

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

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<i>In re</i>	:	Chapter 11 Case No.
	:	
ARMSTRONG WORLD INDUSTRIES,	:	00-4471 (JKF)
INC., <i>et al.</i> ,	:	
	:	
Debtors.	:	(Jointly Administered)
	:	
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FINDINGS OF FACT AND CONCLUSIONS
OF LAW REGARDING CONFIRMATION OF THE
FOURTH AMENDED PLAN OF REORGANIZATION
OF ARMSTRONG WORLD INDUSTRIES, INC., AS MODIFIED

Armstrong World Industries, Inc. ("*AWI*"), as debtor and debtor in possession (the "*Debtor*"), having proposed and filed the Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., dated May 23, 2003 (as modified by the modifications filed on October 17, 2003, November 10, 2003 and December 3, 2004 (collectively, the "*Modifications*") the "*Plan*"),¹ and the Disclosure Statement in respect of the Fourth Amended Plan, dated June 2, 2003 (the "*Disclosure Statement*"); and the procedures for solicitation and tabulation of votes to accept or reject the Plan having been approved by the United States Bankruptcy Court for the District of Delaware (the "*Bankruptcy Court*") pursuant to an order dated April 21, 2003 (the "*Voting Procedures Order*"); and the Disclosure Statement having been approved by the Bankruptcy Court pursuant to an order dated June 4, 2003, as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code (the "*Disclosure Statement Order*"); and the Affidavit of Trumbull Associates LLC (f.k.a. Trumbull Services, LLC) ("*Trumbull*") Regarding Service by First

¹ Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan.

Class Mail of the Solicitation Materials Related to the Plan Pursuant to the Disclosure Statement Order, dated July 1, 2003 (the "*Trumbull Affidavit of Mailing*"), having been filed with the Bankruptcy Court, and the Affidavit of Service of Voting Documents by Innisfree M&A Incorporated ("*Innisfree*"), dated June 25, 2003 (the "*Innisfree Affidavit of Mailing*" and, together with the Trumbull Affidavit of Mailing, the "*Affidavits of Mailing*"), having been filed with the Bankruptcy Court; and the certificate of publications of Kathy Kinsella of Kinsella Communications, Ltd. (the "*Certificate of Publications*") attesting to the publication of the Confirmation Hearing Publication Notice and the Asbestos Publication Notice (as hereinafter defined) in accordance with the Voting Procedures Order having been filed with the Bankruptcy Court; and the Certification of Votes Tabulated by Trumbull (the "*Trumbull Certification*") and the Certification of Votes Tabulated by Innisfree (the "*Innisfree Certification*" and, together with the Trumbull Certification, the "*Certifications of Votes*") having been filed with the Bankruptcy Court on November 7, 2003; and AWI having filed with the Bankruptcy Court the affidavits in support of confirmation of the Plan of (i) William C. Rodruan, Vice President and Controller of AWI (the "*Rodruan Affidavit*"), (ii) Daniel L. Aronson, a Director of Lazard Frères & Co. LLC, ("*Lazard*"), financial advisors to AWI (the "*Aronson Affidavit*"), and (iii) Dean M. Trafelet, the Future Claimants' Representative (the "*Trafelet Affidavit*" and, together with the Rodruan Affidavit and the Aronson Affidavit, the "*Affidavits in Support of Plan Confirmation*") (collectively, with the Affidavits of Mailing, the Certificate of Publications, and the Certifications of Votes, "*AWI's Confirmation Documents*"); and each of the Objections (as hereinafter defined) other than the objection of the Unsecured Creditors' Committee (as hereinafter defined),

dated November 12, 2003, having been resolved, overruled or withdrawn prior to the hearing to consider confirmation of the Plan conducted by the Bankruptcy Court on November 17 and 18, 2003 (the "**Initial Confirmation Hearing**"); and, on December 19, 2003, the Bankruptcy Court having entered the *Proposed Findings of Fact and Conclusions of Law Regarding Confirmation of the Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., as Modified* (the "**Proposed Findings and Conclusions**") and the *Proposed Order Confirming the Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., as Modified* (the "**Proposed Confirmation Order**"); and on December 29, 2003, the Unsecured Creditors' Committee having filed an objection to the Proposed Findings and Conclusions (the "**Unsecured Creditors' Committee's Objection**") with the United States District Court for the District of Delaware (the "**District Court**"); and the District Court having conducted a hearing to consider the Unsecured Creditors' Committee's Objection on December 15, 2004; and on February 23, 2005, the District Court having issued a memorandum decision and order (the "**District Court Order**") denying confirmation of the Plan; and on March 4, 2005, AWI having filed a notice of appeal from the District Court Order with the United States Court of Appeals for the Third Circuit (the "**Third Circuit Appeal**"); and on December 29, 2005, the Third Circuit having issued an opinion affirming the District Court Order; and on February 8, 2006, the District Court having entered the Order (the "**Case Management Order**") Establishing Schedule with Respect to Hearing on Confirmation of the Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., as Modified; and pursuant to the Case Management Order, on February 21, 2006, AWI having filed the Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., as Modified

(the "*Modified Plan*"); and the District Court having conducted a hearing to consider confirmation of the Modified Plan on May 23, 24, 25, and July 11, 2006 (the "*Confirmation Hearing*"); and the District Court having reviewed and considered the Modified Plan, the Exhibit Volume filed with the Bankruptcy Court on September 5, 2003 (as modified and as may be modified from time to time, the "*Exhibit Volume*"), AWI's Confirmation Documents, the Disclosure Statement, the Disclosure Statement Order, and the entire record of the Initial Confirmation Hearing and the Confirmation Hearing, and the District Court being familiar with the Modified Plan and other relevant factors affecting AWI's chapter 11 case (the "*Chapter 11 Case*"); and the District Court having taken judicial notice of the entire record of the Chapter 11 Case since the Commencement Date; and the appearance of all interested parties having been duly noted in the record of the Confirmation Hearing; and the District Court having entered its decision and order, dated August 14, 2006 (the "*Unfair Discrimination Decision and Order*"), overruling the Unfair Discrimination Objection (as hereinafter defined); and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY FOUND, CONCLUDED, AND ADJUDGED, AS FOLLOWS:

FINDINGS OF FACT

**Prepetition Asbestos-Related
Personal Injury Litigation Against AWI**

1. Prior to the Commencement Date, AWI was named as a defendant in personal injury and wrongful death actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products.

2. During the three-year period immediately prior to its December 6, 2000 chapter 11 filing, AWI paid over \$500 million in settlement payments (including defense costs) on account of asbestos-related personal injury and wrongful death claims. As of September 30, 2000, approximately 173,000 asbestos-related personal injury and wrongful death claims were pending against AWI within the tort system in a multitude of jurisdictions. (Disclosure Statement, p. 17, Docket No. 4801).

