40	1,079,970.40	06/15/04	12/08/06	
JPMorgan Chase	Companhia De Comercio Int./China (aka Nature)	P-616659	DIP	AWP	TRADE	SBY	USD	400,000.00	400,000.00	12/09/04	12/08/06	
JPMorgan Chase	Dalian Huade/China	TBTI-230185	DIP	AWP	TRADE	DOC	USD	2,173,914.70	2,173,914.70	02/10/06	12/08/06	
JPMorgan Chase	Elegant Living/Hong Kong	TBTI-246392	DIP	AWP	TRADE	DOC	USD	689,090.20	689,090.20	03/19/04	12/08/06	
JPMorgan Chase	First Light Industries/Malaysia	P-215407	DIP	AWP	TRADE	SBY	USD	120,000.00	120,000.00	06/29/01	12/08/06	
JPMorgan Chase	GE Capital Consumer Card Co./U.S.	P-228287	DIP	AWP	TRADE	SBY	USD	350,000.00	350,000.00	08/05/02	12/06/06	***
JPMorgan Chase	Landmax Enterprises Co./Taiwan	TBTI-231746	DIP	AWP	TRADE	DOC	USD	1,141,987.05	1,141,987.05	11/08/02	12/08/06	
JPMorgan Chase	RPL International, Inc./U.S.	P-226866	DIP	AWP	TRADE	SBY	USD	400,000.00	400,000.00	06/18/02	12/08/06	
JPMorgan Chase	Springfield Timber, Ltd./Hong Kong (Floor)	P-248943	DIP	AWP	TRADE	SBY	USD	2,500,000.00	2,500,000.00	06/23/04	12/08/06	
JPMorgan Chase	Zhejiang Huayue Wooden Products, Inc.	TBTI-244363	DIP	AWP	TRADE	DOC	USD	557,470.40	557,470.40	03/17/06	12/08/06	
TOTAL								USD	<u>43,413,297.75</u>			

* EXPIRY NOTES:

- * Automatically extended for periods of 1 year from expiry date unless bank notifies beneficiary in writing at least 60 days prior to expiration.
- ** Automatically extended for periods of 1 year from expiry date unless bank notifies beneficiary in writing at least 90 days prior to expiration.
- *** Automatically extended for periods of 1 year from expiry date unless bank notifies beneficiary in writing at least 30 days prior to expiration.
- **** Automatically extended for periods of 1 year from expiry date unless bank notifies beneficiary in writing at least 45 days prior to expiration.

Schedule 6.10

Armstrong World Industries, Inc
Schedule of Insurance

Line	Underwriter	Broker	Limits	Policy Period	Retentions/ Deductibles
Workers Compensation	AIG	Aon	Statutory/ 3 million	5-1-06 to 5-1-07	500,000
General Liability	AIG	Aon	2 million	5-1-06 to 5-1-07	1,000,000
Automobile Liability	AIG	Aon	3 million	5-1-06 to 5-1-07	500,000
Excess Liability	ACE USA	Aon	23 million	5-1-06 to 5-1-07	
	XL	Aon	75 million	5-1-06 to 5-1-07	
	ACE Ltd	Aon	100 million	5-1-06 to 5-1-07	
Foreign Employer Liability (DIC)	AXA	Marsh	10 million	5-1-06 to 5-1-07	
Foreign General Liability	AXA	Marsh	10 million	5-1-06 to 5-1-07	
Foreign Automobile Liability (DIG)	AXA	Marsh	10 million	5-1-06 to 5-1-07	
Aircraft Products	USAIG	Marsh	100 million	5-1-06 to 5-1-07	
Aircraft Hull & Liability	USAIG	Marsh	300 million	5-1-06 to 5-1-07	
Property Damage/ Business Interruption	FM Global	Marsh	1 Billion	12-1-05 to 12-1-06	250,000 50,000 miscellaneous 25,000 inland transit
Employee Dishonesty	AIG	Marsh	20 million	12-1-05 to 12-1-06	250,000
Ocean Marine	AIG	Expeditors	5 million	1-1-03 continuous	5,000

Schedule 6.10

Armstrong World Industries, Inc
Schedule of Insurance

Line	Underwriter	Broker	Limits	Policy Period	Retentions/ Deductibles
International Workers Compensation	Chubb	Marsh	Statutory/ 1 million	5-1-06 to 5-1-07	0
Directors & Officers Liability	AIG Hartford Zurich Axis Claredon Starr Excess	Aon	15 million 15 million 15 million 15 million 15 million 25 million	10-2-06 to 10-2-07	2 million securities claims 2 million corp. reimbursement
Independent Directors Liability (Side A)	AIG	Aon	10 million	10-2-06 to 10-2-07	
Fiduciary Liability	AIG Hartford Axis	Aon	15 million 10 million 5 million	10-2-06 to 10-2-07	250,000
Employment Practices Liability	AIG Hartford	Aon	15 million 5 million	10-2-06 to 10-2-07	500,000 individual claims 2 million class action
Business Travel Accident	AIG Life	Marsh	2 x salary 1.4 million 15 million/acc. 10 million/aircraft	6-1-06 to 6-1-09	0
Special Crime	AIG	Aon	25 million	6-1-06 to 6-1-09	0
Pollution/Remediation Legal Liability (Lancaster, Pa.)	XL	Aon	4 million/loss 8 million/agg.	5-1-06 to 5-1-07	25,000

Schedule 6.13

BORROWER AND SUBSIDIARIES

Subsidiary	Jurisdiction of Organization	Number of Shares of Outstanding Capital Stock	Percentage of Outstanding Capital Stock owned by the Borrower or Subsidiary
Armstrong World Industries, Inc.	PA		
Armstrong Realty Group, Inc.	PA	1,000	100%
Armstrong Ventures, Inc.	DE	505	100%
Armstrong Wood Products, Inc.	DE	1,000	100%
Armstrong Hardwood Flooring Company	TN	65,700	100%
Homer Wood Hardwood Flooring Company	DE	10	100%
Worldwide Kitchens, Inc.	DE	1	100%
Armstrong World Industries (Delaware) LLC	DE	Not Required	100% of membership interest
Armstrong Cork Finance LLC	DE	Not Required	100% of membership interest
Armstrong World Industries Latin America, Inc.	NV	Not Required	100%
AWI Licensing Company	DE	1,000	100%

There are no outstanding options, warrants, rights or conversion or purchase or similar rights with respect to any such Capital Stock.

Schedule 6.13
FOREIGN SUBSIDIARIES

SUBSIDIARY NAME	SUBSIDIARY JURISDICTION	PERCENTAGE OF OUTSTANDING CAPITAL STOCK OWNED BY THE BORROWER OR SUBSIDIARY
Armstrong World Industries (Australia) Pty. Limited	Australia	100%
Armstrong World Industries Pty. Ltd.	Australia	100%
Desso Australia Pty. Ltd.	Australia	100%
Armstrong Metalldecken GmbH	Austria	100%
DLW Austria Gesellschaft m.b.H.	Austria	100%
AIPB SPRL	Belgium	100%
Desso Dendermonde N.V.	Belgium	100%
Desso DLW Sports Systems	Belgium	100%
Armstrong World do Brasil, Ltda.	Brazil	100%
Armstrong Building Products Company (Shanghai) Ltd.	China	80%
Armstrong World Industries (China) Ltd.	China	100%
Yingbin Wood Industry (Kunshan) Co., Ltd.	China	100%
Armstrong Floor Products Czech Republic s.r.o.	Czech Republic	100%
DLW Scandinavia A/S	Denmark	100%
Armstrong Building Products S.A.S.	France	100%
Armstrong Floor Products France SAS	France	100%
Armstrong Building Products, G.m.b.H.	Germany	100%
Armstrong DLW AG	Germany	100%
Armstrong DLW Licensing GmbH	Germany	100%
Armstrong Europa G.m.b.H.	Germany	100%
Armstrong Holding GmbH & Co. OHG	Germany	100%
Armstrong World Industries Holding, GmbH	Germany	100%
Desso DLW Sports System GmbH	Germany	100%
Desso DLW Textil GmbH	Germany	100%
DLW Beteiligungs GmbH	Germany	100%
DLW Bodenbelags GmbH	Germany	100%
DLW Financial Services Finanzierungsvermittlung GmbH	Germany	100%
DLW Verischerungs — und Werbevermittlung GmbH	Germany	100%
Argenta Ltd.	Hong Kong	100%
Armstrong China Holdings, Limited	Hong Kong	50%
Armstrong World Industries (H.K) Limited	Hong Kong	100%
Armstrong World Industries (India) Private Limited	India	100%
Birla-DLW Ltd.	India	100%
Armstrong Building Products S.r.l.	Italy	100%
Armstrong Floor Products Italia Srl	Italy	100%
Armstrong World Industries Mauritius	Mauritius	100%
Armstrong World Industries de Mexico, S.A. de C.V.	Mexico	100%
Bruce Hardwood Floors Mexico, S.A. de C.V.	Mexico	100%

Schedule 6.13
FOREIGN SUBSIDIARIES

SUBSIDIARY NAME	SUBSIDIARY JURISDICTION	PERCENTAGE OF OUTSTANDING CAPITAL STOCK OWNED BY THE BORROWER OR SUBSIDIARY
Servitec Mexico, S.A. de C.V.	Mexico	100%
Armstrong Building Products B.V.	Netherlands	100%
Desso DLW Sports Systems B.V.	Netherlands	100%
Desso Waalwijk B.V.	Netherlands	100%
Tapijtfabriek H. Desseaux N.V.	Netherlands	100%
DLW Norge AS	Norway	100%
Armstrong World Industries Canada, Ltd.-Les Industries Mondiales Armstrong Canada Ltdee.	Quebec, Canada	100%
Argenta PTE Ltd.	Singapore	100%
Armstrong (Singapore) Pte. Ltd.	Singapore	100%
Gema Metal Ceilings (Asia-Pacific) Pte. Ltd	Singapore	100%
Armstrong Architectural Products S.I.	Spain	100%
Armstrong DLW Iberica S.A.	Spain	100%
Desso DLW Sports Systems S.A.	Spain	100%
Desso Esco Espana S.A.	Spain	100%
Perfiles y Techos, S. L.	Spain	100%
Armstrong World Industries AB	Sweden	100%
Armstrong DLW (Switzerland) AG	Switzerland	100%
Armstrong Metalldecken AG	Switzerland	100%
Armstrong Metalldecken Holding AG	Switzerland	100%
Armstrong Metalldecken Management und Beratung AG	Switzerland	100%
Phonex-Gema AG	Switzerland	100%
Gema Yapi Elemanlari Ticaret AS	Turkey	100%
Armstrong International False Ceiling Trading & Fixing LLC	United Arab Emirates	100%
Armstrong (U.K.) Investments	United Kingdom	100%
Armstrong Building Products	United Kingdom	100%
Armstrong Floor Products UK Limited	United Kingdom	100%
Armstrong Metal Ceilings Limited	United Kingdom	100%
Armstrong World Industries Ltd.	United Kingdom	100%
Bruce Hardwood Floors (UK) Limited	United Kingdom	100%
Desso DLW Sports Systems Limited	United Kingdom	100%
Desso Esco (UK) Limited	United Kingdom	100%

Schedule 6.17

List of U.S. Registered Trademarks, Applications and Common Law Trademarks which are of significant value to Armstrong World Industries, Inc. based on analysis performed by American Appraisal.

	<u>Status</u>	<u>Class</u>	<u>First Use</u>	<u>Reg./App. No.</u>
Corporate — General				
• ARMSTRONG (AND DESIGN)	Registered	27	1904	519429
	Registered	6,17,19	1914	523396
	Registered	21	1938	538456
	Registered	8	1916	543901
	Registered	1	1/3/1955	616397
	Registered	3	1955	1055367
	Registered	6,19	1941	1686011
	Registered	19	9/19/1996	2227937
	Registered	19	Jan. 1999	2803128
	Registered	20	May 2002	2859662
• ARMSTRONG	Pending	3	1955	76/512500
		6,19	1941	
		27	1904	
	Registered	20	May 2002	2859661
	Registered	1	1/3/1955	3122456
Resilient				
• CORLON	Registered	27	6/21/1946	430803
• EXCELON	Registered	27	7/15/1953	590534
• MEDINTECH	Registered	27	7/5/1983	1344753
• IMPERIAL	Registered	27	5/29/1956	645354
• STONETEX	Registered	27	7/23/1986	1528409
Wood				
• BRUCE	Registered	20	5/1/1925	266804
	Registered	3	2/1/1932	1015606
	Registered	20	1/1/1980	1177288
	Registered	1	9/15/1975	1268826
	Registered	20	4/26/1983	1287111
	Registered	19	5/1/1925	1564541
	Registered	27	12/1/1995	2115966
• ROBBINS	Registered	19,27	1/1/1982	2248734
• CAPELLA (AND DESIGN)	Registered	19	1/28/2001	2613437
• CAPELLA	Registered	19	1/28/2001	3128857
• HOMERWOOD	Registered	19	7/26/1986	2057307
Ceilings				
• CORTEGA	Registered	19	1/31/1964	3072632
• FINE FISSURED	Common Law		1992	
• CIRRUS	Registered	19	1/1/1982	1720295
• DUNE	Common Law		1998	
• ULTIMA	Registered	19	8/31/1995	3099797
• OPTIMA	Published	17	11/30/1996	76/650578
• CERAMAGUARD	Registered	19	1/26/1965	851712

SIGNIFICANTLY VALUED PATENTS AND APPLICATIONS FOR ARMSTRONG WORLD INDUSTRIES, INC.
(Based on American Appraisal Analysis)

Patent/Application Number	Title	Filing Date	Issue Date
Coatings Technology			
5,003,026	UV CURABLE NO-WAX COATING	06-22-89	03-26-91
5,140,088	HIGH TO SURFACE COVERING WEAR LAYER AND SEAM COATER	01-22-91	08-18-92
5,543,232	(METH) ACRYLATED, HIGHLY ETHOXYLATED, AROMATIC POLYESTERS	04-06-95	08-06-96
5,643,677	AMINOPLAST/POLYURETHANE WEAR LAYER FOR PVC SUPPORT SURFACE	09-15-94	07-01-97
5,663,003	(METH) ACRYLATED, AROMATIC POLYESTER/HIGHLY ETHOXYLATED(METH) ACRYLATE BLEND FLOOR COVERING WEAR LAYER	05-10-96	09-02-97
5,719,227	COATING COMPOSITION	05-09-97	02-17-98
6,333,076	COMPOSITION AND METHOD FOR MANUFACTURING A SURFACE COVERING PRODUCT HAVING A CONTROLLED GLOSS SURFACE COATED WEARLAYER	07-28-99	12-25-01
6,440,500	METHOD FOR MANUFACTURING A SURFACE COVERING PRODUCT HAVING A CONTROLLED GLOSS SURFACE COATED WEARLAYER	08-15-00	08-27-02
6,569,500	METHOD FOR CONTROLLING GLOSS LEVEL	08-15-00	05-27-03
6,572,932	PROCESS FOR PROVIDING A GLOSS CONTROLLED, ABRASION RESISTANT COATING IN SURFACE COVERING PRODUCTS	01-31-02	06-03-03
6,616,792	SURFACE COVERING HAVING A PRECOATED E-BEAM CURED WEAR LAYER COATED FILM AND PROCESS OF MAKING THE SAME	02-05-02	09-09-03
6,911,263	PET WEAR LAYER/SOL GEL TOP COAT LAYER COMPOSITES	01-30-02	06-28-05
7,008,980	WATERBORNE COATINGS	01-17-02	03-07-06
11/120,208	PET WEAR LAYER/SOL GEL TOP COAT LAYER COMPOSITES	05-02-05	
11/497,768	VARIABLE TEXTURE FLOOR COVERING	08-02-06	
Impregnated Wood			
5,605,767	HARDENED AND FIRE RETARD ANT WOOD PRODUCTS	02-02-96	02-25-97
5,609,915	HARDENED AND FIRE RETARD ANT WOOD PRODUCTS	02-02-96	03-11-97
5,683,820	HARDENED AND FIRE RETARD ANT WOOD PRODUCTS	12-08-95	11-04-97
5,866,270	METHOD OF HARDENING WOODEN FLOORING BLANKS HAVING IMPROVED SEPARATION CHARACTERISTICS	02-10-97	02-02-99
6,194,078	HARDENED WOOD FLOORING PRODUCT	02-02-99	02-27-01
6,375,786	SURFACE COVERING HAVING A PRECOATED, E-BEAM CURED WEAR LAYER COATED FILM AND PROCESS OF MAKING THE SAME	03-04-96	04-23-02