**Prepetition Asbestos-Related
Property Damage Litigation Against AWI**

3. Prior to the Commencement Date, AWI was named as a defendant in 273 property damages cases seeking recovery for damages allegedly caused by the presence of asbestos-containing materials in plaintiffs' premises. Such claims generally were not the result of AWI's insulation installation contracting activities. Instead, those that were actively pursued against AWI concerned primarily resilient floor covering products manufactured and sold by AWI prior to 1983. (Disclosure Statement, p. 25, Docket No. 4801).

**Events Leading to the
Commencement of AWI's Chapter 11 Case**

4. On October 5, 2000, Owens Corning ("OC") filed for chapter 11 protection to address its asbestos liabilities. *In re Owens Corning, et al.*, Chapter 11 Case No. 00-03837 (JKF) (Bankr. D. Del.). Following the OC filing, AWI was unable to obtain a replacement credit facility with acceptable terms for its then-existing \$450 million credit facility due to expire on October 19, 2000. OC's chapter 11 filing raised additional concerns about the possibility of increased settlement demands of asbestos plaintiffs given that, prior to its filing, OC had been a major defendant in asbestos litigation. (Rodruan Affidavit, at ¶ 5).

5. On October 25, 2000, both Standard & Poors and Moody's Investors Services downgraded AWI's long-term debt rating, citing the reduction in committed credit facilities, prospects for weaker operating performance, and continued uncertainty surrounding AWI's asbestos personal injury liability as result of, among other things, OC's chapter 11 filing. (Rodruan Affidavit, at ¶ 6).

6. After October 25, 2000, AWI was unable to issue commercial paper and, instead, borrowed from its remaining \$450 million credit facility. As of December 6, 2000, approximately \$50 million of commercial paper was outstanding, and the entire \$450 million credit facility had been drawn and was outstanding. (Rodruan Affidavit, at ¶ 7).

Commencement of AWI's Chapter 11 Case

7. On December 6, 2000 (the "*Commencement Date*"), AWI and two of its wholly-owned direct and indirect subsidiaries, Nitram Liquidators, Inc. and Desseaux Corporation of North America (collectively, the "*Debtors*"), each commenced a case under chapter 11 of the Bankruptcy Code. (Debtors' Chapter 11 Petitions, Docket No. 1).

8. By previous order of the Bankruptcy Court, dated December 7, 2000, the chapter 11 cases of the Debtors are being jointly administered pursuant to Rule 1015 of the Federal Rules of Bankruptcy Procedure. (Debtors' Joint Administration Order, Docket No. 10).

9. AWI's chapter 11 case (the "*Chapter 11 Case*") originally was assigned to the Honorable Joseph J. Farnan, Jr., a United States District Court Judge for the District of Delaware. During the fourth quarter of 2001, the Third Circuit assigned District Court Judge Alfred M. Wolin of New Jersey to preside over the Chapter 11 Case in the

District of Delaware. The Third Circuit also assigned Judge Wolin to preside over four other asbestos-related chapter 11 cases pending in the District of Delaware (together with the Chapter 11 Case, the "*Five Asbestos Cases*"). Judge Wolin retained issues relating to asbestos personal injury claims and referred other asbestos related issues and bankruptcy related matters in the Chapter 11 Case to U.S. Bankruptcy Court Judge Randall J. Newsome.

10. Since the Commencement Date, the Debtors have continued to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

11. No trustee or examiner has been appointed in the Debtors' chapter 11 cases. On or about December 15, 2000, the United States Trustee for the District of Delaware (the "*U.S. Trustee*") appointed the Official Committee of Unsecured Creditors (the "*Unsecured Creditors' Committee*"), and the Official Committee of Asbestos Claimants (the "*Asbestos PI Claimants' Committee*"). (Notice of Appointment of Unsecured Creditors' Committee, Docket No. 90; Notice of Appointment of the Asbestos PI Claimants' Committee, Docket No. 91).

12. On or about July 19, 2001, the U.S. Trustee appointed the Official Committee of Asbestos Property Damage Claimants (the "*Asbestos PD Committee*"). (Notice of Appointment of Asbestos PD Committee, Docket No. 1075). The Asbestos PD Committee was disbanded as of September 18, 2003, pursuant to the terms of the Global Asbestos PD Settlement, which was approved by the Bankruptcy Court on August 25, 2003. (Order Approving Global Asbestos PD Settlement, Docket No. 5464).

13. On or about March 1, 2002, the Bankruptcy Court entered an order approving the appointment of Dean M. Trafelet as the legal representative for AWI's future asbestos personal injury claimants (the "*Future Claimants' Representative*," and together with the Unsecured Creditors' Committee and the Asbestos PI Claimants' Committee, the "*Committees*"). (Order Appointing Future Claimants' Representative, Docket No. 2096).

Negotiation of the Plan

14. Since the commencement of its Chapter 11 Case and promptly after achieving stabilization of its business operations, AWI engaged in extensive and continuing negotiations with the various constituents in the Chapter 11 Case in order to formulate a long-term business plan and, ultimately, to formulate, negotiate and propose a plan of reorganization. (Rodruan Affidavit, at ¶ 8).

15. On August 29, 2002, AWI and the representatives of the Committees appeared at a status conference before the District Court. At such status conference, the District Court requested that AWI file a plan of reorganization within 45 days. (Rodruan Affidavit, at ¶ 9).

16. Following such status conference, AWI focused its efforts, together with the Committees, on negotiating and working out the details of a comprehensive plan of reorganization that had the support of all the major constituencies in the Chapter 11 Case. These efforts involved substantial time and effort on the part of AWI, the Committees, and their respective professionals. (Rodruan Affidavit, at ¶ 10).

17. On October 17, 2002, AWI and the representatives of the Committees appeared at a subsequent status conference before the District Court. At such

status conference and after substantial negotiations, the parties reached agreement on the terms of a plan that had the support of the Committees. (Rodruan Affidavit, at ¶ 11). As a result of such agreement, on November 4, 2002, AWI filed the Plan of Reorganization of Armstrong World Industries, Inc. with the Bankruptcy Court (the “*Original Plan*”). (Docket No. 3313).

18. On December 20, 2002, AWI filed the proposed disclosure statement with respect to the Original Plan. (Docket No. 3313).

19. Subsequent to the filing of the Original Plan and proposed disclosure statement, AWI, the Committees and other parties in interest engaged in further negotiations in an effort to resolve a number of objections that arose in connection with approval of the disclosure statement, which resulted in AWI filing amended plans of reorganization on March 14, 2003 (the “*First Amended Plan*”), April 3, 2003 (the “*Second Amended Plan*”), and May 1, 2003 (the “*Third Amended Plan*”). (Docket No. 4241, No. 4414, and No. 4636, respectively).

20. Hearings to consider the adequacy of the Disclosure Statement were conducted by the Bankruptcy Court on February 28, 2003, April 4, 2003, May 5, 2003, and May 30, 2003 (collectively, the “*Disclosure Statement Hearing*”).

21. On May 23, 2003, AWI filed the Plan (Docket No. 4802) and the Disclosure Statement (Docket No. 4801) to, *inter alia*, address the comments made by the Bankruptcy Court at the Disclosure Statement Hearing and to make other agreed changes.

The Voting Procedures Order

22. On April 21, 2003, by the Voting Procedures Order, the Bankruptcy Court approved (i) solicitation and tabulation procedures and (ii) the forms of ballots and master ballots (collectively, the “*Ballots*”) to be used in connection with the solicitation of

votes to accept or reject the Plan (the "*Voting Procedures*"). (Voting Procedures Order, Docket No. 4564).

**The Disclosure Statement Order
and Solicitation of Votes on the Plan**

23. On June 2, 2003, by the Disclosure Statement Order, the Bankruptcy Court, among other things, (i) found that sufficient and timely notice of the Disclosure Statement Hearing was given in accordance with the Bankruptcy Rules and orders of the Bankruptcy Court and (ii) approved the Disclosure Statement as containing "adequate information" within the meaning of section 1125 of the Bankruptcy Code. (Disclosure Statement Order, Docket No. 4885).

24. The Disclosure Statement Order and the Voting Procedures established the record date for determining creditors entitled to vote on the Plan (the "*Voting Record Date*") as June 4, 2003.

25. The Disclosure Statement Order authorized and directed Trumbull and Innisfree (collectively, the "*Voting Agents*"), on behalf of AWI, to solicit acceptances and rejections of the Plan in a manner consistent with the Bankruptcy Code, the Bankruptcy Rules and in accordance with the procedures set forth in the Disclosure Statement Order and the Voting Procedures. (Disclosure Statement Order, Docket No. 4885).

26. In compliance with the Disclosure Statement Order and the Voting Procedures, AWI caused to be transmitted by first class mail, postage prepaid, to (i) each holder of a Claim against AWI listed in the schedules as of the Voting Record Date, (ii) each holder of a Claim represented by a proof of claim filed against AWI, (iii) each Entity listed on the schedules as a party to an executory contract or an unexpired lease with

AWI and any Entity listed as a party to any contract listed on Exhibit "8.1," "8.2" or "8.4" to the Plan, (iv) each holder of a Claim held by a Lender (as such term is defined in the Voting Procedures) as of the Voting Record Date, (v) each holder of record of the Equity Interests in AWI, (vi) all holders of Debt Security Claims and the holders of equity securities issued by Armstrong Holdings, Inc. ("*Holdings Equity Securities*"), in accordance with the procedures set forth in section 3.g of the Voting Procedures, and (vii) all known holders of Asbestos Personal Injury Claims and Indirect PI Trust Claims, in accordance with the procedures set forth in section 4 of the Voting Procedures, the following: (a) a copy of the Disclosure Statement and all exhibits thereto, including, without limitation, the Plan annexed thereto as Exhibit "A" and the Disclosure Statement Order annexed thereto as Exhibit "B;" (b) the Notice of (i) Approval of Disclosure Statement, (ii) Establishment of Record Date for Voting Purposes, (iii) Hearing to Consider Confirmation of the Plan, (iv) Procedures for Objecting to Confirmation of the Plan, and (v) Procedures and Deadline for Voting on the Plan (the "*Initial Confirmation Hearing Notice*"); and (c) if such holder was entitled, pursuant to the Disclosure Statement Order, to vote, an appropriate Ballot for each class in which such holder was entitled to vote and a pre-addressed return envelope for each such Ballot (collectively, a "*Solicitation Package*"). (Trumbull Affidavit of Mailing, at ¶ 3).

27. Pursuant to the Disclosure Statement Order, AWI was required to complete such transmittal on or before June 20, 2003 (except with respect to holders of Holdings Equity Securities as described below), and such transmittal was timely completed in accordance with the requirements of the Disclosure Statement Order. (Trumbull Affidavit of Mailing, at ¶ 2; Innisfree Affidavit of Mailing, at ¶ 3).

28. Pursuant to the terms of the Disclosure Statement Order, AWI was authorized and directed to cause a Solicitation Package to be served on the holders of Holdings Equity Securities by August 22, 2003. The record date for determining the holders of Holdings Equity Securities entitled to receive Solicitation Packages was set as August 15, 2003 (the "**Holdings Record Date**") (Rodruan Affidavit, at ¶ 11).

29. In accordance with the Disclosure Statement Order, AWI caused to be transmitted by first class mail, postage prepaid, a Solicitation Package (without a Ballot) to all holders of Holdings Equity Securities as of the Holdings Record Date, by August 22, 2003.

30. The Disclosure Statement Order authorized and directed AWI to provide or cause to be provided notice by publication (the "**Initial Confirmation Hearing Publication Notice**") of the approval of the Disclosure Statement, the Voting Deadline, the time and place of the Initial Confirmation Hearing, the time and date by which objections to confirmation of the Plan were required to be filed, and other pertinent information. (Disclosure Statement Order, Docket No. 4885).

31. The Initial Confirmation Hearing Publication Notice was published (i) twice in *The New York Times*, *The Wall Street Journal* and *USA Today* (weekday editions of the national edition), and (ii) once in each of the newspapers and trade publications set forth on Exhibits "E" and "F" to the Disclosure Statement Order, on the dates set forth next to the name of each such publication as set forth in paragraph 6 to the Certificate of Publications, in accordance with the Disclosure Statement Order. (Certificate of Publications, Docket No. 5309).

32. The Disclosure Statement Order authorized and directed AWI to provide or cause to be provided notice by publication to all unknown holders of Asbestos Personal Injury Claims (the "*Asbestos Publication Notice*") of the Voting Deadline, the Objection Deadline and other pertinent information relating to the Initial Confirmation Hearing and the solicitation of votes on the Plan. (Disclosure Statement Order, Docket No. 4885).

33. The Asbestos Publication Notice was published once in each of the publications listed in paragraph 5 to the Certificate of Publications on the dates set forth next to the name of each such publication. (Certificate of Publication, Docket No. 5309).

34. AWI's publication of the Initial Confirmation Hearing Publication Notice and the Asbestos Publication Notice complied in all material respects with the requirements of the Disclosure Statement Order and the Voting Procedures.

35. Written requests for Solicitation Packages were received from each of the persons or entities listed on Exhibit "A" to the Trumbull Certification, and Trumbull mailed by first-class mail, postage-prepaid, a Solicitation Package to each of the persons or entities listed on Exhibit "A" on or about the date specified next to the name of each such person or entity. (Trumbull Certification, at ¶ 7).

36. AWI's distribution of the Solicitation Packages complied with the requirements of the Disclosure Statement Order.

37. The Disclosure Statement Order (i) established the date and time by which all Ballots were required to be completed, executed, marked and actually received by the Voting Agents in order to be counted as timely acceptances or rejections of the Plan (the "*Original Voting Deadline*") as September 22, 2003, at 5:00 p.m., Wilmington,

Delaware time; (ii) established September 22, 2003, at 4:00 p.m., Wilmington, Delaware time, as the date and time for filing objections to confirmation of the Plan (the “*Objection Deadline*”); (iii) established October 24, 2003, at 4:00 p.m., Wilmington, Delaware time, as the last date and time for AWI, the DIP Lenders, the Prepetition Lenders, and the Committees to file responses to objections to confirmation (the “*Reply Deadline*”); and (iv) scheduled the Initial Confirmation Hearing to commence on November 17, 2003.