SIGNIFICANTLY VALUED PATENTS AND APPLICATIONS FOR ARMSTRONG WORLD INDUSTRIES, INC.
(Based on American Appraisal Analysis)

<u>Patent/Application Number</u>	<u>Title</u>	<u>Filing Date</u>	<u>Issue Date</u>
Checking			
10/459,977	METHOD AND PROCESS TO REDUCE SURFACE CRACKING FOR COATED HARDWOOD COMPOSITE FLOORING	06-12-03	
11/390,679	METHOD AND PROCESS TO REDUCE SURFACE CRACKING FOR COATED HARDWOOD COMPOSITE FLOORING	03-28-06	
Natural Reflections			
5,597,024	LOW PROFILE HARDWOOD FLOORING STRIP AND METHOD OF MANUFACTURE	01-17-95	01-28-97
5,823,240	LOW PROFILE HARDWOOD FLOORING STRIP AND METHOD OF MANUFACTURE	01-23-97	10-20-98
6,148,884	LOW PROFILE HARDWOOD FLOORING STRIP AND METHOD OF MANUFACTURE	10-20-98	11-21-00
Multi Ply Tongue			
10/727,749	PLYWOOD LAMINATE HAVING IMPROVED DIMENSIONAL STABILITY AND RESISTANCE TO WARPING AND DELAMINATION	12-04-03	

Schedule 6.20(a)

LOCATION OF CHIEF EXECUTIVE OFFICE

Loan Party	Jurisdiction of Organization	Chief Executive Office	Organizational ID	Taxpayer ID
Armstrong World Industries, Inc.	PA	2500 Columbia Avenue Lancaster, Pennsylvania 17603	18304	23-0366390
Armstrong Realty Group, Inc.	PA	2500 Columbia Avenue Lancaster, Pennsylvania 17603	1073627	23-2540862
Armstrong Ventures, Inc.	DE	818 Washington Street Wilmington, Delaware 19801	0947098	51-0266356
Armstrong Wood Products, Inc.	DE	16803 Dallas Parkway Addison, Texas 75001	2084363	94-2998971
Armstrong Hardwood Flooring Company	TN	2500 Columbia Avenue Lancaster, Pennsylvania 17603	0031515	62-0435299
HomerWood Hardwood Flooring Company	DE	1026 Industrial Drive Titusville, Pennsylvania 16354	4120350	20-4459324
Worldwide Kitchens, Inc.	DE	250 Ballardvale Street Wilmington, Massachusetts 01887	2222292	02-0438232
AWI Licensing Company	DE	802 West Street Wilmington, Delaware 19801	3319660	31-1741017

Schedule 6.20(b)

ARMSTRONG WORLD INDUSTRIES, INC.
CHANGES IN LEGAL NAME, STATE OF FORMATION AND STRUCTURE
SINCE JUNE 2006

9/12/06	Armstrong World Industries (Delaware) Inc. became an LLC and the name changed to Armstrong World Industries (Delaware) LLC.
9/12/06	Armstrong Cork Finance Corporation became an LLC and the name changed to Armstrong Cork Finance LLC.
9/29/06	Anticipated Merger of A W I (Nevada), Inc., into Armstrong World Industries, Inc.

Schedule 6.21

List of Labor Agreements — Armstrong World Industries, Inc. and subsidiaries — North America

Armstrong Building Products

Beaver Falls, Pennsylvania	United Steelworkers
Macon, Georgia	United Steelworkers
Marietta, Pennsylvania	United Steelworkers
Mobile, Alabama	United Steelworkers
Pensacola, Florida	Machinists

Armstrong Floor Products

Beverly, West Virginia *	Teamsters
Center, Texas	Carpenters
Jackson, Mississippi	United Steelworkers
Jackson, Tennessee	Carpenters
Lancaster, Pennsylvania	United Steelworkers
Lancaster, Pennsylvania	Machinists
Montreal, Quebec, Canada	United Steelworkers
Nashville, Tennessee	Carpenters
Oneida, Tennessee	United Steelworkers

Armstrong Cabinet Products

Atlanta, Georgia	Machinists
Auburn, Nebraska	Carpenters
Beltsville, Maryland	Teamsters
Farmingdale, New York	Teamsters
Thompsontown, Pennsylvania	Carpenters

Previous Work Stoppages (Last 5 Years)

Beverly, West Virginia — 2003

Schedule 6.21

**Union Pension / Health & Welfare Funds Contributed to by Armstrong World Industries, Inc. and/or its Subsidiaries —
North America**

Jackson, TN and Nashville, TN
Thompsontown, PA
Farmingdale, NY
Farmingdale, NY

Carpenters Health & Welfare Fund
Carpenters Pension Fund
Teamsters Health & Welfare Fund
Teamsters Pension Fund

Schedule 8.01

Armstrong World Industries, Inc.
Liens Existing on Closing Date

PLEASE SEE ATTACHED LIST

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date Related and Number</u>	<u>Related Filings</u>
AW I (NEVADA), INC.		No Financing Statements No Federal Tax Liens	9/11/2006	NV	Secretary of State		
AW I (NEVADA), INC.		No Federal Tax Liens No State Tax Liens No Judgements	9/15/2006	PA	Lancaster County Prothonotary		
AWI (NEVADA), INC.		No Judgements	9/20/2006	PA	USDC-Eastern District		
ARMSTRONG CORK FINANCE CORPORATION		No Financing Statements No Federal Tax Liens	8/28/2006	DE	Department of State: Division Of Corporations		
ARMSTRONG CORK. FINANCE CORPORATION		No Federal Tax Liens No State Tax Liens No Judgements	9/15/2006	PA	Lancaster County Prothonotary		

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date Related and Number</u>	<u>Related Filings</u>
ARMSTRONG CORK FINANCE CORPORATION		No Judgements	9/20/2006	PA	USDC-Eastern District		
ARMSTRONG HARDWOOD FLOORING COMPANY		No Federal Tax Liens No State Tax Liens No Judgements	9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG HARDWOOD FLOORING COMPANY		No Judgements	9/20/2006	PA	USDC-Eastern District		
ARMSTRONG HARDWOOD FLOORING COMPANY		No Financing Statements	9/20/2006	TN	Department of State		
ARMSTRONG REALTY GROUP		No Financing Statements	9/20/2006	PA	Department of State		

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen



Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date Related and Number</u>	<u>Related Filings</u>
ARMSTRONG REALTY GROUP	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG REALTY GROUP	No Judgements		9/20/2006	PA	USDC-Eastern District		
ARMSTRONG VENTURES, INC	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
ARMSTRONG VENTURES, INC	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG VENTURES, INC	No Judgements		9/20/2006	PA	USDC-Eastern District		

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WOOD PRODUCTS	7 Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
ARMSTRONG WOOD PRODUCTS	D.L. Peterson Trust	<i>Specific Equipment per that certain Lease Agreement dated 6/28/01.</i>	8/28/2006	DE	Department of State: Division Of Corporations	10/18/2002 #22736902	Amendments filed 11/20/02, 11/20/02, 5/20/03, 10/21/04
ARMSTRONG WOOD PRODUCTS	GREATAMERICA LEASING CORPORATION	<i>Specific Equipment</i>	8/28/2006	DE	Department of State: Division Of Corporations	2/28/2003 #30498330	
ARMSTRONG WOOD PRODUCTS	RAYMOND LEASING CORPORATION	<i>Specific Equipment</i>	8/28/2006	DE	Department of State: Division Of Corporations	12/23/2003 #33387597	

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WOOD PRODUCTS	BANC OF AMERICA LEASING & CAPITAL, LLC	<i>Specific Equipment under that certain Lease Agreement No. 970244, dated as of 10/21/99.</i>	8/28/2006	DE	Department of State: Division Of Corporations	7/7/2004 #41887373	
ARMSTRONG WOOD PRODUCTS	16803 Dallas Parkway, L.P.	<i>Landlord filing on property at leased location (specifically excluding files, promissory notes, documents, contracts, instruments or similar property).</i>	8/28/2006	DE	Department of State: Division Of Corporations	12/9/2004 #43476811	
ARMSTRONG WOOD PRODUCTS	PACKAGING CORPORATION OF AMERICA	<i>Consignment of Stock Cartons</i>	8/28/2006	DE	Department of State: Division Of Corporations	1/18/2005 #50190174	Amendment filed 8/10/05
ARMSTRONG WOOD PRODUCTS	MODERN METHODS, INC.	<i>Specific Equipment</i>	8/28/2006	DE	Department of State: Division Of Corporations	7/29/2005 #52347558	

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WOOD PRODUCTS	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG WOOD PRODUCTS	No Judgements		9/20/2006	PA	USDC-Eastern District		
ARMSTRONG WORLD INDUSTRIES (DELAWARE) INC.	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
ARMSTRONG WORLD INDUSTRIES (DELAWARE) INC.	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG WORLD INDUSTRIES (DELAWARE) INC.	No Judgements		9/20/2006	PA	USDC-Eastern District		

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WORLD INDUSTRIES LATIN AMERICA, INC.	No Financing Statements No Federal Tax Liens		9/11/2006	NV	Secretary of State		
ARMSTRONG WORLD INDUSTRIES LATIN AMERICA, INC.	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG WORLD INDUSTRIES LATIN AMERICA, INC.	No Judgements		9/20/2006	PA	USDC-Eastern District		
ARMSTRONG WORLD INDUSTRIES, INC.	38 Financing Statements		9/15/2006	PA	Department of State		
ARMSTRONG WORLD INDUSTRIES, INC.	TOWN & COUNTRY INC.	Specific Equipment	9/15/2006	PA	Department of State	12/26/2001 #24750768	Termination filed 12/30/02

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WORLD INDUSTRIES, INC.	Interface Solutions, Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	3/6/2002 #34991317	Amendment filed 5/13/02
ARMSTRONG WORLD INDUSTRIES, INC.	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/9/2002 #36720777	Termination filed 9/29/03
ARMSTRONG WORLD INDUSTRIES, INC.	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/22/2002 #36760446	Termination filed 9/29/03
ARMSTRONG WORLD INDUSTRIES, INC.	D.L. Peterson Trust	<i>Specific Equipment per that certain Lease Agreement dated 4/21/03.</i>	9/15/2006	PA	Department of State	7/30/2003 #20030583546	Amendments filed 10/6/03, 12/5/03, 1/8/04, 6/11/04
ARMSTRONG WORLD INDUSTRIES, INC.	ExxonMobil Chemical Company, a division of Exxon Mobil Corporation	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	9/10/2003 #20030961025	

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

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<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WORLD INDUSTRIES, INC	Fornnosa Plastics Corporation U.S.A.	<i>Consigned Products</i>	9/15/2006	PA	Department of State	10/22/2003 #20031002518	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/22/2003 #20030999865	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	2/25/2004 #20040204888	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	4/27/2004 #20040445057	
ARMSTRONG WORLD INDUSTRIES, INC	PolyOne Corporation	<i>Consigned Inventory</i>	9/15/2006	PA	Department of State	6/22/2004 #20040641315	

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	7/23/2004 #20040784866	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	8/23/2004 #20040896916	
ARMSTRONG WORLD INDUSTRIES, INC	Crown Credit Company	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	9/28/2004 #20041003399	
ARMSTRONG WORLD INDUSTRIES, INC	Crown Credit Company	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	9/30/2004 #20041014679	
ARMSTRONG WORLD INDUSTRIES, INC	WELLS FARGO FOOTHILL	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/4/2004 #20041022948	Termination filed 2/11/050

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/7/2004 #20041059567	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/20/2004 #20041101838	
ARMSTRONG WORLD INDUSTRIES, INC	TOYOTA-LIFT OF LOS ANGELES	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	11/12/2004 #2004113006250	
ARMSTRONG WORLD INDUSTRIES, INC	CALUMET LIFT TRUCK SERVICE CO., INC.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	3/18/2005 #2005032103426	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	4/26/2005 #2005042605840	

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	6/27/2005 #2005062705872	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	7/21/2005 #2005072102725	
ARMSTRONG WORLD INDUSTRIES, INC	PNC EQUITY PARTNERS, L.P., as Agent	<i>Consigned Inventory</i>	9/15/2006	PA	Department of State	8/11/2005 #2005081502623	
ARMSTRONG WORLD INDUSTRIES, INC	MANUFACTURERS AND TRADERS TRUST COMPANY, as Administrative Agent	<i>Consigned Inventory</i>	9/15/2006	PA	Department of State	8/15/2005 #2005081505075	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	8/17/2005 #2005081703009	

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	9/27/2005 #2005092703660	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/6/2005 #2005100603722	
ARMSTRONG WORLD INDUSTRIES, INC	Hyster Company, a division of NACCO Materials Handling Group, Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/14/2005 #2005101402436	
ARMSTRONG WORLD INDUSTRIES, INC	AIR LIQUIDE INDUSTRIAL US LP	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/26/2005 #2005102701493	
ARMSTRONG WORLD INDUSTRIES, INC	Crown Credit Company	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	11/10/2005 #2005111002947	

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	11/22/2005 #2005112200291	
ARMSTRONG WORLD INDUSTRIES, INC	TOYOTA-LIFT OF LOS ANGELES, INC.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	11/28/2005 #2005120104348	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	1/25/2006 #2006012502482	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	3/13/2006 #2006031303697	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	3/21/2006 #2006032103858	

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	7/26/2006 #2006072601674	
ARMSTRONG WORLD INDUSTRIES, INC	NMHG Financial Services, Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	8/7/2006 #2006080702058	
ARMSTRONG WORLD INDUSTRIES, INC	No Federal Tax Liens No State Tax Liens No Judgements (Mechanics Lien appears on record, please call if you would like copy)		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG WORLD INDUSTRIES, INC	No Judgements		9/20/2006	PA	USDC—Eastern District		

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AWI LICENSING COMPANY	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
AWI LICENSING COMPANY	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
AWI LICENSING COMPANY	No Judgements		9/20/2006	PA	USDC—Eastern District		
HOMERWOOD HARDWOOD FLOORING COMPANY	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
HOMERWOOD HARDWOOD FLOORING COMPANY	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		

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HOMERWOOD HARDWOOD FLOORING COMPANY	No Judgements		9/20/2006	PA	USDC—Eastern District		
WORLDWIDE KITCHENS, INC.	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
WORLDWIDE KITCHENS, INC.	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
WORLDWIDE KITCHENS, INC.	No Judgements		9/20/2006	PA	USDC—Eastern District		

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Liens on assets of the Foreign Subsidiaries listed below securing the credit lines and Indebtedness permitted under Section 8.03(b) of:

- (a) Armstrong Metalldecken AG with Credit Suisse;
 - (b) Armstrong Metalldecken GmbH-Austria with Sparkasse der Stadt Feldkirch;
 - (c) Armstrong World Industries (India) Private Limited with State Bank of India;
 - (d) Armstrong World Industries (Australia) Pty. Ltd with Westpac Bank;
 - (e) Armstrong World Industries AB with Svenska Handelsbanken AB;
 - (f) Armstrong World Industries Canada Ltd. with The Toronto Dominion Bank;
 - (g) Armstrong World Industries, Ltd. with Barclays Bank PLC;
 - (h) Armstrong DLW AG with Kreissparkasse Ludwigsburg;
 - (i) Armstrong DLW AG with Deutsche Bank;
 - (j) Tapijtfabriek H. Desseaux N.V. — Netherlands with ABN-AMRO Bank; and
 - (k) Desso DLW Sports Systems — Belgium with ABN-AMRO Bank.
-



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A W I (NEVADA), INC.	No Financing Statements No Federal Tax Liens		9/11/2006	NV	Secretary of State		
A W I (NEVADA), INC.	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
A W I (NEVADA), INC.	No Judgements		9/20/2006	PA	USDC—Eastern District		
ARMSTRONG CORK FINANCE CORPORATION	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
ARMSTRONG CORK FINANCE CORPORATION	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		

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ARMSTRONG CORK FINANCE CORPORATION		No Judgements	9/20/2006	PA	USDC—Eastern District		
ARMSTRONG HARDWOOD FLOORING COMPANY		No Federal Tax Liens No State Tax Liens No Judgements	9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG HARDWOOD FLOORING COMPANY		No Judgements	9/20/2006	PA	USDC—Eastern District		
ARMSTRONG HARDWOOD FLOORING COMPANY		No Financing Statements	9/20/2006	TN	Department of State		
ARMSTRONG REALTY GROUP		No Financing Statements	9/20/2006	PA	Department of State		

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ARMSTRONG REALTY GROUP	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG REALTY GROUP	No Judgements		9/20/2006	PA	USDC - Eastern District		
ARMSTRONG VENTURES, INC	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
ARMSTRONG VENTURES, INC	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG VENTURES, INC	No Judgements		9/20/2006	PA	USDC - Eastern District		

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ARMSTRONG WOOD PRODUCTS	7 Financing No Federal No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
ARMSTRONG WOOD PRODUCTS	D.L. Peterson Trust	<i>Specific Equipment per that certain Lease Agreement dated 6/28/01.</i>	8/28/2006	DE	Department of State: Division Of Corporations	10/18/2002 #22736902	Amendments filed 11/20/02, 11/20/02, 5/20/03, 10/21/04
ARMSTRONG WOOD PRODUCTS	GREATAMERICA LEASING CORPORATION	<i>Specific Equipment</i>	8/28/2006	DE	Department of State: Division Of Corporations	2/28/2003 #30498330	
ARMSTRONG WOOD PRODUCTS	RAYMOND LEASING CORPORATION	<i>Specific Equipment</i>	8/28/2006	DE	Department of State: Division Of Corporations	12/23/2003 #33387597	

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ARMSTRONG WOOD PRODUCTS	BANC OF AMERICA LEASING & CAPITAL, LLC	<i>Specific Equipment under that certain Lease Agreement No. 970244, dated as of 10/21/99.</i>	8/28/2006	DE	Department of State: Division Of Corporations	7/7/2004 #41887373	
ARMSTRONG WOOD PRODUCTS	16803 Dallas Parkway, L.P.	<i>Landlord filing on property at leased location (specifically excluding files, promissory notes, documents, contracts, instruments or similar property).</i>	8/28/2006	DE	Department of State: Division Of Corporations	12/9/2004 #43476811	
ARMSTRONG WOOD PRODUCTS	PACKAGING CORPORATION OF AMERICA	<i>Consignment of Stock Cartons</i>	8/28/2006	DE	Department of State: Division Of Corporations	1/18/2005 #50190174	Amendment filed 8/10/05
ARMSTRONG WOOD PRODUCTS	MODERN METHODS, INC.	<i>Specific Equipment</i>	8/28/2006	DE	Department of State: Division Of Corporations	7/29/2005 #52347558	

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ARMSTRONG WOOD PRODUCTS	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG WOOD PRODUCTS	No Judgements		9/20/2006	PA	USDC - Eastern District		
ARMSTRONG WORLD INDUSTRIES (DELAWARE) INC.	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
ARMSTRONG WORLD INDUSTRIES (DELAWARE) INC.	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG WORLD INDUSTRIES (DELAWARE) INC.	No Judgements		9/20/2006	PA	USDC - Eastern District		

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ARMSTRONG WORLD INDUSTRIES LATIN AMERICA, INC.	No Financing Statements No Federal Tax Liens		9/11/2006	NV	Secretary of State		
ARMSTRONG WORLD INDUSTRIES LATIN AMERICA, INC.	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG WORLD INDUSTRIES LATIN AMERICA, INC.	No Judgements		9/20/2006	PA	USDC - Eastern District		
ARMSTRONG WORLD INDUSTRIES, INC	38 Financing Statements		9/15/2006	PA	Department Of State		
ARMSTRONG WORLD INDUSTRIES, INC	TOWN & COUNTRY INC.	Specific Equipment	9/15/2006	PA	Department of State	12/26/2001 #24750768	Termination filed 12/30/02

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ARMSTRONG WORLD INDUSTRIES, INC	Interface Solutions, Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	3/6/2002 #34991317	Amendment filed 5/13/02
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/9/2002 #36720777	Termination filed 9/29/03
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/22/2002 #36760446	Termination filed 9/29/03
ARMSTRONG WORLD INDUSTRIES, INC	D.L. Peterson Trust	<i>Specific Equipment per that certain Lease Agreement dated 4/21/03.</i>	9/15/2006	PA	Department of State	7/30/2003 #20030583546	Amendments filed 10/6/03, 12/5/03, 1/8/04, 6/11/04
ARMSTRONG WORLD INDUSTRIES, INC	ExxonMobil Chemical Company, a division of Exxon Mobil Corporation	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	9/10/2003 #20030961025	

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ARMSTRONG WORLD INDUSTRIES, INC	Formosa Plastics Corporation U.S.A.	<i>Consigned Products</i>	9/15/2006	PA	Department of State	10/22/2003 #20031002518	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/22/2003 #20030999865	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	2/25/2004 #20040204888	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	4/27/2004 #20040445057	
ARMSTRONG WORLD INDUSTRIES, INC	PolyOne Corporation	<i>Consigned Inventory</i>	9/15/2006	PA	Department of State	6/22/2004 #20040641315	

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	7/23/2004 #20040784866	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	8/23/2004 #20040896916	
ARMSTRONG WORLD INDUSTRIES, INC	Crown Credit Company	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	9/28/2004 #20041003399	
ARMSTRONG WORLD INDUSTRIES, INC	Crown Credit Company	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	9/30/2004 #20041014679	
ARMSTRONG WORLD INDUSTRIES, INC	WELLS FARGO Foothill	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/4/2004 #20041022948	Termination filed 2/11/050

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/7/2004 #20041059567	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/20/2004 #20041101838	
ARMSTRONG WORLD INDUSTRIES, INC	TOYOTA-LIFT OF LOS ANGELES	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	11/12/2004 #2004113006250	
ARMSTRONG WORLD INDUSTRIES, INC	CALUMET LIFT TRUCK SERVICE CO., INC.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	3/18/2005 #2005032103426	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	4/26/2005 #2005042605840	

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ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	6/27/2005 #2005062705872	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	7/21/2005 #2005072102725	
ARMSTRONG WORLD INDUSTRIES, INC	PNC EQUITY PARTNERS, L.P., as Agent	<i>Consigned Inventory</i>	9/15/2006	PA	Department of State	8/11/2005 #2005081502623	
ARMSTRONG WORLD INDUSTRIES, INC	MANUFACTURERS AND TRADERS TRUST COMPANY, as Administrative Agent	<i>Consigned Inventory</i>	9/15/2006	PA	Department of State	8/15/2005 #2005081505075	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	8/17/2005 #2005081703009	

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	9/27/2005 #2005092703660	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/6/2005 #2005100603722	
ARMSTRONG WORLD INDUSTRIES, INC	Hyster Company, a division of NACCO Materials Handling Group, Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/14/2005 #2005101402436	
ARMSTRONG WORLD INDUSTRIES, INC	AIR LIQUIDE INDUSTRIAL US LP	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	10/26/2005 #2005102701493	
ARMSTRONG WORLD INDUSTRIES, INC	Crown Credit Company	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	11/10/2005 #2005111002947	

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	11/22/2005 #2005112200291	
ARMSTRONG WORLD INDUSTRIES, INC	TOYOTA-LIFT OF LOS ANGELES, INC.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	11/28/2005 #2005120104348	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	1/25/2006 #2006012502482	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	3/13/2006 #2006031303697	
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	3/21/2006 #2006032103858	

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
ARMSTRONG WORLD INDUSTRIES, INC	Thompson Tractor Co., Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	7/26/2006 #2006072601674	
ARMSTRONG WORLD INDUSTRIES, INC	NMHG Financial Services, Inc.	<i>Specific Equipment</i>	9/15/2006	PA	Department of State	8/7/2006 #2006080702058	
ARMSTRONG WORLD INDUSTRIES, INC	No Federal Tax Liens No State Tax Liens No Judgements (Mechanics Lien appears on record, please call if you would like copy)		9/15/2006	PA	Lancaster County Prothonotary		
ARMSTRONG WORLD INDUSTRIES, INC	No Judgements		9/20/2006	PA	USDC—Eastern District		

Prepared by NCR Teri Mayor
Reviewed by Julie I, Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
AWI LICENSING COMPANY	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
AWI LICENSING COMPANY	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
AWI LICENSING COMPANY	No Judgements		9/20/2006	PA	USDC— Eastern District		
HOMERWOOD HARDWOOD FLOORING COMPANY	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division of Corporations		
HOMERWOOD HARDWOOD FLOORING COMPANY	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Search Results RE:
Client Ref No: 01765.002441

<u>Debtor</u>	<u>Secured Party</u>	<u>Collateral</u>	<u>Search Through Date</u>	<u>State</u>	<u>Jurisdiction</u>	<u>Original File Date and Number</u>	<u>Related Filings</u>
HOMERWOOD HARDWOOD FLOORING COMPANY	No Judgements		9/20/2006	PA	USDC— Eastern District		
WORLDWIDE KITCHENS, INC.	No Financing Statements No Federal Tax Liens		8/28/2006	DE	Department of State: Division Of Corporations		
WORLDWIDE KITCHENS, INC.	No Federal Tax Liens No State Tax Liens No Judgements		9/15/2006	PA	Lancaster County Prothonotary		
WORLDWIDE KITCHENS, INC.	No Judgements		9/20/2006	PA	USDC— Eastern District		

Prepared by NCR Teri Mayor
Reviewed by Julie I. Allen

Schedule 8.02

Armstrong World Industries, Inc.
Investments Existing on the Closing Date

Worthington Armstrong Venture (WAVE)

Armstrong Building Products Company (Shanghai) Ltd.

Armstrong China Holdings, Limited

Schedule 8.02
Armstrong World Industries, Inc.

Intercompany Loan Schedule
As of September 29, 2006

(Translated at Month-End Balance Sheet Rates)

<u>LENDER</u>	<u>BORROWER</u>	<u>CURRENCY</u>	<u>BALANCE</u>	<u>USD EQUIV.</u>	<u>FX RATE</u>
Armstrong Cork Finance Corporation	Armstrong World Ind. Holding, GmbH	EUR	145,606,706	186,624,115	1.28170
Armstrong Cork Finance Corporation	Armstrong World Ind. Holding, GmbH	USD	5,282,183	5,282,183	1.00000
Armstrong Cork Finance Corporation	Armstrong World Ind. Holding, GmbH	GBP	26,400,000	50,241,840	1.90310
Armstrong Cork Finance Corporation	Armstrong World Ind. Holding, GmbH	CAD	37,000,000	33,414,700	0.90310
Armstrong Cork Finance Corporation	Armstrong World Ind. Holding, GmbH	AUD	4,000,000	3,054,000	0.76350
Armstrong Cork Finance Corporation	Armstrong Building Products B.V.	EUR	500,000	640,850	1.28170
USD TOTAL				279,257,688	

Schedule 8.03

ARMSTRONG WORLD INDUSTRIES, INC. GUARANTEES OF INDEBTEDNESS
09/29/06

<u>BENEFICIARY</u>	<u>GUARANTOR</u>	<u>PRIMARY OBLIGOR</u>	<u>ISSUE DATE</u>	<u>TYPE</u>	<u>CURRENCY</u>	<u>CURRENCY AMOUNT</u>	<u>USD EQUIVALENT</u>	<u>EXPIRE DATE</u>
Wachovia Bank	AWI	AWP	7/1/99*	AWP Somerset IRB	USD	10,000,000	10,000,000	08/01/09
Desarrollos Inmobiliarios Industriales Mercurio, S.A. de C.V.	AWP	BruceHardwood Floors Mexico, S.A. de C.V.	3/31/04**	Lease Agreement	USD	147,175	147,175	03/31/07
Dept. of Business and Economic Development State of Maryland	Armstrong Ventures, Inc.*****	WAVE	10/04**	\$300,000 Conditional Loan \$200,000 Grant from the State of Maryland	USD	500,000	500,000	06/30/11
TOTAL					USD		10,647,175	

* issued pre-petition

** issued post-petition

***** liable as a general principal of law pertaining to partnerships

Schedule 8.03
Armstrong World Industries, inc.

Credit Lines
As of September 29, 2006

<u>Armstrong Subsidiary</u>	<u>Bank</u>	<u>Currency</u>	<u>Total credit Line Local Currency</u>	<u>Total Credit Line USD Equity</u>
Armstrong Building Products S.A. — France	CIAL	Euro	1,000,000	1,281,700
Armstrong Building Products S.A. — France	Scalbert Dupont	Euro	3,000,000	3,845,100
Armstrong Metalldecken A.G. — Switzerland	Credit Suisso — St. Galien	CHF	4,200,000	3,413,760
Gema Metalldecken Austria — Austria	Sparkasse Feldkirch	Euro	700,000	897,190
Gema — Phonex — Switzerland	Credit Suisso — Zurich	CHF	1,000,000	812,800
Armstrong World Industries (India) Pvt. Ltd	State Bank of India	INR	30,000,000	645,000
Armstrong World Industries (India) Pvt Ltd	State Bank of India (L/C's)	INR	5,000,000	107,500
Armstrong World Industries (India) Pvt Ltd	Stats Bank of India (Gtys.)	INR	2,500,000	53,750
Armstrong World Industries (Australia) Pty Ltd	Westpack Bank	AUO	89,000	67,952
Armstrong World Industries A.B. — Sweden	Svenska Handelsbanken	SEK	20,000,000	2,770,000
Armstrong World Industries Canada Ltd.	Toronto Dominion (L/C's)	CAD	700,000	632,170
Armstrong World Industries Limited — U.K.	Bardays	GBP	1,500,000	2,851,950
Armstrong DLW A.G. — Germany	Bank of America	Euro	2,500,000	3,204,250
Armstrong DLW A.G. — Germany	Zunich Versicherungen (Gtys.)	Euro	1,500,000	1,922,500
Armstrong DLW A.G. — Germany	KSK Bank	Euro	6,000,000	7,680,200
Desseaux — Netherlands	ABN Amro	Euro	18,000,000	23,070,600
Desseaux — Netherlands	ABM Amro (Gtys.)	Euro	910,000	1,166,347
Desseaux — Belgium	ABN Amro (Gtys.)	Euro	285,000	365,285
			Sub Total USD	54,798,103
<u>Long term Debt to County</u>	<u>Lender</u>	<u>Currency</u>	<u>Local Currency</u>	<u>USD Equity</u>
AWP Capitalized Leaso — Beverly, WV	West Virginia Industry and Jobs Development Corp	USD	1,900,000	1,900,000
AWP — Somerset KY	City of Somerset Kentucky	USD	10,000,000	10,000,000
Armstrong Hardwood Flooring Company	Capella Engineered Wood LLC	USD	1,500,000	1,500,000
Gema Metalldecken Austria — Austria	Sparkasse Feldkirch Mortgage	CHF	1,885,531	1,370,000
			Sub Total USD	14,770,000
			Total USD	89,568,103

Schedule 8.03

**ARMSTRONG WORLD INDUSTRIES, INC
WACHOVIA LETTERS OF CREDIT OUTSTANDING
09/29/06**

ISSUING BANK	BENEFICIARY/LOCATION	L/C #	Pre-DIP	COMPANY	TYPE	DOCUMENTARY / STANDBY	CURRENCY CURR.	CURRENCY AMOUNT	USD EQUIVALENT	DATE ISSUED	DATE EXPIRY	EXPIRY NOTE *
Wachovia	Zurich/U.S.	968-112890	Pre-DIP	AWI	CASUALTY	SBY	USD	3,122,000.00	3,122,000.00	08/18/99	04/30/07	***
Wachovia	Liberty Mutual Auto/General/U.S.	968-019235	Pre-DIP	AWI	CASUALTY	SBY	USD	8,088,808.36	8,088,808.36	03/28/88	08/01/07	*
Wachovia	PA Workers' Comp (For both AWI & AOT)/U.S.	870-093106	Pre-DIP	AWI	WCOMP	SBY	USD	4,000,000.00	4,000,000.00	08/11/95	11/18/06	*
Wachovia	U.S. Fire Insurance /U.S.	936-110341	Pre-DIP	AWP	CASUALTY	SBY	USD	500,000.00	500,000.00	04/29/99	04/13/07	***
Wachovia	Hartford Fire Insurance/U.S.	968-106083	Pre-DIP	AWP	CASUALTY	SBY	USD	500,000.00	500,000.00	10/27/88	03/15/07	***
Wachovia	Cahajaya/Malaysia	968-118239	Pre-DIP	AWP	TRADE	SBY	USD	1,500,000.00	1,500,000.00	10/20/96	03/31/07	***
Wachovia	US Bank/U.S.	870-112448	Pre-DIP	AWP	CREDIT SUPPORT	SBY	USD	10,404,383.56	10,404,383.56	06/28/96	09/29/06	*
TOTAL								USD	28,115,191.92			

* EXPIRY NOTES:

* Automatically extended for periods of 1 year from expiry date unless bank notifies beneficiary in writing at least 60 days prior to expiration.