38. By order of the Bankruptcy Court dated September 24, 2003, the Original Voting Deadline was extended to 5:00 p.m., Wilmington, Delaware time, on October 17, 2003. (Order Extending Voting Deadline, Docket No. 5688). Thereafter, by order of the Bankruptcy Court dated October 11, 2003, the Original Voting Deadline was further extended to 5:00 p.m., Wilmington, Delaware time, on October 31, 2003 (the “*Voting Deadline*”). (Second Order Extending Voting Deadline, Docket No. 5797).

Filing of the Exhibit Volume

39. In accordance with Article I.B of the Plan, on September 5, 2003, AWI filed with the Bankruptcy Court the Exhibit Volume, which included draft forms of (i) the Amended and Restated Articles of Incorporation, (ii) the Amended and Restated By-Laws, (iii) the Asbestos PI Trust Agreement, (iv) the Asbestos PI Trust Distribution Procedures, (v) the Claims Settlement Guidelines, (vi) the New Long-Term Incentive Plan, (vii) the New Warrants, (viii) the Plan Note Indentures, (ix) the Stockholder and Registration Rights Agreement, (x) a list identifying the individuals appointed as Asbestos PI Trustees, (xi) a list identifying the proposed Board of Directors of Reorganized AWI, and (xii) lists of (a) any executory contracts and unexpired leases to be assumed pursuant to the Plan, (b) any executory contracts and unexpired leases to be rejected pursuant to the

Plan, and (c) previously listed executory contracts no longer considered executory, and (xiii) Management Agreements that AWI intends to enter into in connection with consummation of the Plan (of which there are none). (Exhibit Volume, Docket No. 5508).

40. In connection with filing the Modified Plan, on February 21, 2006, AWI filed revised exhibits to the Modified Plan. These exhibits included the following: (i) the Amended and Restated By-Laws, (ii) the Amended and Restated Articles of Incorporation, (iii) the Asbestos PI Trust Agreement, (iv) the Asbestos PI Trust Distribution Procedures, (v) the Claims Settlement Guidelines, (vi) the New Long-Term Incentive Plan, (vii) the Plan Note Indentures, (viii) the Stockholder and Registration Rights Agreement, (ix) a list identifying the individuals appointed as Asbestos PI Trustees, (xii) a list identifying the proposed Board of Directors of Reorganized AWI, and (xii) lists of (a) any executory contracts and unexpired leases to be assumed pursuant to the Plan, (b) any executory contracts and unexpired leases to be rejected pursuant to the Plan, and (c) previously listed executory contracts no longer considered executory. (Modified Plan, Docket No. 9116). *See, infra*, ¶ 64.

Classification of Claims and Equity Interests Under the Plan

41. The Plan designates the following classes of Claims and Equity Interests:

- Class 1 - Priority Claims
- Class 2 - Secured Claims
- Class 3 - Convenience Claims
- Class 4 - Asbestos Property Damage Claims
- Class 5 - COLI Claims
- Class 6 - Unsecured Claims other than Convenience Claims
- Class 7 - Asbestos Personal Injury Claims
- Class 8 - Environmental Claims
- Class 9 - Affiliate Claims
- Class 10 - Subsidiary Debt Guarantee Claims

- Class 11 - Employee Benefit Claims
- Class 12 - Equity Interests

(Plan, Article II).

42. The Plan defines a "Convenience Claim" as an Unsecured Claim (other than a Debt Security Claim) in the amount of \$10,000 or less or that is reduced to \$10,000 at the election of the Claimant. A holder of an Allowed Convenience Claim will be paid 75% of the Allowed Amount of its Allowed Convenience Claim in cash on the later of the Effective Date and as soon as practicable after such Convenience Claim becomes Allowed. (Plan, Section 1.48). As of the date of the Initial Confirmation Hearing, AWI estimated that approximately 2,050 holders of Unsecured Claims either have Convenience Claims or have elected to have their Unsecured Claims treated as Convenience Claims. (Rodruan Affidavit, at ¶ 13). The treatment of such claims as Convenience Claims enables AWI to avoid having to keep track of such Claims for purposes of making Distributions on each Distribution Date and to avoid having to issue small amounts of New Common Stock and Plan Notes (if issued) to such holders. (Rodruan Affidavit, at ¶ 13). Accordingly, the designation of a class of Convenience Claims (Class 3) is reasonable and necessary for administrative convenience. (Plan, Article II; Rodruan Affidavit, at ¶ 13).

43. All Claims within each class are substantially similar to the other Claims in that class, and the class of Equity Interests (Class 12) consists of a single holder of Equity Interests. (Plan, Article II; Rodruan Affidavit, at ¶ 14).

44. The classification scheme was not proposed to create a consenting impaired class or to manipulate class voting. (Plan, Article II; Rodruan Affidavit, at ¶ 14).

The Voting

45. Section 3.1 of the Plan identifies each of the following Classes as unimpaired under the Plan: Class 1 (Priority Claims), Class 2 (Secured Claims), Class 4 (Asbestos Property Damage Claims), Class 5 (COLI Claims), Class 9 (Affiliate Claims), Class 10 (Subsidiary Debt Guarantee Claims), and Class 11 (Employee Benefit Claims). Pursuant to section 1126(f) of the Bankruptcy Code, the holders of Claims in these Classes, and, therefore, these Classes, are conclusively presumed to have accepted the Plan.

46. Because of the Global Asbestos PD Settlement and the disallowance of other Asbestos Property Damage Claims, Class 4 no longer has any Claims in it. (Rodruan Affidavit, at ¶ 12). Class 8 currently is comprised solely of the claims of the United States Environmental Protection Agency (the “*EPA*”) arising under that certain Settlement Agreement, dated January 25, 2005 (the “*EPA Settlement Agreement*”), which was approved by the Bankruptcy Court on August 23, 2005. Because the EPA is receiving the treatment provided for it in the EPA Settlement Agreement, Class 8 is unimpaired.

47. The Voting Agents have made a final determination of the validity of, and tabulation respecting, all acceptances and rejections of the Plan by the impaired Classes of Claims and Equity Interests entitled to vote on the Plan, and the Certifications of Votes set forth such results, including the amount and number of Claims of each Class voting to accept or reject the Plan. The following summarizes, by each impaired Class, the voting on the Plan:

Class	\$ / % voting to Accept	\$ / % voting to Reject	# / % voting to Accept	# / % voting to Reject
Class 3	2,291,751/98.24%	41,029/1.76%	747/98.68%	10/1.32%
Class 6	266,151,238/23.21%	880,433,654/76.79%	1,646/88.03%	224/11.98%
Class 7	3,614,589,300/98.31%	62,114,300/1.69%	297,338/98.23%	5,351/1.77%
Class 12	40,255,499/100%	—	1/100%	—

Accordingly, each of impaired Classes 3 and 7 has accepted the Plan by at least two-thirds in amount and a majority in number of the Claims in each such Class actually voting. Class 6 has failed to accept the Plan because less than two-thirds in amount of Claims in Class 6 actually voting on the Plan voted to accept the Plan. These voting results apply to the Modified Plan as well. Although Class 12 originally voted to accept the Plan, because the holder of Equity Interests in Class 12 is not receiving or retaining any property under the Modified Plan, Class 12 is deemed to have rejected the Modified Plan.

48. Class 7 (Asbestos Personal Injury Claims) has voted by at least 75 percent (75%) of those voting in favor of the Plan. This vote also applies to the Modified Plan.

49. The determination of the Voting Agents with respect to the voting on the Plan validly and correctly sets forth the tabulation of votes, as required by the Bankruptcy Code, the Bankruptcy Rules, and the Disclosure Statement Order.

Modifications to the Plan

50. On October 17, 2003, November 10, 2003, and December 3, 2004, AWI filed the Modifications. Among other things, the Modifications (i) reflect the incorporation of the Term B Loan concept as part of AWI's exit financing facility,

(ii) clarify that, with respect to the 144A Offering, (a) if the 144A Offering Proceeds are less than the amounts required under the terms of the Plan, AWI will issue securities substantially similar to the 144A Debt Securities, and (b) the 144A Offering Proceeds are carved out of the definition of Available Cash under the Plan, (iii) reflect an agreement that AWI will not issue any floating rate notes unless such notes are issued on terms and conditions that are mutually satisfactory to AWI and the Committees, (iv) reflect an amendment to the definition of the Effective Date, (v) clarify the definition of Available Cash and the timing of the Distribution of Available Cash to the Asbestos PI Trust, (vi) provide for modifications to the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, which, among other things, preserve the ability of holders of Indirect PI Trust Claims to prove their Claims against the Asbestos PI Trust, and (vii) correct technical errors with respect to the agreements listed on Exhibits "8.1," "8.2," and "8.4" to the Plan.

51. Notice of the proposed Modifications was provided to the United States Trustee, the attorneys for the Committees, the attorneys for the Debtors' Prepetition Lenders, and all parties on the Debtors' Core Group Service List and All Notices List in these cases pursuant to the Bankruptcy Court's Order Establishing Case Management Procedures and Hearing Schedule, dated February 11, 2002 and the Bankruptcy Court's Revised Order Establishing Case Management Procedures and Hearing Schedule, dated May 26, 2004. The Modifications do not adversely affect the treatment of the Claim of any creditor or the Equity Interests of any equity security holder who has not accepted in writing the Modifications.

52. For a discussion of modifications reflected in the Modified Plan, see, *infra*, ¶¶ 64-65.

Objections to Confirmation of the Plan

53. By the Objection Deadline, objections to confirmation of the Plan (collectively, the “*Objections*”) were filed by the following parties:

- ACE USA Insurers (Docket No. 5633)
- Amchem Products, Inc., Certainteed Corp., Dana Corp., I.U. North America, Inc., Maremont Corp., National Service Industries, Inc., Nosroc Corp., Pfizer Inc., Quigley Co., Inc., and Union Carbide Corp. (the “*CCR Members*”)
- California Franchise Tax Board
- Center for Claims Resolution (“*CCR*”)
- Directly Affiliated Local Union 461, AFL-CIO (“*DALU 461*”)
- E.F.P. Floor Products Fussboeden GbmH, St. Johann in Tirol (Austria) (“*EFP*”)
- Georgia Department of Natural Resources
- John Crane, Inc.
- Liberty Property Holdings, L.P.
- Unsecured Creditors’ Committee (Conditional Objection)
- Safeco Insurance Company of America (“*Safeco*”)
- Solutia Inc.
- Travelers Indemnity Company and Travelers Casualty and Surety Company (“*Travelers*”)
- United States
- United States Department of Labor
- United States Gypsum Co. (“*USG*”)

- U.S. Trustee

After the Objection Deadline, objections were filed by Liberty Mutual Insurance Company (“*Liberty Mutual*”) and Bank One Trust Company, N.A., as indenture trustee (“*Bank One*”). In addition, after the Objection Deadline, on November 12, 2003, the Unsecured Creditors’ Committee filed a Memorandum of Law of the Official Committee of Unsecured Creditors in Opposition to Confirmation of the Debtors’ Fourth Amended Plan of Reorganization (the “*November 12 Objection*”). In response to a motion by AWI, dated November 14, 2003, seeking entry of an order pursuant to Bankruptcy Rules 9006 and 3020 striking certain objections contained in the November 12 Objection, the Bankruptcy Court entered a separate order striking certain objections contained in the November 12 Objection. The objections by Liberty Mutual and Bank One, and the remaining objections in the November 12 Objection are included within the scope of the term “Objections” as used herein.

54. In accordance with the Disclosure Statement Order, AWI filed a reply to the Objections (the “*Reply*”) by the Reply Deadline and served the Reply on all entities required to be served so that such entities actually received the Reply by the Reply Deadline.

55. The Objections of the ACE USA Insurers, Liberty Property Holdings, L.P., the U.S. Trustee, the California Franchise Tax Board, the CCR Members, CCR, DALU 461, EFP, Georgia Department of Natural Resources, John Crane, Inc., Safeco, Solutia Inc., Travelers, the United States, the United States Department of Labor, Liberty Mutual, and USG have been withdrawn. The Objection of Bank One and the

remaining objections in the November 12 Objection were overruled by the Bankruptcy Court at the Initial Confirmation Hearing.

The Initial Confirmation Hearing

56. Pursuant to section 524(g)(3) of the Bankruptcy Code, one of the requirements for a valid Asbestos PI Permanent Channeling Injunction is that “the order confirming the plan of reorganization was issued or affirmed by the district court that has jurisdiction over the reorganization case” 11 U.S.C § 524(g)(3). The Bankruptcy Code and the Bankruptcy Rules do not specify the precise procedure for having the District Court “issue or affirm” the confirmation order. Consequently, courts have adopted different approaches for addressing district court review and approval of plans that contain asbestos “524(g) injunctions.” In AWI’s case, AWI requested that the District Court and Bankruptcy Court preside jointly over the hearing on confirmation of the Plan because that would provide the most expeditious means for AWI to emerge from chapter 11. Accordingly, the Initial Confirmation Hearing was scheduled to commence on November 17, 2003 in the District Court, with both Judge Wolin and Judge Newsome presiding jointly.

57. On October 10, 2003, however, creditors in *In re Owens Corning, et al.*, Chapter 11 Case No. 00-03837 (JKF) (Bankr. D. Del.), filed a motion seeking to recuse District Judge Wolin from further participation in the OC case on the grounds that certain court appointed consultants advising Judge Wolin in the Five Asbestos Cases did not qualify as “disinterested” because these consultants also actively represent future asbestos personal injury claimants in another asbestos chapter 11 case pending in the Third Circuit. The recusal motion was followed by the filing of an Emergency Petition for a Writ of Mandamus with the Third Circuit on October 24, 2003. Motions were subsequently filed

in certain other of the Five Asbestos Cases seeking similar relief. On November 5, 2003, the District Court issued an order staying all matters pending before it in the Five Asbestos Cases, as well as its participation in any matters pending before the Bankruptcy Court.