** Automatically extended for periods of 1 year from expiry date unless bank notifies beneficiary in writing at least 90 days prior to expiration.

*** Automatically extended for periods of 1 year from expiry date unless bank notifies beneficiary in writing at least 30 days prior to expiration.

Schedule 8.05

Dispositions
Armstrong World Industries, Inc.

Disposition of Tapijtfabriek H. Desseaux N.V., a Netherlands Company, and/or its assets.

Schedule 8.11

Consolidated EBITDA Adjustments

The following items shall be added to the calculation of Consolidated EBITDA each fiscal quarter to the extent applicable in any given quarter:

- Goodwill impairments (non-cash charges only)
- Restructuring charges, net (cash and non-cash charges) limited to \$25 million in any period of four consecutive fiscal quarters
- Cost initiative charges embedded in cost of goods sold (cash and non-cash charges) and which taken together with cost initiative charges embedded in selling, general & administrative expenses shall be limited to \$10 million in any period of four consecutive fiscal quarters
- Cost initiative charges embedded in selling, general & administrative expenses (cash and non-cash charges) and which taken together with cost initiative charges embedded in cost of goods sold shall be limited to \$10 million in any period of four consecutive fiscal quarters
- Asbestos charges (non-cash charges only)
- Fixed asset impairments (non-cash charges only)
- Pension curtailments (non-cash charges only)
- Fresh start accounting — manufacturing profit in inventory (non-cash charges only)
- Less gains on sale of assets (cash and non-cash)

The Consolidated EBITDA Adjustments for the fiscal quarters ended March 31, 2006 and June 30, 2006 are set forth below:

	(\$ Millions)	
	FQ1 2006	FQ2 2006
Consolidated EBITDA Adjustments:		
Plus Consolidated EBITDA Adjustments:		
Goodwill impairments	0	0
Restructuring charges, net	2.7	7.8
Cost initiative charges embedded in cost of goods sold	5.7	2.1
Cost initiative charges embedded in selling, general & administrative expenses		1.2
Asbestos charges	0	0
Fixed asset impairments		.7
Pension curtailments	0	8.5
Fresh start accounting — manufacturing profit in inventory	0	0
Less gains on sale of assets	0	(17.1)
Total Consolidated EBITDA Adjustments	8.4	3.2

CERTAIN ADDRESSES FOR NOTICES

TO ANY LOAN PARTY:

Armstrong World Industries, Inc.
2500 Columbia Avenue
Lancaster, Pennsylvania 17603
Attn: Barry Sullivan and Teresa Redcay

TO ADMINISTRATIVE AGENT:

For Daily Borrowing/Repayment Activity:

Bank of America, N.A.
One Independence Center
101 N. Tryon St., 4th Floor
Charlotte, NC 28255-0001
Mail Code: NC1-001-04-39
Attn: Dianna L. Tolman
Phone: 704-388-6484
Fax: 704-719-8082
E-mail: dianna.l.tolman@bankofamerica.com

Wire instructions:

Bank of America, N.A.
New York, N.Y.
ABA # 026009593
Account # 1366212250600
Attn: Credit Services Charlotte
Ref: Armstrong World Industries, Inc.

For All Other Notices:

Bank of America, N.A.
One Independence Center
101 N. Tryon St., 15th Floor
Charlotte, NC 28255-0001
Mail Code: NC1-001-15-14
Attn: Anne Brooke Lazorik
Phone: 704-387-5453
Fax: 704-409-0632
E-mail: annebrooke.lazorik@bankofamerica.com

TO L/C ISSUER (BANK OF AMERICA, N.A.):

Bank of America, N.A.
1 Fleet Way
Scranton, PA 18507
Mail Code: PA6-580-02-30
Attn: Michael A. Grizzanti
Phone: 570-330-4214
Fax: 1-800-755-8743
E-mail: michael.a.grizzanti@bankofamerica.com

Exhibit A-1

FORM OF LOAN NOTICE

Date: _____, 20__

To: Bank of America, N.A., as Administrative Agent

Re: Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among Armstrong World Industries, Inc., a Pennsylvania corporation, (the "Borrower"), the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

Ladies and Gentlemen:

The undersigned hereby requests a Borrowing of _____¹ Loan as follows:

1. On _____, 20__ (which is a Business Day).
2. In the amount of _____.
3. For Eurodollar Rate Loans: with an Interest Period of _____ months.

With respect to any Borrowing requested herein, the undersigned Borrower hereby represents and warrants that (i) in the case of a Borrowing of Revolving Loans, such request complies with the requirements of the proviso to the first sentence of Section 2.01(a) of the Credit Agreement and (ii) each of the conditions set forth in Section 5.02 of the Credit Agreement have been satisfied on and as of the date of such Borrowing.

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

¹ Identify type (e.g. Revolving, Tranche A Term, Tranche B Term)

Exhibit A-2

FORM OF NOTICE OF CONTINUATION/CONVERSION

Date: _____, 20__

To: Bank of America, N.A., as Administrative Agent

Re: Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among Armstrong World Industries, Inc., a Pennsylvania corporation, (the "Borrower"), the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

Ladies and Gentlemen:

The Borrower hereby gives notice pursuant to Section 2.02(b) of the Credit Agreement that it requests a continuation or conversion of a Loan outstanding under the Credit Agreement, and in connection therewith sets forth below the terms on which such continuation or conversion is requested to be made:

- (A) Existing Loan Type _____
- (B) Requested Loan Type (if applicable) _____
- (C) Date of continuation or conversion (which is the law day of the applicable Interest Period) _____
- (D) Principal amount of continuation or conversion _____
- (E) Interest Period and the last day thereof _____

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

Exhibit B

FORM OF SWING LINE LOAN NOTICE

Date: _____, 20__

To: Bank of America, N.A., as Swing Line Lender

Cc: Bank of America, N.A., as Administrative Agent

Re: Credit Agreement (as amended, modified, supplemented and extended from time to time, the “Credit Agreement”), dated as of October 2, 2006, among Armstrong World Industries, Inc., a Pennsylvania corporation, (the “Borrower”), the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

Ladies and Gentlemen:

The undersigned hereby requests a Swing Line Loan:

1. On _____, 20____ (a Business Day).
2. In the amount of \$_____.

With respect to such Borrowing of Swing Line Loans, the Borrower hereby represents and warrants that (i) such request complies with the requirements of the first proviso to the first sentence of Section 2.04(a) of the Credit Agreement and (ii) each of the conditions set forth in Section 5.02 of the Credit Agreement have been satisfied on and as of the date of such Borrowing of Swing Line Loans.

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

Exhibit C-1

FORM OF REVOLVING NOTE

_____, 2006

FOR VALUE RECEIVED, ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation (the "Borrower"), hereby promises to pay to _____ or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Revolving Loan from time to time made by the Lender to the Borrower under that certain Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among the Borrower, the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Loan from the date of such Revolving Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars and in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Revolving Note is one of the Revolving Notes referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Revolving Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. Revolving Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Revolving Note and endorse thereon the date, amount, currency and maturity of its Revolving Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and nonpayment of this Revolving Note.

THIS REVOLVING NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has caused this Revolving Note to be duly executed by its duly authorized officer as of the day and year first above written.

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

Exhibit C-2

FORM OF SWING LINE NOTE

_____, 2006

FOR VALUE RECEIVED, ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation, (the "Borrower"), hereby promises to pay to BANK OF AMERICA, N.A. or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Swing Line Loan from time to time made by the Lender to the Borrower under that certain Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among the Borrower, the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

The Borrower promises to pay interest on the unpaid principal amount of each Swing Line Loan from the date of such Swing Line Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Lender in Dollars in immediately available funds to such account designated by the Lender from time to time. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Swing Line Note is the Swing Line Note referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Swing Line Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. Swing Line Loan made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Swing Line Note and endorse thereon the date, amount and maturity of its Swing Line Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and nonpayment of this Swing Line Note.

THIS SWING LINE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has caused this Swing Line Note to be duly executed by its duly authorized officer as of the day and year first above written.

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

Exhibit C-3

FORM OF TRANCHE A TERM NOTE

_____, 2006

FOR VALUE RECEIVED, ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation (the "Borrower"), hereby promises to pay to _____ or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Tranche A Term Loan made by the Lender to the Borrower under that certain Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among the Borrower, the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

The Borrower promises to pay interest on the unpaid principal amount of each Tranche A Term Loan from the date of such Tranche A Term Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Tranche A Term Note is one of the Tranche A Term Notes referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Tranche A Term Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. Tranche A Term Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Tranche A Term Note and endorse thereon the date, amount and maturity of its Tranche A Term Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and nonpayment of this Tranche A Term Note.

THIS TRANCHE A TERM NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has caused this Tranche A Term Note to be duly executed by its duly authorized officer as of the day and year first above written.

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

Exhibit C-4

FORM OF TRANCHE B TERM NOTE

_____, 2006

FOR VALUE RECEIVED, ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation (the "Borrower"), hereby promises to pay to _____ or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Tranche B Term Loan made by the Lender to the Borrower under that certain Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among the Borrower, the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

The Borrower promises to pay interest on the unpaid principal amount of each Tranche B Term Loan from the date of such Tranche B Term Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Tranche B Term Note is one of the Tranche B Term Notes referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Tranche B Term Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. Tranche B Term Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Tranche B Term Note and endorse thereon the date, amount and maturity of its Tranche B Term Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and nonpayment of this Tranche B Term Note.

THIS TRANCHE B TERM NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has caused this Tranche B Term Note to be duly executed by its duly authorized officer as of the day and year first above written.

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

Exhibit D

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____, 20__

To: Bank of America, N.A., as Administrative Agent

Re: Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among Armstrong World Industries, Inc., a Pennsylvania corporation, (the "Borrower"), the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

Ladies and Gentlemen:

The undersigned Responsible Officer hereby certifies as of the date hereof that [he/she] is the _____ of the Borrower, and that, in [his/her] capacity as such, [he/she] is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrower, and that:

[Use following paragraph 1 for fiscal year-end financial statements:]

[1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 7.01(a) of the Credit Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.]

[Use following paragraph 1 for fiscal quarter-end financial statements:]

[1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 7.01(b) of the Credit Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.]

To the best knowledge of the undersigned, no Event of Default has occurred and is continuing as of the date hereof [, except the following covenants or conditions have not been performed or observed and the following is a list of each Event of Default in existence as of the date hereof and its nature and status:]

2. The financial covenant analyses and information relating to the financial covenants in Section 8.11 of the Credit Agreement, as set forth on Schedule 2 hereto, are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, 20_____.

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

SCHEDULE 1
FINANCIAL STATEMENTS

SCHEDULE 2

FINANCIAL COVENANT ANALYSIS AND INFORMATION

1. Consolidated Interest Coverage Ratio.

As of the date of determination,

(a) Consolidated EBITDA (as determined using Exhibit A attached hereto)	\$ _____
(b) Consolidated Interest Charges (as determined using Line (b) of Exhibit A attached hereto)	\$ _____
(c) Consolidated Interest Coverage Ratio (ratio of Line (a) divided by Line (b) to 1.00)	_____ to 1.00

The terms of Section 8.11(a) do not permit the Consolidated Interest Coverage Ratio, as of the end of such fiscal quarter of the Borrower, to be less than 3.0:1.0.

Is the Borrower compliant with Section 8.11(a)? [YES][NO]

2. Consolidated Leverage Ratio.

(a) Consolidated Funded Indebtedness	\$ _____
(b) Consolidated EBITDA (as determined using Exhibit A attached hereto)	\$ _____
(c) Consolidated Leverage Coverage Ratio (ratio of Line (a) divided by Line (b) to 1:00)	_____ to 1.00

The terms of Section 8.11(b) do not permit the Consolidated Leverage Ratio, as of the end of such fiscal quarter of the Borrower, to be greater than 3.75:1.0.

Is the Borrower compliant with Section 8.11(b)? [YES] [NO]

EXHIBIT A

Attach calculations of "Consolidated EBITDA" reasonably satisfactory to the Administrative Agent.

Exhibit E

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this “ Assignment and Assumption ”) is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the “ Assignor ”) and [*Insert name of Assignee*] (the “ Assignee ”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the “ Credit Agreement ”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including, without limitation, Letters of Credit, Guarantees and Swing Line Loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the “ Assigned Interest ”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is an Affiliate/Approved Fund of [*identify Lender*]²]
3. Borrower: Armstrong World Industries, Inc.
4. Agent: Bank of America, N.A., as the administrative agent under the Credit Agreement
5. Credit Agreement: Credit Agreement dated as of October 2, 2006 among Borrower, the Guarantors party thereto, the Lenders parties thereto and Bank of America, N.A., as Administrative Agent

² Select as applicable.

6. Assigned Interest:

Facility Assigned ³	Aggregate Amount of Commitment/Loans for all Lenders *	Amount of Commitment/Loans Assigned *	Percentage Assigned of Commitment/Loans ⁴
	\$	\$	%
	\$	\$	%
	\$	\$	%

[7. Trade Date: _____] ⁵

Effective Date: _____, 20____ [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and] ⁶ Accepted:

BANK OF AMERICA, N.A. as Agent

By: _____
Title:

[Consented to:] ⁷

[BANK OF AMERICA, N.A., as L/C Issuer]

³ Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Commitment," "Tranche B Term Loan Commitment," etc.)

* Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁴ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

⁵ To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

⁶ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

⁷ To be added only if the consent of the Borrower and/or other parties (e.g. L/C Issuer) is required by the terms of the Credit Agreement.

By: _____
Title:

[JPMORGAN CHASE BANK, N.A., as L/C Issuer]

By: _____
Title:

[ARMSTRONG WORLD INDUSTRIES, INC.]

By: _____
Title:

ANNEX 1

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets the requirements to be an assignee under Section 11.06(b)(iii), (v) and (vi) of the Credit Agreement (subject to such consents, if any, as may be required under Section 11.06(b)(iii) of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 7.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, and (vii) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York applicable to agreements made and to be performed entirely within such state.

Exhibit F

FORM OF GUARANTY JOINDER AGREEMENT

THIS GUARANTY JOINDER AGREEMENT (the "Agreement"), dated as of _____, 20____, is by and between _____, a _____ (the "New Subsidiary"), and Bank of America, N.A., as Administrative Agent under Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among Armstrong World Industries, Inc., a Pennsylvania corporation, (the "Borrower"), the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent.

The Loan Parties are required by Section 7.12 of the Credit Agreement to cause the New Subsidiary to become a "Guarantor" thereunder. Accordingly, the New Subsidiary hereby agrees as follows with the Administrative Agent, for the benefit of the Lenders:

1. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a party to the Credit Agreement and a "Guarantor" for all purposes of the Credit Agreement, and shall have all of the obligations of a Guarantor thereunder as if it had executed the Credit Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions applicable to the Guarantors contained in the Credit Agreement. Without limiting the generality of the foregoing terms of this paragraph 1, the New Subsidiary hereby jointly and severally together with the other Guarantors, guarantees to each Lender and the Administrative Agent, as provided in Article IV of the Credit Agreement, the prompt payment and performance of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof.

2. The address of the New Subsidiary for purposes of all notices and other communications is the address designated for all Loan Parties on Schedule 11.02 to the Credit Agreement or such other address as the New Subsidiary may from time to time notify the Administrative Agent in writing.

3. The New Subsidiary hereby waives acceptance by the Administrative Agent and the Lenders of the guaranty by the New Subsidiary under Article IV of the Credit Agreement upon the execution of this Agreement by the New Subsidiary.

4. This Agreement may be executed in multiple counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.

5. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

IN WITNESS WHEREOF, the New Subsidiary has caused this Guaranty Joinder Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

[NEW SUBSIDIARY]

By: _____
Name:
Title:

Acknowledged and accepted:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Name:
Title:

Exhibit G

FORM OF COLLATERAL JOINDER AGREEMENT

THIS COLLATERAL JOINDER AGREEMENT (the “Agreement”), dated as of _____, 20____, is by and between _____, a _____ (the “New Subsidiary”), and Bank of America, N.A., as Administrative Agent under Credit Agreement (as amended, modified, supplemented and extended from time to time, the “Credit Agreement”), dated as of October 2, 2006, among Armstrong World Industries, Inc., a Pennsylvania corporation, (the “Borrower”), the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent.

The Loan Parties are required by Section 7.14 of the Credit Agreement to cause the New Subsidiary to become a “Guarantor” under the Loan Documents. Accordingly, the New Subsidiary hereby agrees with the Administrative Agent as follows:

1. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a party to the Security Agreement and a “Grantor” for all purposes of the Security Agreement, and shall have all the obligations of a Grantor thereunder as if it had executed the Security Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Security Agreement. Without limiting generality of the foregoing terms of this paragraph 1, the New Subsidiary hereby grants to the Administrative Agent, for the benefit of the Secured Parties (as defined in the Security Agreement), a continuing security interest in, and a right of set off against, any and all right, title and interest of the New Subsidiary in and to the Collateral (as defined in the Security Agreement) of the New Subsidiary to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of its respective Secured Obligations (as defined in the Security Agreement) secured by the Security Agreement.

2. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a party to the Pledge Agreement and a “Pledgor” for all purposes of the Pledge Agreement, and shall have all the obligations of a Pledgor thereunder as if it had executed the Pledge Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Pledge Agreement. Without limiting generality of the foregoing terms of this paragraph 2, the New Subsidiary hereby grants, pledges and assigns to the Administrative Agent, for the benefit of the holders of the Secured Obligations (as defined in the Pledge Agreement), a continuing security interest in, and a right of set off against, any and all right, title and interest of the New Subsidiary in and to the Equity Interests identified on Schedule 8 hereto to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of its respective Secured Obligations (as defined in the Pledge Agreement).

3. [Loan Party] hereby agrees that the Equity Interests listed on Schedule 1 hereto shall be deemed to be part of the Pledged Interests within the meaning of the Pledge Agreement and shall secure all of the Secured Obligations (as defined in the Pledge Agreement) as provided in the Pledge Agreement. In furtherance of the foregoing, [Loan Party] hereby grants, pledges and assigns to the Administrative Agent, for the benefit of the holders of the Secured Obligations (as defined in the Pledge Agreement), a continuing security interest in, and a right of set off against, any and all right, title and interest of [Loan Party], in and to the Equity Interests identified on Schedule 8 hereto to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of its respective Secured Obligations (as defined in the Pledge Agreement).

4. The New Subsidiary hereby represents and warrants to the Administrative Agent that:

(a) The New Subsidiary's exact legal name and state of formation are as set forth on the signature pages hereto.

(b) The New Subsidiary's chief executive office is located at the location set forth on Schedule 2 hereto.

(c) Other than as set forth on Schedule 3 hereto, the New Subsidiary has not changed its legal name, changed its state of formation or been party to a merger, consolidation or other change in structure the four months preceding the date hereof.

(d) Schedule 4 hereto includes all material copyrights, copyright licenses, patents, patent licenses, trademarks and trademark licenses owned by the New Subsidiary in its own name, or to which the New Subsidiary is a party, as of the date hereof. None of the copyrights, patents and trademarks of the New Subsidiary set forth in Schedule 3 hereto is the subject of any licensing or franchise agreement, except as set forth on Schedule 3 hereto.

(e) Schedule 5 hereto includes all commercial tort claims in excess of \$5 million before any Governmental Authority by or in favor of the New Subsidiary.

(f) Schedule 6 hereto includes all Subsidiaries of the New Subsidiary, including number of shares of outstanding Equity Interests, the certificate number of each certificate evidencing such Equity Interest and the percentage of such Equity Interest owned by the New Subsidiary.

5. The address of the New Subsidiary for purposes of all notices and other communications is the address designated for all Loan Parties on Schedule 11.02 to the Credit Agreement or such other address as the New Subsidiary may from time to time notify the Administrative Agent in writing.

6. The New Subsidiary hereby waives acceptance by the Lenders of the guaranty by the New Subsidiary under Article IV of the Credit Agreement upon the execution of this Agreement by the New Subsidiary.

7. This Agreement may be executed in multiple counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.

8. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the New Subsidiary and [Loan Party] have caused this Collateral Joinder Agreement to be duly executed by its authorized officer, and the Administrative Agent has caused the same to be accepted by its authorized officer, as of the day and year first above written.

NEW SUBSIDIARY :

[NEW SUBSIDIARY]

By: _____
Name:
Title:

LOAN PARTY/PLEDGOR :

[LOAN PARTY]

By: _____
Name:
Title:

Acknowledged and accepted:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Name:
Title:

Exhibit H

FORM OF
LENDER JOINDER AGREEMENT (REVOLVING LOAN)

THIS LENDER JOINDER AGREEMENT (REVOLVING LOAN) (this "Agreement"), dated as of _____, 20____, to the Credit Agreement referenced below is by and among those lenders identified on the signature pages hereto (the "Incremental Revolving Lenders"), ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation (the "Borrower"), the Guarantors identified herein, and BANK OF AMERICA, N.A., as Administrative Agent (the "Administrative Agent"). Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

WITNESSETH

WHEREAS, certain revolving credit and term loan facilities have been established pursuant to that Credit Agreement, dated as of October 2, 2006 (as amended, restated, extended, supplemented or otherwise modified, the "Credit Agreement") among the Borrower, the Guarantors identified therein, the Lenders identified therein and the Administrative Agent;

WHEREAS, pursuant to Section 2.01(d) and (e) of the Credit Agreement, the Borrower has requested that the Aggregate Revolving Committed Amount be increased and the Incremental Revolving Lenders provide additional commitments in respect thereof; and

WHEREAS, the Incremental Revolving Lenders have agreed to provide additional commitments in respect of the Incremental Revolving Loans on the terms and conditions set forth herein and to each become a "Revolving Lender" under the Credit Agreement in connection therewith;

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Aggregate Revolving Committed Amount is increased by _____ MILLION DOLLARS (\$_____) to _____ MILLION DOLLARS (\$_____) pursuant to this Agreement. Each of the Incremental Revolving Lenders hereby severally agrees to provide Revolving Commitments (including any existing Revolving Commitments under the Credit Agreement) in an amount up to its Revolving Commitment set forth on Schedule 2.01 attached hereto. The Revolving Commitments and Pro Rata Shares are revised as set forth on Schedule 2.01 attached hereto. The existing Schedule 2.01 to the Credit Agreement shall be deemed to be amended to include the information set forth on Schedule 2.01 attached hereto.

2. Each of the Incremental Revolving Lenders shall be deemed to have purchased, without recourse, a risk participation from the L/C Issuers in all Letters of Credit issued or existing under the Credit Agreement and the obligations arising thereunder in an amount equal to its Pro Rata Share of the obligations under such Letters of Credit, and shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety, and be obligated to pay to the L/C Issuer and discharge when due, its Pro Rata Share of the obligations arising under such Letters of Credit.

3. Each of the Incremental Revolving Lenders (a) represents and warrants that it is either an existing Revolving Lender under the Credit Agreement or a commercial lender, other financial institution or other "accredited" investor (as defined in SEC Regulation D) that makes or acquires loans in the ordinary course of business and that it will make or acquire Loans for its own account in the ordinary course of business; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 7.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (c) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (e) agrees that, as of the date hereof, such Incremental Revolving Lender shall (i) be a party to the Credit Agreement and the other Loan Documents, (ii) be a "Revolving Lender" for all purposes of the Credit Agreement and the other Loan Documents, (iii) perform all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a "Lender" and a "Revolving Lender" under the Credit Agreement, (iv) shall have the rights and obligations of a Lender and a Revolving Lender under the Credit Agreement and the other Loan Documents and (v) ratifies and approves all acts previously taken by the Collateral Agent on such Incremental Revolving Lender's behalf.

4. Each of the Borrower and the Guarantors agrees that, as of the date hereof, each of the Incremental Revolving Lenders shall (a) be a party to the Credit Agreement and the other Loan Documents, (b) be a "Lender" and a "Revolving Lender" for all purposes of the Credit Agreement and the other Loan Documents and (c) have the rights and obligations of a Lender and a Revolving Lender under the Credit Agreement and the other Loan Documents.

5. The address of each Incremental Revolving Lender for purposes of all notices and other communications is as set forth on the Administrative Questionnaire delivered by such Incremental Revolving Lender to the Administrative Agent.

6. This Agreement may be executed in any number of counterparts and by the various parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one contract. Delivery of an executed counterpart of this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

7. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by a duly authorized officer as of the date first above written.

INCREMENTAL REVOLVING LENDERS:

[INCREMENTAL REVOLVING LENDERS]

By: _____
Name:
Title:

BORROWER:

ARMSTRONG WORLD INDUSTRIES, INC.

By: _____
Name:
Title:

GUARANTORS:

[_____]

By: _____
Name:
Title:

Accepted and Agreed :

BANK OF AMERICA, N.A. ,
as Administrative Agent

By: _____
Name:
Title:

Schedule 2.01

REVOLVING COMMITMENTS AND PRO RATA SHARES
to Lender Joinder Agreement (Revolving Loan)

<u>Revolving Lender</u>	Revolving Commitments Before Giving Effect to Lender Joinder Agreement (Revolving Loan)	Additional Revolving Commitments Provided Under Lender Joinder Agreement (Revolving Loan)	Aggregate Revolving Commitments After Giving Effect to Lender Joinder Agreement (Revolving Loan)	Revolving Commitments Pro Rata Shares (as Revised)
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Exhibit I

FORM OF
LENDER JOINDER AGREEMENT
RELATING TO
REALLOCATION OF REVOLVING CREDIT COMMITMENTS,
ESTABLISHMENT OF THE TRANCHE A TERM LOAN AND
ESTABLISHMENT OF THE TRANCHE B TERM LOAN

THIS LENDER JOINDER AGREEMENT (this "Agreement") dated as of October 16, 2006, to the Credit Agreement referenced below, is by and among the Lenders identified on the signature pages hereto, ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation (the "Borrower"), the subsidiaries identified on the signature pages hereto, as Guarantors, the L/C Issuers and Swing Line Lender identified on the signature pages hereto and Bank of America, N.A., as Administrative Agent.

WITNESSETH

WHEREAS, a \$300 million revolving credit facility (the "Revolving Credit Facility") has been established under that certain Credit Agreement dated as of October 2, 2006 (as amended, modified, supplemented, extended, renewed or replaced, the "Credit Agreement") among the Borrower, the subsidiaries identified therein, as guarantors, the lenders identified therein and Bank of America, N.A., as Administrative Agent;

WHEREAS, the parties agree that the commitments under the Revolving Credit Facility should be reallocated and the commitments for the Tranche A Term Loan and the Tranche B Term Loan should be established in order to give effect to the general syndication of the credit facilities;

NOW, THEREFORE, IN CONSIDERATION of the premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used but not otherwise defined herein shall have the meaning provided in the Credit Agreement. As used herein:

"Effective Date" means October 16, 2006.

"Existing Revolving Lenders" means the Revolving Lenders that were already parties to the Credit Agreement on the date of this Agreement.

"New Revolving Lenders" means the Lenders joining as Revolving Lenders by Assignment and reallocation of Revolving Commitments pursuant to this Agreement.

"Standard Terms and Conditions" means the Standard Terms and Conditions for assignments set out in Annex I attached hereto.

"Tranche A Term Lenders" means the Lenders providing Tranche A Term Loan Commitments pursuant to this Agreement.

"Tranche B Term Lenders" means the Lenders providing Tranche B Term Loan Commitments pursuant to this Agreement.

SECTION 2 REVOLVING COMMITMENTS.

2.1 Establishment of Revolving Commitments. The Revolving Credit Facility was established under the Credit Agreement on the Closing Date prior to completion of the general syndication process. Inasmuch as the general syndication process has now been completed, the parties hereto desire for the Revolving Commitments to be reallocated consistent with the plan of syndication and, to that end, the Existing Revolving Lenders hereby transfer and assign a portion of their Revolving Commitments, and the New Revolving Lenders hereby receive, Revolving Commitments as more particularly described below and as set out in Schedule 2.1 attached hereto.

2.2 Master Assignment and Assumption. For an agreed consideration, the Existing Revolving Lenders, as assignors, hereby irrevocably sell and assign to the New Revolving Lenders, as assignees, and the New Revolving Lenders hereby irrevocably purchase and assume from the Existing Revolving Lenders, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date as contemplated herein (i) all of the Existing Revolving Lenders' rights and obligations as a Revolving Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified in Schedule 2.1 hereto, of all of such outstanding rights and obligations of the Existing Revolving Lenders under the Revolving Credit Facility (including, without limitation, Letters of Credit, Guarantees and Swing Line Loans included in such facility) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Existing Revolving Lenders (in their capacity as Revolving Lenders) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing including, but not limited to contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interests"). Such sale and assignment is without recourse to the Existing Revolving Lenders and, except as expressly provided in the assignment and assumption provided hereby, without representation or warranty by the Existing Revolving Lenders. The New Revolving Lenders acknowledge receipt of a copy of the Credit Agreement.

SECTION 3. TRANCHE A TERM LOAN COMMITMENTS.

3.1 Establishment of the Tranche A Term Loan Commitments. The Tranche A Term Loan Commitments are hereby established in an aggregate principal amount of \$300 million in accordance with the provisions of subsections (b), (d) and (f) of Section 2.01 of the Credit Agreement. Each of the Tranche A Term Lenders hereby severally, and not jointly, agrees to provide the amount of its Tranche A Term Loan Commitment on October 16, 2006 as set forth on Schedule 2.01 attached hereto. To that end, Section 2.1(b) of the Credit Agreement is hereby amended to read as follows:

“(b) Tranche A Term Loan. On October 16, 2006, each of the Tranche A Term Lenders severally and not jointly agrees to make its portion of the Tranche A Term Loan (in the amount of its Tranche A Term Loan Commitment) to the Borrower in Dollars in a single advance in an aggregate principal amount of THREE HUNDRED MILLION DOLLARS (\$300,000,000). Amounts repaid on the Tranche A Term Loan may not be reborrowed. The Tranche A Term Loan may consist of Base Rate Loans or Eurodollar Rate Loans, as further provided herein.”

3.2 Interest and Repayment. The Tranche A Term Loan will bear interest and will be repayable as provided in the Credit Agreement.

3.3 Representations. Each of the Tranche A Term Lenders (a) represents and warrants that it is either a commercial lender, other financial institution or other "accredited" investor (as defined in SEC Regulation D) that makes or acquires loans in the ordinary course of business and that it will make or acquire Loans for its own account in the ordinary course of business; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 7.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (c) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (e) agrees that, as of the date hereof, such Tranche A Term Lender (i) shall be a party to the Credit Agreement and the other Loan Documents, (ii) shall be a "Tranche A Term Lender" for all purposes of the Credit Agreement and the other Loan Documents, (iii) shall perform all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a "Lender" and a "Tranche A Term Lender" under the Credit Agreement and the other Loan Documents, (iv) shall have the rights and obligations of a Lender and a Tranche A Term Lender under the Credit Agreement and the other Loan Documents, (v) ratifies and approves all acts previously taken by the Collateral Agent on such Tranche A Term Lender's behalf and (f) agrees to waive the borrowing notice provisions of Section 2.02(a) of the Credit Agreement with respect to the advance of the Tranche A Term Loan on the date hereof.