58. The Bankruptcy Court agreed to go forward with the previously scheduled Initial Confirmation Hearing absent the participation of the District Court, and, on November 17 and 18, 2003, the Bankruptcy Court conducted the Initial Confirmation Hearing. On December 19, 2003, the Bankruptcy Court issued the Proposed Findings and Conclusions and a Proposed Confirmation Order. (Docket No.'s 6255 and 6256, respectively).

59. Because of the statutory conditions for issuance of the Asbestos P1 Permanent Channcling Injunction that forms the core of the Plan, however, confirmation of the Plan remained subject to entry of a final Confirmation Order by the District Court.

**The Unsecured Creditors' Committee's
Objection and the Third Circuit Appeal**

60. On December 29, 2003 the Unsecured Creditors' Committee filed with the District Court the Unsecured Creditors' Committee's Objection – its objections to the Proposed Findings and Conclusions issued by the Bankruptcy Court. No other objections to the Proposed Findings and Conclusions or to the Proposed Confirmation Order were filed. Pursuant to a stipulation that was approved by the Bankruptcy Court on January 15, 2004, responses to the Unsecured Creditors' Committee's Objection were required to be filed and served by February 13, 2004. On February 13, 2004, AWI, together with the Asbestos P1 Claimants' Committee and the Future Claimants' Representative, filed a joint response to the Unsecured Creditors' Committee's Objection.

61. On February 23, 2005, the District Court issued the District Court Order denying confirmation of the Plan on the ground that the Plan failed to satisfy section 1129(b) of the Bankruptcy Code because (i) Class 6, the class of general unsecured creditors, voted to reject the Plan, and (ii) the Plan provided for the distribution of warrants to the class of Equity Interest Holders (who are junior to the unsecured creditors who voted to reject the Plan). On March 4, 2005, AWI initiated the Third Circuit Appeal. On December 29, 2005, the Third Circuit issued an opinion affirming the District Court Order.

Filing of the Modified Plan

62. On February 3, 2006, AWI and the representatives of the Committees appeared at a status conference before the District Court. At such status conference, AWI and the representatives of the Committees made a joint motion for entry of an order establishing a schedule for a hearing before the District Court on confirmation of the Modified Plan.

63. On February 8, 2006, the Court entered the Case Management Order. Among other things, the Case Management Order (i) established May 23, 2006 as the date for the hearing to consider confirmation of the Plan, (ii) established a discovery schedule in connection therewith, and (iii) provided that the District Court would preside over the Confirmation Hearing.

64. In accordance with the Case Management Order, on February 21, 2006, AWI filed the Modified Plan with the Bankruptcy Court, together with updated versions of the Plan Exhibits. (Docket No. 9116). The Modified Plan (i) deletes provisions in the Plan relating to the issuance of warrants to the holder of AWI's Equity Interests, (ii) updates the Amended and Restated Articles of Incorporation and the

Amended and Restated By-Laws to reflect the passage of time and certain modifications to Pennsylvania law, (iii) updates the list identifying the proposed Board of Directors of Reorganized AWI,² and (iv) updates the schedules of executory contracts annexed to the Plan (the “*Updated Contract Schedules*”) to reflect the passage of time and the effect of the Bankruptcy Court’s Order Pursuant to Bankruptcy Rules 2002(a)(7) and 3003(c)(3) (I) Fixing a Final Date for Filing Proofs of Claim Relating to Certain Contracts and Leases and (II) Approving the Proposed Forms of Proof of Claim and Notice (Docket No. 8594). The modifications reflected in the Modified Plan do not adversely affect the treatment of the Claim of any creditor who has not accepted in writing such modifications. Such modifications are included in the scope of the term “*Modifications*” as used hereinafter.

65. Aside from the modifications described above, the Modified Plan does not otherwise substantively revise the Plan. Because, pursuant to the Modified Plan, no distribution shall be made in respect of the Equity Interests in AWI, Class 12 is impaired and deemed to reject the Modified Plan. AWI has not (and is not required to have) solicited votes to accept or reject the Modified Plan. As used hereinafter, the term “*Plan*” shall refer to the Modified Plan.

66. Pursuant to the Case Management Order, and in accordance with the agreement reached among AWI, the Asbestos PI Claimants’ Committee, the Future Claimants’ Representative and the Unsecured Creditors’ Committee, which is the only

² Exhibit 7.21 identifies three (3) of the individuals proposed to serve on the Board of Directors of Reorganized AWI. The exhibit further provides that (i) four (4) additional directors would be nominated jointly by the Official Asbestos Claimants’ Committee and the Future Claimants’ Representative and disclosed at or before the Confirmation Hearing, and (ii) two (2) additional directors would be nominated by the Unsecured Creditors’ Committee and disclosed at or before the Confirmation Hearing. Such disclosure was made at the Confirmation Hearing.

party that had an outstanding objection to the Plan, the sole objection that would be considered at the Confirmation Hearing is the Unsecured Creditors' Committee's contention that the Plan discriminates unfairly with respect to Class 6 under 11 U.S.C. § 1129(b) (the "*Unfair Discrimination Objection*"). The Unsecured Creditors' Committee, however, reserved the right to seek an order of the District Court suspending the Confirmation Hearing or denying confirmation of the Plan based upon the prospect of the likely passage of the Fairness in Asbestos Injury Resolution Act, although any party in interest shall have the right to object to any such request. The Unsecured Creditors' Committee did not seek such an order. Other than as expressly set forth above in this paragraph 66, all other objections of the Unsecured Creditors' Committee to confirmation of the Plan were waived or withdrawn, with prejudice. Pursuant to the Unfair Discrimination Decision and Order, the District Court overruled the Unfair Discrimination Objection.

67. In compliance with the Disclosure Statement Order, the Voting Procedures, and the Case Management Order, AWI caused to be transmitted by first class mail, postage prepaid, notice of entry of the Case Management Order, the filing of the Modified Plan, the time and place of the Confirmation Hearing, and other pertinent information (the "*Confirmation Hearing Notice*") to (i) each holder of a Claim against AWI listed in the schedules as of the Voting Record Date, (ii) each holder of a Claim represented by a proof of claim filed against AWI, (iii) each Entity listed on the Updated Contract Schedules set forth in Exhibits "8.1," "8.2" or "8.4" to the Plan, (iv) each holder of a Claim held by a Lender (as such term is defined in the Voting Procedures) as of the Voting Record Date, (v) each holder of record of the Equity Interests in AWI, (vi) all

holders of Holdings Equity Securities, in accordance with the procedures set forth in section 3.g of the Voting Procedures, (vii) counsel to all known holders of Asbestos Personal Injury Claims and Indirect PI Trust Claims, and (viii) individual holders of Asbestos Personal Injury Claims that completed and submitted a ballot with respect to the Plan. [Trumbull Affidavit, Docket No. 9157].