3.4 Acknowledgment and Reaffirmation. The Borrower and the Guarantors acknowledge and agree that each of the Tranche A Term Lenders shall (i) be a party to the Credit Agreement and the other Loan Documents, (ii) be "Lender" and a "Tranche A Term Lender" for all purposes under the Credit Agreement and the other Loan Documents, and (iii) have all the rights and obligations of a Lender and a Tranche A Term Lender under the Credit Agreement and the other Loan Documents. Further, each of the Guarantors acknowledges that the Tranche A Term Loan is part of the "Obligations" that are guaranteed in Section 4.01 of the Credit Agreement, and each of the Guarantors hereby reaffirms its guaranty obligations in respect thereof.

SECTION 4. TRANCHE B TERM LOAN COMMITMENTS.

4.1 Establishment of the Tranche B Term Loan Commitments. The Tranche B Term Loan Commitments are hereby established in an aggregate principal amount of \$500 million in accordance with the provisions of subsections (c), (d) and (g) of Section 2.01 of the Credit Agreement. Each of the Tranche B Term Lenders hereby severally, and not jointly, agrees to provide the amount of its Tranche B Term Loan Commitment on October 16, 2006 as set forth on Schedule 2.01 attached hereto. To that end, Section 2.01(b) of the Credit Agreement is hereby amended to read as follows:

"(b) Tranche B Term Loan. On October 16, 2006, each of the Tranche B Term Lenders severally and not jointly agrees to make its portion of the Tranche B Term Loan (in the amount of its Tranche B Term Loan Commitment) to the Borrower in Dollars in a single advance in an aggregate principal amount of FIVE HUNDRED MILLION DOLLARS (\$500,000,000). Amounts repaid on the Tranche B Term Loan may not be reborrowed. The Tranche B Term Loan may consist of Base Rate Loans or Eurodollar Rate Loans, as further provided herein."

4.2 Interest and Repayment. The Tranche B Term Loan will bear interest and will be repayable as provided in the Credit Agreement.

4.3 Representations. Each of the Tranche B Term Lenders (a) represents and warrants that it is either a commercial lender, other financial institution or other “accredited” investor (as defined in SEC Regulation D) that makes or acquires loans in the ordinary course of business and that it will make or acquire Loans for its own account in the ordinary course of business; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 7.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (c) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (e) agrees that, as of the date hereof, such Tranche B Term Lender (i) shall be a party to the Credit Agreement and the other Loan Documents, (ii) shall be a “Tranche B Term Lender” for all purposes of the Credit Agreement and the other Loan Documents, (iii) shall perform all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a “Lender” and a “Tranche B Term Lender” under the Credit Agreement and the other Loan Documents, (iv) shall have the rights and obligations of a Lender and a Tranche B Term Lender under the Credit Agreement and the other Loan Documents, (v) ratifies and approves all acts previously taken by the Collateral Agent on such Tranche B Term Lender’s behalf and (f) agrees to waive the borrowing notice provisions of Section 2.02(a) of the Credit Agreement with respect to the advance of the Tranche B Term Loan on the date hereof.

4.4 Acknowledgment and Reaffirmation. The Borrower and the Guarantors acknowledge and agree that each of the Tranche B Term Lenders shall (i) be a party to the Credit Agreement and the other Loan Documents, (ii) be “Lender” and a “Tranche B Term Lender” for all purposes under the Credit Agreement and the other Loan Documents, and (iii) have all the rights and obligations of a Lender and a Tranche B Term Lender under the Credit Agreement and the other Loan Documents. Further, each of the Guarantors acknowledges that the Tranche B Term Loan is part of the “Obligations” that are guaranteed in Section 4.01 of the Credit Agreement, and each of the Guarantors hereby reaffirms its guaranty obligations in respect thereof.

SECTION 5 MISCELLANEOUS

5.1 Conditions Precedent. The making of the Tranche A Term Loan and the Tranche B Term Loan are subject to satisfaction of each of the following conditions precedent:

(a) no Default shall have occurred or be continuing or shall result after giving effect to the Term Loans;

(b) the conditions to Credit Extensions in Section 5.02 shall have been satisfied;

(c) the Borrower will provide (i) a compliance certificate from a Responsible Officer confirming that no Default shall exist immediately before or immediately after giving effect to the Term Loans and demonstrating compliance with the financial covenants hereunder after giving effect to the Term Loans, and (ii) supporting resolutions, legal opinions, promissory notes and other items as may be reasonably required by the Administrative Agent and the Tranche A Term Lender or the Tranche A Term Lenders, as appropriate;

(d) to the extent reasonably necessary in the judgment of the Administrative Agent, amendments to each of the Collateral Documents, if any, and related documents or agreements shall have been made, in each case in a manner satisfactory to the Administrative Agent;

(e) evidenced that the proceeds of the Term Loans will be used to fund the Asbestos PI Trust and other payments required under the Reorganization Plan and to pay transaction costs, fees and expenses incurred in connection with the Credit Agreement and the transactions contemplated thereby and hereby; and

(f) the aggregate principal amount of the Term Loans and the Plan Notes will be at least \$775 million and, if applicable, the Administrative Agent shall have received a copy, certified by a Responsible Officer of the Borrower as true and complete, of the Plan Note Indenture as originally executed and delivered, together with all exhibits and schedules thereto.

5.2 Notice Address. Unless otherwise indicated to the Administrative Agent in writing, the address that each New Revolving Lender, Tranche A Term Lender and Tranche B Term Lender provided in its Administrative Questionnaire delivered to the Administrative Agent will be the address for the respective New Revolving Lender, Tranche A Term Lender and Tranche B Term Lender, as appropriate, for purposes of all notices and other communications under the Credit Agreement and other Loan Documents.

5.3 Full Force and Effect. Except as expressly modified hereby, all of the terms and provisions of the Credit Agreement and other Loan Documents (including schedules and exhibits) shall remain in full force and effect.

5.4 Expenses. The Borrower agrees to pay all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Agreement, including the reasonable fees and expenses of Moore & Van Allen, PLLC.

5.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Delivery by any party hereto of an executed counterpart of this Agreement by facsimile shall be effective as such party's original executed counterpart.

5.6 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed by a duly authorized officer as of the date first above written.

EXISTING REVOLVING LENDERS: BANK OF AMERICA, N.A., as an Existing Revolving Lender

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as an Existing Revolving Lender

By: _____
Name:
Title:

BARCLAYS BANK PLC, as an Existing Revolving Lender

By: _____
Name:
Title:

NEW REVOLVING LENDERS:

TRANCHE A TERM LENDERS: BANK OF AMERICA, N.A., as a Tranche A Term Lender

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as a Tranche A Term Lender

By: _____
Name:
Title:

BARCLAYS BANK PLC, as a Tranche A Term Lender

By: _____
Name:
Title:

TRANCHE B TERM LENDERS: BANK OF AMERICA, N.A., as a Tranche B Term Lender

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as a Tranche B Term Lender

By: _____
Name:
Title:

Signature Pages
Lender Joinder Agreement
AWI — October 16, 2006

BORROWER:

ARMSTRONG WORLD INDUSTRIES, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

GUARANTORS:

ARMSTRONG REALTY GROUP, INC.
a Pennsylvania corporation
ARMSTRONG VENTURES, INC.,
a Delaware corporation
ARMSTRONG WOOD PRODUCTS, INC.
a Delaware corporation
AWI LICENSING COMPANY,
a Delaware corporation
ARMSTRONG HARDWOOD FLOORING COMPANY,
a Tennessee corporation
WORLDWIDE KITCHENS, INC.,
a Tennessee corporation
HOMERWOOD HARDWOOD FLOORING COMPANY,
a Delaware corporation

By: _____
Name:
Title:

For each of the foregoing

ACKNOWLEDGED, ACCEPTED AND AGREED:

BANK OF AMERICA, N.A., as Administrative Agent

By: _____
Name:
Title:

BANK OF AMERICA, N.A., as an L/C Issuer

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as an L/C Issuer

By: _____
Name:
Title:

BANK OF AMERICA, N.A., as Swing Line Lender

By: _____
Name:
Title:

Signature Pages
Lender Joinder Agreement
AWI — October 16, 2006



Schedule 2.1
Schedule of Lenders and Commitments
(including Assignment of Revolving Commitments)

Annex I
STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties .

1.1. Assignor . The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee . The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets the requirements to be an assignee under Section 11.06(b)(iii), (v) and (vi) of the Credit Agreement (subject to such consents, if any, as may be required under Section 11.06(b)(iii) of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 7.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, and (vii) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments . From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions . This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York applicable to agreements made and to be performed entirely within such state.

REVOLVING NOTE

October 2, 2006

FOR VALUE RECEIVED, ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation (the "Borrower"), hereby promises to pay to BANK OF AMERICA, N.A. or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Revolving Loan from time to time made by the Lender to the Borrower under that certain Credit Agreement (as amended, modified, supplemented and extended from time to time, the "Credit Agreement"), dated as of October 2, 2006, among the Borrower, the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Loan from the date of such Revolving Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars and in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Revolving Note is one of the Revolving Notes referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Revolving Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. Revolving Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Revolving Note and endorse thereon the date, amount, currency and maturity of its Revolving Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and nonpayment of this Revolving Note.

THIS REVOLVING NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

[SIGNATURE PAGE FOLLOWS]

AMENDMENT NO. 1

THIS AMENDMENT NO. 1, dated as of February 2, 2008 (this "Amendment"), of that certain Credit Agreement referenced below is by and among Armstrong World Industries, Inc., a Pennsylvania corporation (the "Borrower"), the Lenders identified on the signature pages hereto and Bank of America, N.A., as Administrative Agent. Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Credit Agreement.

WITNESSETH

WHEREAS, a \$300 million revolving credit facility, \$300 million pro rata term loan and \$500 million institutional term loan have each been established in favor of the Borrower pursuant to the terms of that certain Credit Agreement dated as of October 2, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the Lenders, and Bank of America, N.A., as Administrative Agent;

WHEREAS, the Borrower has requested certain modifications to the terms of the Credit Agreement; and

WHEREAS, the Lenders have agreed to the requested modifications on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Amendments to Credit Agreement. The Credit Agreement is amended as follows:

1.1 In Section 1.01 (Defined Terms) of the Credit Agreement, the pricing grid set forth in the definition of "Applicable Rate" is amended to read as follows:

<u>Pricing Tier</u>	<u>Consolidated Leverage Ratio</u>	<u>Commitment Fee</u>	<u>Letters of Credit</u>	<u>Eurodollar Rate Loans</u>	<u>Base Rate Loans</u>
1	≥3.50:1	0.500%	2.25%	2.25%	1.25%
2	≥3.00:1 but <3.50:1	0.500%	2.00%	2.00%	1.00%
3	≥2.00:1 but <3.00:1	0.375%	1.75%	1.75%	0.75%
4	≥1.00:1 but <2.00:1	0.200%	1.50%	1.50%	0.50%
5	<1.00:1	0.175%	1.25%	1.25%	0.25%

1.2 Section 7.11 (Use of Proceeds) of the Credit Agreement is amended to read as follows:

7.11 Use of Proceeds.

Use the proceeds of the Credit Extensions (a) to fund payments under the Reorganization Plan and (b) to finance working capital, capital expenditures and other lawful corporate purposes (including the funding of Special Distributions (as defined in Section 8.06(c)); provided that in no event shall the proceeds of the Credit Extensions be used in contravention of any Law or of any Loan Document.

1.3 Section 8.06 (Restricted Payments) of the Credit Agreement is amended by deleting the “and” at the end of subsection (b) and amending subsection (c) and incorporating a new subsection (d), in each case to read as follows:

(c) the Borrower may declare and make other Restricted Payments in any fiscal year in an amount not exceed the sum of (i) \$25,000,000 plus (ii) an amount equal to the difference of (A) twenty-five percent (25%) of cumulative Consolidated Net Income earned after the Closing Date minus (B) the aggregate amount of Restricted Payments in excess of \$25,000,000 in any fiscal year after the Closing Date (but excluding Special Distributions for purposes hereof), with unused amounts in any fiscal year being carried over to succeeding fiscal years; and

(d) so long as no Event of Default shall exist immediately before or after giving effect thereto, the Borrower may make special Restricted Payments (“Special Distributions.”) in an aggregate amount of up to \$500,000,000 at any time on or before February 28, 2009; provided that if the Borrower makes Special Distributions, the Borrower shall not make any Restricted Payments pursuant to subsection (c) above until after February 28, 2009.

1.4 Section 8.11 (Financial Covenants) of the Credit Agreement is amended incorporating a new subsection (c) to read as follows:

(c) Minimum Liquidity. Permit as of the end of any fiscal quarter of the Borrower minimum liquidity of the Borrower and its Domestic Subsidiaries to be less than \$100 million, which may be comprised of a combination of unrestricted readily-available domestic cash and Cash Equivalents and undrawn Revolving Commitments, but only to the extent that, if drawn, the Borrower would be in compliance with the financial covenants under this Section 8.11 after giving effect thereto on a Pro Forma Basis.

2. Conditions Precedent. This Amendment shall become effective upon prior or simultaneous satisfaction of the following conditions, in form and substance reasonably satisfactory to the Administrative Agent:

(a) receipt by the Administrative Agent of executed copies of the consent and direction letter to this Amendment from the Required Lenders;

(b) receipt by the Administrative Agent of executed copies of the signature pages to this Amendment from the Loan Parties;

(c) receipt by the Administrative Agent of favorable opinions of (i) Weil, Gotshal & Manges LLP, legal counsel to the Loan Parties, and (ii) in-house counsel to the Loan Parties with respect to Pennsylvania law, in each case, addressed to the Administrative Agent and each Lender, dated as of the date of this Amendment, and in form and substance satisfactory to the Administrative Agent;

(d) receipt by the Administrative Agent of the following, each of which shall be originals or facsimiles (followed promptly by originals), in form and substance satisfactory to the Administrative Agent and its legal counsel:

(i) copies of the Organization Documents of each Loan Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation or organization, where applicable, and certified by a secretary or assistant secretary of such Loan Party to be true and correct as of the date of this Amendment, unless a Responsible Officer of the Borrower certifies in a certificate that the Organization Documents previously delivered to the Administrative Agent in connection with the Credit Agreement have not been amended, supplemented or otherwise modified and remain in full force and effect as of the date hereof;

(ii) incumbency certificates identifying the Responsible Officers of the Loan Parties who are authorized to execute this Amendment and related documents and to act on the Loan Parties' behalf in connection with this Agreement and the Credit Documents, unless a Responsible Officer of the Borrower certifies in a certificate that the incumbency certificates previously delivered to the Administrative Agent in connection with the Credit Agreement have not been amended, supplemented or otherwise modified and remain in full force and effect as of the date hereof.

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Amendment; and

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and is validly existing, and in good standing in its state of organization or formation;

(e) payment of an amendment fee, for the benefit of each Lender consenting to this Amendment, in an amount equal to 0.25% of the aggregate Commitments of each such consenting Lender and all other fees (including all reasonable fees, expenses and disbursements of Moore & Van Allen PLLC) due in connection herewith, which fees shall be deemed fully earned and due and payable on the effective date of this Amendment.

3. Effectiveness of Amendment. Upon satisfaction of the condition precedent set forth in Section 2 hereof, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment.

4. Representations and Warranties; Defaults. The Borrower affirms that upon authorization by the Board of Directors of this Amendment, the following:

(a) all necessary action by the Loan Parties to authorize the execution, delivery and performance of this Amendment has been taken;

(b) after giving effect to this Amendment, the representations and warranties set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the date hereof (except those which expressly relate to an earlier period); and

(c) after giving effect to this Amendment, no Default or Event of Default shall exist.

5. Full Force and Effect. Except as modified hereby, all of the terms and provisions of the Credit Agreement and the other Loan Documents (including schedules and exhibits thereto) shall remain in full force and effect.

6. Affirmation of Liens and Security Interests. The Loan Parties hereby affirm the liens and security interests created and granted in the Loan Documents and agree that this Amendment is not intended to, nor shall it, adversely affect or impair such liens and security interests in any manner.

7. Expenses. The Loan Parties agree to pay all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including the reasonable fees and expenses of Moore & Van Allen, PLLC.

8. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and it shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart.

9. Governing Law. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York applicable to agreements made and to be performed entirely within such state.

Schedule of Participating Directors and Officers

The Company has entered into indemnification agreements with its directors including, Stan A. Askren, Jon A. Boscia, James J. Gaffney, Judith R. Haberkorn, James J. O'Connor and John J. Roberts and certain of its officers including, Michael D. Lockhart, Stephen F. McNamara, Jeffrey D. Nickel and Frank J. Ready.

Schedule of Participating Directors and Officers

The Company has entered into indemnification agreements with its directors including, David Bonderman, Kevin Burns, James C. Melville, Edward E. Steiner and certain of its officers including, Thomas B. Mangas.

January 8, 2010

PERSONAL & CONFIDENTIAL

Frank J. Ready
AFP Americas

Subject: 2010 Compensation

Dear Frank:

The Management Development and Compensation Committee approved the following compensation changes for you effective January 1, 2010.

Base Salary:

Your annualized base salary will increase 11% to \$500,000.

Annual Incentive Target:

Your Management Achievement Plan target will increase from 70% to 75%, for an annual target of \$375,000.

Long-Term Incentive:

Your long-term incentive target will increase from 180% to 200%, for a target award value of \$1,000,000 starting with the February 2010 grant. In addition, the Committee granted you a Restricted Stock Award. This award consists of 12,500 shares of time-based Restricted Stock of Armstrong World Industries, Inc. and is made under the Company's 2006 Long-Term Incentive Plan; the award will be granted effective January 8, 2010.

Restrictions will lapse on this Restricted Stock Award on December 31, 2012. If Armstrong makes cash dividend payments during this period, you will accrue an amount equal to the dividend payment in a non-interest bearing account. You will receive a cash payment for the accrued dividends when the restrictions lapse on the underlying Restricted Stock Award.

Shares of AWI stock will be distributed to you when the restriction period expires. The Company will use share tax withholding to satisfy your tax obligations unless you decide to remit payment for all applicable taxes.

The Internal Revenue Code (Section 83(b)) provides the option to pay the federal income tax now rather than when the restrictions lapse. You should consult with your personal tax advisor on the merits and risks of making an 83(b) election.

You would forfeit unvested shares and accrued dividends in the event of voluntary or involuntary resignation, retirement, or termination for willful, deliberate, or gross misconduct. Shares automatically vest in the event of long-term disability or death.

Cash Retention:

You will receive two cash retention payments for a total of \$1,500,000. The first payment of \$1,000,000 will be made to you on January 1, 2012 and the second payment of \$500,000 will be made on January 1, 2013. The payments will not be counted for purposes of benefit determination. If you are involuntarily terminated for reasons other than unacceptable performance or misconduct prior to the scheduled payment dates, you will receive the full retention payment. However, if your employment with the Company ends prior to the payment date because of your resignation or other voluntary termination, you will not receive the payments.

Frank, we are committed to retaining the key employees who are vital to the successful future of our business. I hope this personalized recognition conveys my appreciation for your many contributions and acknowledges your importance to Armstrong.

Sincerely,

/s/ Michael D. Lockhart

Michael D. Lockhart
Chairman & CEO

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(AMOUNTS IN MILLIONS EXCEPT FOR PER-SHARE DATA)

	Year Ended December 31,		
	2009	2008	2007
Basic earnings per share			
Net earnings	\$ 77.7	\$ 81.0	\$ 145.3
Net earnings allocated to non-vested share awards	(0.4)	(0.6)	(1.6)
Net earnings attributable to common shares	\$ 77.3	\$ 80.4	\$ 143.7
Basic weighted average number of common shares outstanding	56.8	56.4	56.1
Basic earnings per share	\$ 1.36	\$ 1.42	\$ 2.56
Diluted earnings per share			
Net earnings	\$ 77.7	\$ 81.0	\$ 145.3
Net earnings allocated to non-vested share awards	(0.4)	(0.6)	(1.6)
Net earnings attributable to common shares	\$ 77.3	\$ 80.4	\$ 143.7
Basic weighted average number of common shares outstanding	56.8	56.4	56.1
Weighted average number of common shares issuable under stock option or unvested stock grants	0.2	—	—
Diluted weighted average number of common shares outstanding	57.0	56.4	56.1
Diluted earnings per share	\$ 1.36	\$ 1.42	\$ 2.56

**Subsidiaries of Armstrong World Industries, Inc.
As of December 31, 2009**

The following is a list of subsidiaries of Armstrong World Industries, Inc., omitting certain subsidiaries, which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

<u>U.S. Subsidiaries</u>	<u>Jurisdiction of Incorporation</u>
Armstrong Cork Finance LLC	Delaware
Armstrong NW LLC	Delaware
Armstrong Hardwood Flooring Company	Tennessee
Armstrong Realty Group, Inc.	Pennsylvania
Armstrong Ventures, Inc.	Delaware
Armstrong Wood Products, Inc.	Delaware
Armstrong World Industries (Delaware) LLC	Delaware
AWI Licensing Company	Delaware
HomerWood Hardwood Flooring Company	Delaware
Patriot Flooring Supply, Inc.	Delaware
Worthington Armstrong Venture (50% owned Delaware General Partnership)	
<u>Non-U.S. Subsidiaries</u>	<u>Jurisdiction of Incorporation</u>
Armstrong (U.K.) Investments	United Kingdom
Armstrong Architectural Products S.L.	Spain
Armstrong Building Products B.V.	Netherlands
Armstrong Building Products Company (Shanghai) Ltd. (80% owned affiliate)	PRC
Armstrong Building Products GmbH	Germany
Armstrong DLW AG	Germany
Armstrong DLW Licensing GmbH	Germany
Armstrong Metal Ceilings Limited	United Kingdom
Armstrong Metalldecken AG	Switzerland
Armstrong Metalldecken GmbH	Austria
Armstrong Metalldecken Holdings AG	Switzerland
Armstrong World Industries (Australia) Pty. Ltd.	Australia
Armstrong World Industries AB	Sweden
Armstrong World Industries Canada Ltd.	Canada
Armstrong World Industries Holding GmbH	Germany
Armstrong World Industries Ltd.	United Kingdom

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Armstrong World Industries, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-138034 and 333-154765) on Form S-8 of Armstrong World Industries, Inc. of our reports dated February 26, 2010, with respect to the consolidated balance sheets of Armstrong World Industries, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of earnings, equity, and cash flows for each of the years in the three-year period ended December 31, 2009, and related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2009, which reports appear in the December 31, 2009 annual report on Form 10-K of Armstrong World Industries, Inc.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 26, 2010

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Worthington Armstrong Venture:

We consent to the incorporation by reference in the registration statement (Nos. 333-138034 and 333-154765) on Form S-8 of Armstrong World Industries, Inc. of our report dated February 19, 2010, with respect to the consolidated balance sheets of Worthington Armstrong Venture and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of income, partners' equity (deficit) and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009, which report is included in the December 31, 2009 annual report on Form 10-K of Armstrong World Industries, Inc.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 19, 2010

ARMSTRONG WORLD INDUSTRIES, INC.
CERTIFICATION REGARDING
POWER OF ATTORNEY

I, Jeffrey D. Nickel, Senior Vice President, Secretary and General Counsel of Armstrong World Industries, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, do hereby certify that at a meeting of the Board of Directors of said corporation duly held on the 26th day of February, 2010, at which a quorum was present and acting throughout, the following resolution was adopted and is now in full force and effect.

RESOLVED that the execution of the Company's 2009 Annual Report on Form 10-K on behalf of the Company and by members of the Board of Directors through respective powers of attorney granting Michael D. Lockhart, Jeffrey D. Nickel and Michele M. Nicholas the power to sign on their behalf is authorized.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said corporation this 26th day of February, 2010.

/s/ Jeffrey D. Nickel
Jeffrey D. Nickel
Senior Vice President, Secretary and
General Counsel

ARMSTRONG WORLD INDUSTRIES, INC.**POWER OF ATTORNEY**

RE: 2009 ANNUAL REPORT ON FORM 10-K

I, Michael D. Lockhart, as a Director of Armstrong World Industries, Inc., do hereby constitute and appoint, JEFFREY D. NICKEL or, in the case of his absence or inability to act as such, MICHELE M. NICHOLAS, my agent, to sign in my name and on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and any amendments thereto, to be filed by the Company with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, with the same effect as if such signature were made by me personally.

/s/ Michael D. Lockhart

Michael D. Lockhart

Dated: February 26, 2010

Each of the undersigned hereby constitutes and appoints, MICHAEL D. LOCKHART or, in the case of his absence or inability to act as such, JEFFREY D. NICKEL or, in the case of his absence or inability to act as such, MICHELE M. NICHOLAS, as attorney-in-fact, for her or for him, to sign the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and any amendments thereto, to be filed by the Company with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, with the same effect as if each signed personally.

Pursuant to the Securities and Exchange Act of 1934, as amended, this Report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Stan A. Askren	Director	February 25, 2010
David Bonderman	Director	February 25, 2010
Jon A. Boscia	Director	February 25, 2010
Kevin Burns	Director	February 26, 2010
James J. Gaffney	Director	February 26, 2010
Judith R. Haberkorn	Director	February 25, 2010
James C. Melville	Director	February 26, 2010
James J. O'Connor	Director	February 25, 2010
John J. Roberts	Director	February 25, 2010
Edward E. Steiner	Director	February 25, 2010

I, Michael D. Lockhart, certify that:

- 1) I have reviewed this report on Form 10-K of Armstrong World Industries, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) or 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 26, 2010

/s/ Michael D. Lockhart
Michael D. Lockhart
Chairman and Chief Executive Officer

I, Thomas B. Mangas, certify that:

- 1) I have reviewed this report on Form 10-K of Armstrong World Industries, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) or 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 26, 2010

/s/ Thomas B. Mangas
Thomas B. Mangas
Senior Vice President and Chief Financial Officer

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

Armstrong World Industries, Inc.
(the "Company")

Written Statement by Chief Executive Officer
Pursuant to Section 906 of Sarbanes-Oxley Act of 2002

I certify to the best of my knowledge and belief that the Company's Form 10-K annual report containing its financial statements for the fiscal year ended December 31, 2009 fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, and that information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Company as of that date.

/s/ Michael D. Lockhart

Michael D. Lockhart
Chairman and Chief Executive Officer
Armstrong World Industries, Inc.

Dated: February 26, 2010

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

Armstrong World Industries, Inc.
(the "Company")

Written Statement by Chief Financial Officer
Pursuant to Section 906 of Sarbanes-Oxley Act of 2002

I certify to the best of my knowledge and belief that the Company's Form 10-K annual report containing its financial statements for the fiscal year ended December 31, 2009 fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, and that information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Company as of that date.

/s/ Thomas B. Mangas

Thomas B. Mangas
Senior Vice President and Chief Financial Officer
Armstrong World Industries, Inc.

Dated: February 26, 2010

WORTHINGTON ARMSTRONG VENTURE

Consolidated Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

WORTHINGTON ARMSTRONG VENTURE

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Independent Auditors' Report

The Board of Directors
Worthington Armstrong Venture:

We have audited the accompanying consolidated balance sheets of Worthington Armstrong Venture and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of income, partners' equity (deficit) and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Worthington Armstrong Venture and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 19, 2010

WORTHINGTON ARMSTRONG VENTURE

Consolidated Balance Sheets

December 31, 2009 and 2008

(in thousands)

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 48,797	50,284
Accounts receivable, net	27,819	33,946
Inventory, net	31,560	46,636
Other current assets	<u>1,843</u>	<u>1,595</u>
Total current assets	110,019	132,461
Property, plant, and equipment, net	33,657	30,081
Goodwill	2,245	2,230
Other assets	<u>323</u>	<u>461</u>
Total assets	<u>\$ 146,244</u>	<u>165,233</u>
Liabilities and Partners' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 11,178	12,745
Accrued expenses	5,493	6,837
Taxes payable	<u>670</u>	<u>2,024</u>
Total current liabilities	<u>17,341</u>	<u>21,606</u>
Long-term liabilities:		
Deferred income taxes	181	583
Long-term debt	150,000	150,000
Other long-term liabilities	<u>4,454</u>	<u>6,204</u>
Total long-term liabilities	<u>154,635</u>	<u>156,787</u>
Total liabilities	<u>171,976</u>	<u>178,393</u>
Partners' equity (deficit):		
Contributed capital	—	—
Retained earnings	—	—
Distributions in excess of earnings and contributions	(27,339)	(13,117)
Accumulated other comprehensive income (loss)	<u>1,607</u>	<u>(43)</u>
Total partners' equity (deficit)	<u>(25,732)</u>	<u>(13,160)</u>
Total liabilities and partners' equity (deficit)	<u>\$ 146,244</u>	<u>165,233</u>

See accompanying notes to consolidated financial statements.

WORTHINGTON ARMSTRONG VENTURE

Consolidated Statements of Income

Years ended December 31, 2009, 2008, and 2007

(in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net sales	\$ 307,938	421,836	379,988
Cost of sales	<u>(189,083)</u>	<u>(261,664)</u>	<u>(245,061)</u>
Gross margin	118,855	160,172	134,927
Selling, general, and administrative expenses	<u>(23,441)</u>	<u>(27,349)</u>	<u>(22,310)</u>
	95,414	132,823	112,617
Other income	254	108	114
Interest income	120	1,501	2,162
Interest expense	<u>(2,005)</u>	<u>(3,965)</u>	<u>(4,400)</u>
Income before income tax expense	93,783	130,467	110,493
Income tax expense	<u>(1,005)</u>	<u>(5,022)</u>	<u>(3,450)</u>
Net income	<u>\$ 92,778</u>	<u>125,445</u>	<u>107,043</u>

See accompanying notes to consolidated financial statements.

WORTHINGTON ARMSTRONG VENTURE

Consolidated Statements of Partners' Equity (Deficit) and Comprehensive Income

Years ended December 31, 2009, 2008, 2007, and 2006

(in thousands)

	Contributed capital		Retained earnings	Distributions in excess of earnings and contributions	Accumulated other comprehensive income (loss)	Total partners' equity (deficit)	Comprehensive income
	Armstrong Ventures, Inc.	The Worthington Steel Company					
Balance, December 31, 2006	\$ 12,925	9,713	127,757	—	2,555	152,950	\$ 107,998
Net income	—	—	107,043	—	—	107,043	\$ 107,043
Distributions	(100)	(100)	(234,800)	—	—	(235,000)	—
Change in funded status of pension plan	—	—	—	—	252	252	252
Foreign currency translation adjustments	—	—	—	—	3,625	3,625	3,625
Balance, December 31, 2007	\$ 12,825	9,613	—	—	6,432	28,870	\$ 110,920
Net income	—	—	125,445	—	—	125,445	\$ 125,445
Distributions	(12,825)	(9,613)	(125,445)	(13,117)	—	(161,000)	—
Change in funded status of pension plan	—	—	—	—	(2,217)	(2,217)	(2,217)
Foreign currency translation adjustments	—	—	—	—	(4,258)	(4,258)	(4,258)
Balance, December 31, 2008	—	—	—	(13,117)	(43)	(13,160)	\$ 118,970
Net income	—	—	92,778	—	—	92,778	\$ 92,778
Distributions	—	—	(92,778)	(14,222)	—	(107,000)	—
Change in funded status of pension plan	—	—	—	—	528	528	528
Foreign currency translation adjustments	—	—	—	—	1,122	1,122	1,122
Balance, December 31, 2009	\$ —	—	—	(27,339)	1,607	(25,732)	\$ 94,428

See accompanying notes to consolidated financial statements.