68. AWI provided or caused to be provided notice by publication (the “*Confirmation Hearing Publication Notice*”) of entry of the Case Management Order, the filing of the Modified Plan, the time and place of the Confirmation Hearing, and other pertinent information. The Confirmation Hearing Publication Notice was published (i) twice in *The New York Times*, *The Wall Street Journal* and *USA Today* (weekday editions of the national edition), and (ii) once in each of the newspapers and trade publications as set forth in items 6 and 7 of the Affidavit of Katherine Kinsella, dated May 19, 2006 [Docket No. 9445].

**The Asbestos PI
Permanent Channeling Injunction**

69. The Plan establishes the Asbestos PI Trust, to which all Asbestos Personal Injury Claims are being channeled.

70. The identities of the proposed trustees of the Asbestos PI Trust were disclosed (i) in Exhibit 7.2 of the Exhibit Volume and (ii) at the Initial Confirmation Hearing and, to the extent modified, at the Confirmation Hearing, and are as follows: Paul Knutti, Anne Ferazzi, Thomas Tully, Lewis Sifford, and Harry Huge. (Trafelet Affidavit, at ¶ 23). The identities of the proposed members of the Trustees’ Advisory Committee (the “*TAC*”) were disclosed at the Initial Confirmation Hearing and, to the extent modified,

at the Confirmation Hearing, and are as follows: John D. Cooney, Russell W. Budd, Steven Kazan, Joseph F. Rice, and Perry Weitz. (Trafelet Affidavit, at ¶ 25).

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

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

73. Section 1.91 of the Plan sets forth the identities of the PI Protected Parties. Pursuant to Section 1.91(i)(iv) of the Plan, Travelers Casualty & Surety Co., Century Indemnity Co., Central National Insurance Company of Omaha, and International Insurance Company, shall be entitled to protection as PI Protected Parties. The identity of each PI Protected Party is readily identifiable (by name or as part of an identifiable group) from the terms of the Plan and the Asbestos PI Permanent Channeling Injunction (which is contained and set forth in the Confirmation Order). Specifically, the Asbestos PI Permanent Channeling Injunction provides that it covers the following parties and such parties are within the definition of the term PI Protected Parties:

- a. AWI;
- b. Reorganized AWI;
- c. Holdings;
- d. AWWD;
- e. any Affiliate;

- f. Interface Solutions, Inc., a corporation organized under the laws of Delaware, but only to the extent that Interface Solutions, Inc. is alleged to be directly or indirectly liable for the conduct of, Claims against, or Demands on AWI, Reorganized AWI, or the Asbestos PI Trust on account of Asbestos Personal Injury Claims;
- g. any Entity that, pursuant to the Plan or after the Effective Date, becomes a direct or indirect transferee of, or successor to, any assets of AWI, Reorganized AWI, or the Asbestos PI Trust (but only to the extent that liability is asserted to exist by reason of it becoming such a transferee or successor);
- h. any Entity that, pursuant to the Plan or after the Effective Date, makes a loan to Reorganized AWI or the Asbestos PI Trust or to a successor to, or transferee of, any assets of AWI, Reorganized AWI or the Asbestos PI Trust (but only to the extent that liability is asserted to exist by reason of such Entity becoming such a lender or to the extent of any pledge of assets made in connection with such a loan is sought to be upset or impaired);
and
- i. any Entity to the extent he, she, or it is alleged to be directly or indirectly liable for the conduct of, Claims against, or Demands on AWI, Reorganized AWI or the Asbestos PI Trust on account

of Asbestos Personal Injury Claims by reason of one or more of the following:

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

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

AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), any predecessor in interest of AWI or Reorganized AWI, or any Entity that owns or at any time has owned a financial interest in AWI or Reorganized AWI, any past or present affiliate of AWI or Reorganized AWI (other than ACandS, Inc. f/k/a Armstrong Contracting and Supply Corp.), or any predecessor in interest of AWI or Reorganized AWI.

74. In light of the benefits provided, or to be provided, to the Asbestos PI Trust on behalf of each PI Protected Party, the Asbestos PI Permanent Channeling Injunction is fair and equitable with respect to the persons that might subsequently assert Asbestos Personal Injury Claims against any PI Protected Party. (Trafelet Affidavit, at ¶ 8).

75. At the time of the order for relief with respect to AWI, AWI had been named as a defendant in personal injury, wrongful death, and property damage actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products. (Rodruan Affidavit, at ¶ 4).

76. The Asbestos PI Trust, as of the Effective Date, will assume the liabilities of AWI with respect to Asbestos Personal Injury Claims. (Section 1.4 of the Asbestos PI Trust Agreement, Exhibit Volume, Docket No. 9116, Tab 3). Upon such assumption, Reorganized AWI shall have no liability for any Asbestos Personal Injury Claim.

77. Pursuant to Section 10.1 of the Plan, on the later of the Effective Date and the date by which all the Asbestos PI Trustees have executed the Asbestos PI Trust Agreement, AWI will transfer to the Asbestos PI Trust the Asbestos PI Insurance Asset and additional consideration, pursuant to the formula set forth in Section 10.1 of the Plan, consisting of New Common Stock, Available Cash, and Plan Notes and/or 144A Offering Proceeds.³ Accordingly, the Asbestos PI Trust will be funded in whole or in part by securities of Reorganized AWI and by the obligation of Reorganized AWI to make future payments, including dividends.

78. Pursuant to Section 10.1 of the Plan, the Asbestos PI Trust will own, as of the Effective Date (or a date thereafter in accordance with section 10.1 of the Plan), 65.57% of the New Common Stock of Reorganized AWI. Accordingly, the Asbestos PI Trust is to own, or by the exercise of rights granted under the Plan would be entitled to own if specified contingencies occur, a majority of the voting shares of Reorganized AWI.

³ With respect to the timing of the transfer of assets to the Asbestos PI Trust, section 10.1 of the Plan further provides as follows:

Notwithstanding the foregoing, if (x) AWI intends to complete a 144A Offering and the 144A Offering has not been completed as of the time for the Distribution to the Asbestos PI Trust specified herein, then the Distribution of the Plan Notes and/or 144A Offering Proceeds to the Asbestos PI Trust shall be made as soon as practicable after the 144A Offering is completed or Reorganized AWI determines not to complete a 144A Offering, but in no event shall such Distribution occur after the Initial Distribution Date, and (y) if the Effective Date occurs on the first Business Day of a month, Distribution to the Asbestos PI Trust of its share of the Available Cash shall be made on a date selected by AWI that is within ten (10) Business Days after the Effective Date, but in no event shall such Distribution occur after the Initial Distribution Date.

79. AWI is likely to be subject to substantial future Demands for payment arising out of the same or similar conduct or events that gave rise to the Claims that are addressed by the Asbestos PI Permanent Channeling Injunction. (Testimony of Dr. Mark A. Peterson; Testimony of B. Thomas Florence, Ph.D; Testimony of Dr. Letitia Chambers).