WORTHINGTON ARMSTRONG VENTURE

Consolidated Statements of Cash Flows

Years ended December 31, 2009, 2008, and 2007

(in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:			
Net income	\$ 92,778	125,445	107,043
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,711	3,648	3,276
Deferred income taxes	(414)	69	53
Change in accounts receivable	6,209	11,714	974
Change in inventory	15,276	(11,385)	3,632
Change in accounts payable and accrued expenses	(2,989)	(7,491)	(400)
Other	<u>(2,779)</u>	<u>(1,367)</u>	<u>(547)</u>
Net cash provided by operating activities	<u>111,792</u>	<u>120,633</u>	<u>114,031</u>
Cash flows from investing activities:			
Purchases of property, plant, and equipment	(7,380)	(6,272)	(5,051)
Sale of property, plant, and equipment	<u>282</u>	<u>75</u>	<u>—</u>
Net cash used in investing activities	<u>(7,098)</u>	<u>(6,197)</u>	<u>(5,051)</u>
Cash flows from financing activities:			
Issuance of long-term debt	—	50,000	100,000
Distributions paid	(107,000)	(161,000)	(235,000)
Issuance costs related to debt	<u>—</u>	<u>—</u>	<u>(232)</u>
Net cash used in financing activities	<u>(107,000)</u>	<u>(111,000)</u>	<u>(135,232)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>819</u>	<u>(456)</u>	<u>1,531</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,487)</u>	2,980	<u>(24,721)</u>
Cash and cash equivalents at beginning of year	<u>50,284</u>	<u>47,304</u>	<u>72,025</u>
Cash and cash equivalents at end of year	<u>\$ 48,797</u>	<u>50,284</u>	<u>47,304</u>
Supplemental disclosures:			
Interest paid	\$ 2,391	4,530	2,590
Income taxes paid	3,876	3,423	3,937

See accompanying notes to consolidated financial statements.

WORTHINGTON ARMSTRONG VENTURE

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands)

(1) Description of Business

Worthington Armstrong Venture (the Company) is a general partnership, formed in June 1992, between Armstrong Ventures, Inc. (Armstrong), a subsidiary of Armstrong World Industries, Inc., and The Worthington Steel Company (Worthington), a Delaware corporation (a subsidiary of Worthington Industries, Inc.). Its business is to manufacture and market suspension systems for commercial and residential ceiling markets throughout the world. The Company has manufacturing plants located in the United States, France, Spain, the United Kingdom, the Peoples Republic of China, and India.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include management estimates and judgments, where appropriate. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amount of property, plant, and equipment and goodwill, valuation allowances for receivables and inventories, and assets and obligations related to employee benefits.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated.

(b) Revenue Recognition

The Company recognizes revenue from the sale of products when title transfers, generally on the date of shipment and collection of the relevant receivable is probable. At the time of shipment, a provision is made for estimated applicable discounts and losses that reduce revenue. Sales with independent U.S. distributors of products to major home center retailers are recorded when the products are shipped from the distributor's locations to these retailers.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from revenues in the consolidated statements of income.

(c) Advertising Costs

The Company recognizes advertising expense as incurred. Advertising expense was \$1,015, \$1,193, and \$970 for the years ended December 31, 2009, 2008, and 2007, respectively.

(d) Research and Development Expenditures

The Company recognizes research and development expense as expenditures are incurred. Total research and development expense was \$3,623, \$4,762, and \$3,734 for the years ended December 31, 2009, 2008, and 2007, respectively.

(e) Taxes

The Company is a general partnership in the United States, and accordingly, generally, U.S. federal and state income taxes are the responsibility of the two general partners. Deferred income tax assets and liabilities are recognized for foreign subsidiaries for taxes estimated to be payable in future years based upon differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are determined using enacted rates expected to apply to taxable

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Notes to Consolidated Financial Statements

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(in thousands)

income in the years the temporary differences are expected to be recovered or settled. In connection with the adoption of FASB *Accounting Standards Update (ASU) No. 2009-06* as of January 1, 2009, and following the guidance in FASB Accounting Standards Codification (ASC) Topic 740 — *Income Taxes*, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of ASU No. 2009-06, the Company recognized the effect of income tax positions only if such positions were probable of being sustained.

(f) Cash and Cash Equivalents

Short-term cash investments that have maturities of three months or less when purchased are considered to be cash equivalents.

(g) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses, current receivables aging, and existing industry and national economic data. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

(h) Inventories

Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

(i) Long-Lived Assets

Property, plant, and equipment are stated at cost, with accumulated depreciation and amortization deducted to arrive at net book value. Depreciation charges are determined generally on the straight-line basis over the useful lives as follows: buildings, 30 years; machinery and equipment, 5 to 15 years; and leasehold improvements over the shorter of 10 years or the life of the lease. Impairment losses are recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If an impairment exists, the asset is reduced to fair value.

(j) Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. Goodwill is tested for impairment at least annually. The impairment tests performed in 2009, 2008, and 2007 did not result in an impairment of the Company's goodwill.

(k) Foreign Currency Translation and Transactions

For subsidiaries with functional currencies other than the U.S. dollar, income statement items are translated into dollars at average exchange rates throughout the year and balance sheet items are translated at year-end exchange rates. Gains or losses on foreign currency transactions are

WORTHINGTON ARMSTRONG VENTURE

Notes to Consolidated Financial Statements

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(in thousands)

recognized in other income, net in the accompanying consolidated statements of income. Gains and losses on foreign translation are recognized in accumulated other comprehensive income in the accompanying consolidated balance sheets.

(3) Accounts Receivable

The Company sells its products to select, preapproved customers whose businesses are directly affected by changes in economic and market conditions. The Company considers these factors and the financial condition of each customer when establishing its allowance for losses from doubtful accounts. The allowance for doubtful accounts was \$862 and \$223 at December 31, 2009 and 2008, respectively.

(4) Inventory

	<u>2009</u>	<u>2008</u>
Finished goods	\$ 13,176	20,288
Goods in process	59	139
Raw materials	14,935	22,997
Supplies	<u>3,390</u>	<u>3,212</u>
Total inventories	<u>\$ 31,560</u>	<u>46,636</u>

(5) Property, Plant, and Equipment

	<u>2009</u>	<u>2008</u>
Land	\$ 1,942	1,911
Buildings	15,014	13,536
Machinery and equipment	73,105	66,714
Computer software	1,069	733
Construction in process	<u>3,800</u>	<u>5,706</u>
	94,930	88,600
Accumulated depreciation and amortization	<u>(61,273)</u>	<u>(58,519)</u>
Total property, plant, and equipment, net	<u>\$ 33,657</u>	<u>30,081</u>

Depreciation and amortization expense was \$3,711, \$3,648, and \$3,276 in 2009, 2008, and 2007, respectively.

(6) Goodwill

Goodwill increased (decreased) by \$15, \$(48), and \$237 during 2009, 2008, and 2007, respectively, due to foreign currency translation.

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(in thousands)

(7) Fair Value of Financial Instruments

The Company does not hold or issue financial instruments for trading purposes.

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair value due to the short-term maturity of these instruments. The carrying value of debt approximates fair value as the debt carries a variable interest rate.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Assets measured at fair value on a recurring basis are summarized below:

	Quoted active markets (Level 1)	
	2009	2008
Assets:		
Money market investments (included within cash and cash equivalents)	\$ 22,905	22,004
	<u>\$ 22,905</u>	<u>22,004</u>

The Company adopted the section within ASC Topic 820 — *Fair Value Measurements and Disclosures* that relates to determining the fair value of non-financial assets and liabilities as of January 1, 2009. This did not have a material impact on the financial statements.

The Company does not have any significant financial or nonfinancial assets or liabilities that are valued using Level 2 or 3 inputs.

(8) Debt

In May 2007, the Company amended the line-of-credit facility to extend the credit agreement to May 2012 and to increase the line of credit to \$150 million. The revolving line of credit is unsecured. At December 31, 2009 and 2008, there was \$150 million outstanding on this line of credit. The amount outstanding bears interest ranging from 0.79%-1.76% and 1.97%-3.97% at December 31, 2009 and 2008, respectively.

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(in thousands)

The line of credit contains certain restrictive financial covenants, including, among others, interest coverage and leverage ratios, as well as restrictions on dividends. The Company was in compliance with its covenants as of December 31, 2009 and 2008.

(9) Pension Benefit Programs

The Company contributes to the Worthington deferred profit sharing plan for eligible U.S. employees. Cost for this plan was \$824, \$1,138, and \$901 for 2009, 2008, and 2007, respectively.

The Company contributes to government-related pension programs in a number of foreign countries. The cost for these plans amounted to \$329, \$296, and \$209 for 2009, 2008, and 2007, respectively.

The Company also has a U.S. defined benefit pension plan for eligible hourly employees that worked in its former manufacturing plant located in Malvern, Pennsylvania. This plan was curtailed in January 2004 due to the consolidation of the Company's East Coast operations, which eliminated the expected future years of service for participants in the plan.

The Company has included the required disclosures related to the adoption of ASC Topic 715 - *Compensation — Retirement Benefits* during 2009.

The following table sets forth the defined benefit pension plan's benefit obligations, fair value of plan assets, and funded status at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Projected benefit obligation at beginning of year	\$ 8,683	8,703
Interest cost	507	511
Actuarial (gain) loss	(19)	111
Benefits paid	<u>(735)</u>	<u>(642)</u>
Projected benefit obligation at end of year	<u>\$ 8,436</u>	<u>8,683</u>
	<u>2009</u>	<u>2008</u>
Benefit obligation at December 31	\$ 8,436	8,683
Fair value of plan assets as of December 31	<u>5,531</u>	<u>5,321</u>
Funded status at end of year	<u>\$ (2,905)</u>	<u>(3,362)</u>
Amounts recognized in the balance sheets consist of:		
Other long-term liabilities	\$ (2,905)	(3,362)
Accumulated other comprehensive loss	3,845	4,373

Amounts recognized in accumulated other comprehensive loss represent unrecognized net actuarial losses.

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(in thousands)

The components of net periodic benefit cost (benefit) are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interest cost	\$ 507	511	498
Expected return on plan assets	(411)	(584)	(596)
Recognized net actuarial loss	247	209	203
Net periodic benefit cost	<u>\$ 343</u>	<u>136</u>	<u>105</u>

The accumulated benefit obligation for the U.S. defined benefit plan was \$8,436 and \$8,683 at December 31, 2009 and 2008, respectively.

The net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$130.

Weighted average assumptions used to determine benefit obligations for the years ended and as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Weighted average assumptions for the year ended December 31:		
Discount rate	6.10%	5.85%
Expected long-term rate of return on plan assets	8.00	8.00
Weighted average assumptions as of December 31:		
Discount rate	6.10%	6.10%
Expected long-term rate of return on plan assets	8.00	8.00

Pension plan assets are required to be disclosed at fair value in the consolidated financial statements. Fair value is defined in note 7 — Fair Value of Financial Instruments.

The U.S. defined benefit pension plan asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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(in thousands)

The following table sets forth by level within the fair value hierarchy a summary of the plan's assets measured at fair value on a recurring basis as of December 31, 2009:

	<u>Fair value</u>	<u>2009</u>	
		<u>Fair value based on</u>	
		<u>Quoted active</u>	<u>Observable</u>
		<u>markets</u>	<u>inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>
Investment:			
Cash and money market funds	\$ 340	340	—
Corporate bonds	716	—	716
U.S. government and agency issues	684	—	684
Common stocks	<u>3,791</u>	<u>3,791</u>	<u>—</u>
	<u>\$ 5,531</u>	<u>4,131</u>	<u>1,400</u>

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Cash : Consists of cash and cash equivalents. The carrying amounts of cash and cash equivalents approximate fair value due to the short-term maturity of these instruments.

Money market funds : The money market investment consists of an institutional investor money market fund, valued at the fund's net asset value (NAV), which is normally calculated at the close of business daily. The fund's assets are valued as of this time for the purpose of computing the fund's NAV.

Corporate bonds and U.S. government and agency issues : Consist of investments in individual corporate bonds or government bonds. These bonds are each individually valued using a yield curve model, based on observable inputs, that may also incorporate available trade and bid/ask spread data where available.

Common stocks : Consist of investments in common stocks that are valued at the closing price reported on the active market on which the individual security is traded.

In developing the 8% expected long-term rate of return assumption, the Company considered its historical returns and reviewed asset class return expectations and long-term inflation assumptions.

The primary investment objective of the defined benefit pension plan is to achieve long-term growth of capital in excess of 8% annually, exclusive of contributions or withdrawals. This objective is to be achieved through a balanced portfolio comprising equities, fixed income, and cash investments.

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(in thousands)

Each asset class utilized by the defined benefit pension plan has a targeted percentage. The following table shows the asset allocation target and the December 31, 2009 and 2008 position:

	Target weight	Position at December 31	
		2009	2008
Equity securities	65%	69%	64%
Fixed income securities	35	25	31
Cash and equivalents	—	6	5

The Company made contributions of \$271 and \$58 to the U.S. defined benefit pension plan in 2009 and 2008, respectively. There were no contributions made in 2007. The Company expects to contribute \$300 to the plan in 2010.

The benefits expected to be paid in each of the next five years and in the aggregate for the five years thereafter are shown in the following table:

Expected future payments for the year ending December 31:	
2010	\$ 638
2011	630
2012	625
2013	626
2014	611
2015 - 2019	2,950

The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2009.

(10) Income Taxes

The Company is a general partnership in the United States, and accordingly, generally, U.S. federal and state income taxes are the responsibility of the two general partners. Therefore, no income tax provision has been recorded on U.S. income. There are no significant differences between the statutory income tax rates in foreign countries where the Company operates and the income tax provision recorded in the income statements. No deferred taxes, including withholding taxes, have been provided on the unremitted earnings of foreign subsidiaries as the Company's intention is to invest these earnings permanently.

Deferred tax balances recorded on the balance sheets relate primarily to depreciation, tax-deductible goodwill, and accrued expenses. In 2009, the provision for income tax expense (benefit) was \$1,005 comprising \$1,391 current and \$(386) deferred. In 2008, the provision for income tax expense (benefit) was \$5,022 comprising \$5,078 current and \$(56) deferred. In 2007, the provision for income tax expense was \$3,450 comprising \$3,292 current and \$158 deferred.

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(in thousands)

The Company adopted the provisions of ASC Topic 740, *Income Taxes*, related to the accounting for uncertainties in income taxes on January 1, 2009. As a result of this implementation, the Company did not recognize any additional liabilities for unrecognized tax benefits.

The Company is open for tax examination by foreign taxing authorities for various jurisdictions from 2006-2009. We have no reserve related to these tax years.

(11) Leases

The Company rents certain real estate and equipment. Several leases include options for renewal or purchase and contain clauses for payment of real estate taxes and insurance. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rent expense during 2009, 2008, and 2007 amounted to \$2,418, \$2,473, and \$2,470, respectively.

Future minimum payments by year and in the aggregate for operating leases having noncancelable lease terms in excess of one year are as follows:

Year:	
2010	\$ 2,927
2011	2,627
2012	2,501
2013	2,487
2014	968
2015 thereafter	515
Total	<u>\$ 12,025</u>

(12) Accumulated Other Comprehensive Income

The balances for accumulated other comprehensive income are as follows:

	<u>2009</u>	<u>2008</u>
Foreign currency translation	\$ 5,452	4,330
Pension plan	<u>(3,845)</u>	<u>(4,373)</u>
Total accumulated other comprehensive income (loss)	<u>\$ 1,607</u>	<u>(43)</u>

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(in thousands)

(13) Related Parties

Armstrong provides certain selling, promotional, and administrative processing services to the Company for which it receives reimbursement. Armstrong purchases grid products from the Company, which are then resold along with Armstrong inventory to the customer.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Services provided by Armstrong	\$ 14,194	16,143	14,961
Sales to Armstrong	66,782	98,002	87,660

No amounts were owed to Armstrong as of December 31, 2009 or 2008. Armstrong owed the Company \$4,101 and \$2,797 for purchases of product for the same periods, respectively, which are included in accounts receivable.

Worthington provides certain administrative processing services, steel processing services, and insurance-related coverages to the Company for which it receives reimbursement.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administrative services by Worthington	\$ 435	474	436
Insurance-related coverage net premiums (refunds) by Worthington	456	(276)	272
Steel processing services by Worthington	1,536	2,215	2,076

The Company owed \$634 and \$294 to Worthington as of December 31, 2009 and 2008, respectively, which are included in accounts payable.

(14) Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

(15) Subsequent Events

Management has evaluated subsequent events through the date the annual consolidated financial statements were available to be issued, February 19, 2010.