80. The actual amounts, numbers, and timing of the future Demands cannot be determined. (Testimony of Dr. Mark A. Peterson; Testimony of B. Thomas Florence, Ph.D; Testimony of Dr. Letitia Chambers).

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

82. The terms of the Asbestos PI Permanent Channeling Injunction, including any provisions barring actions against third parties pursuant to section 524(g)(4)(A) of the Bankruptcy Code, are set out in the Plan and in the Disclosure Statement. (Plan, Docket No. 9116, Sections 1.21, 7.1; Disclosure Statement, Docket No. 4801, pp. 86-89) .

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

84. The Future Claimants' Representative was appointed as part of the proceedings leading to issuance of the Asbestos PI Permanent Channeling Injunction for the purpose of protecting the rights of persons that might subsequently assert unknown Asbestos Personal Injury Claims and Demands that are addressed in the Asbestos PI Permanent Channeling Injunction and transferred to the Asbestos PI Trust. The Future

Claimants' Representative has fulfilled his duties, responsibilities, and obligations as the future representative in accordance with section 524(g) of the Bankruptcy Code. (Trafelet Affidavit, ¶ 8).

85. Identifying each PI Protected Party in the Asbestos PI Permanent Channeling Injunction is fair and equitable with respect to persons that might subsequently assert Demands against each such PI Protected Party, in light of the benefits provided, or to be provided, to the Asbestos PI Trust by or on behalf of any such PI Protected Party. (Trafelet Affidavit, at ¶ 14).

86. As set forth in the voting summary provided above, and in the Trumbull Certification, Class 7 (Asbestos Personal Injury Claims) has voted, by at least 75 percent (75%) of those voting, in favor of the Plan.

87. Pursuant to court orders or otherwise, the Asbestos PI Trust will operate through mechanisms such as structured, periodic, or supplemental payments, pro rata distributions, matrices, or periodic review of estimates of the numbers and values of Asbestos Personal Injury Claims and Demands, or other comparable mechanisms, that provide reasonable assurance that the Asbestos PI Trust will value, and be in a financial position to pay, Asbestos Personal Injury Claims and Demands that involve similar claims in substantially the same manner. (Trafelet Affidavit, at ¶ 11).

88. The District Court has jurisdiction to enter the Asbestos PI Permanent Channeling Injunction under section 524(g) of the Bankruptcy Code and sections 1334(a), (b), and (d) of title 28 of the United States Code.

89. Section 524(g) of the Bankruptcy Code permits approval and entry of the Asbestos PI Permanent Channeling Injunction, especially where, as here, such

injunction is essential to the formulation and implementation of the Plan as provided in section 1123(a)(5) of the Bankruptcy Code, confers material benefits on AWI's estate, is in the best interests of holders of Claims against AWI, and complies in all respects with the requirements of section 524(g) of the Bankruptcy Code.

The Claims Trading Injunction

90. Section 1.40 of the Plan provides for the Claims Trading Injunction, which will permanently and forever stay, restrain, and enjoin any Entity from, directly or indirectly, purchasing, selling, transferring, assigning, conveying, pledging, or otherwise acquiring or disposing of any Asbestos Personal Injury Claim. The Claims Trading Injunction, however, will not apply to (i) the transfer of an Asbestos Personal Injury Claim to the holder of an Indirect PI Trust Claim solely as a result of such holder's satisfaction of such Asbestos Personal Injury Claim or (ii) the transfer of an Asbestos Personal Injury Claim by will or under the laws of descent and distribution. The Claims Trading Injunction will also provide that any action taken in violation thereof will be void *ab initio*.

Discharge, Exculpation and Indemnification Provisions

91. Section 11.2 of the Plan provides that the rights afforded in the Plan and the treatment of all Claims and Equity Interests therein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued thereon from and after the Commencement Date, against AWI, or its estate, assets, properties, or interests in property. Except as otherwise provided therein, on the Effective Date, all Claims against and Equity Interests in AWI shall be satisfied, discharged, and released in full. Reorganized AWI shall not be responsible for any obligations of AWI except those expressly assumed by

Reorganized AWI in the Plan. All Entities shall be precluded and forever barred from asserting against AWI, Reorganized AWI, their successors or assigns, or their assets, properties, or interests in property any other or further Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not the facts of or legal bases therefor were known or existed prior to the Effective Date.

92. Section 11.6 of the Plan provides that none of Reorganized AWI, any of the members of the Asbestos PI Claimants' Committee, the Future Claimants' Representative, any of the members of the Unsecured Creditors' Committee, any members of the Asbestos PD Committee, AWWD, Holdings, or any of their officers, directors, employees, or agents shall have or incur any liability to any Entity for any act or omission in connection with or arising out of the Chapter 11 Case, including, without limitation, the commencement of the Chapter 11 Case, the negotiation of the Plan, pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for gross negligence or willful misconduct, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under, or in connection with, the Plan. (Plan, Docket No. 9116, Section 11.6).

93. Section 8.6 of the Plan provides that the obligations of AWI to indemnify and reimburse persons who are or were directors, officers, or employees of Holdings, AWWD, or AWI on the Commencement Date or at any time thereafter against and for any obligations (including, without limitation, fees and expenses incurred by the board of directors of Holdings, or the members thereof, in connection with the Chapter 11

Case) pursuant to articles of incorporation, codes of regulations, bylaws, applicable state law, or specific agreement, or any combination of the foregoing, shall survive confirmation of the Plan, remain unaffected thereby, and not be discharged in accordance with section 1141 of the Bankruptcy Code, irrespective of whether indemnification or reimbursement is owed in connection with an event occurring before, on, or after the Commencement Date. In furtherance of the foregoing, Reorganized AWI will maintain insurance for the benefit of such directors, officers, or employees at levels no less favorable than those existing as of the date of entry of the Confirmation Order for a period of no less than four years following the Effective Date. (Plan, Docket No. 9116, Section 8.6).

94. The discharge, exculpation and indemnification provisions of the Plan were negotiated at arm's-length and are integral to the Plan. Without such provisions, the Plan would not have been agreed to by the parties in interest. (Rodruan Affidavit, at ¶ 6).

Feasibility of the Plan

95. Cash flow projections for Reorganized AWI are set forth in Exhibit "C" to the Disclosure Statement accompanying the Plan (the "*Original Projections*"). At the Initial Confirmation Hearing, AWI presented projections, which set forth lower estimates of future cash flow than are contained in the Original Projections (the "*Revised Projections*"). (Rodruan Affidavit, Exhibit "A"). The Revised Projections are supported by reasonable assumptions and, therefore, are a reasonable estimate of Reorganized AWI's future performance. (Rodruan Affidavit, at ¶ 25; Aronson Affidavit, at ¶ 9).

96. Based upon the foregoing and the fact that, since the Initial Confirmation Hearing, there has been no change in the assets or operations of AWI that

would have a material impact on AWI's ability to meet its ongoing obligations and commitments, including all obligations under the Plan, the Plan meets the feasibility test of section 1129(a)(11) of the Bankruptcy Code.

**The Provisions Governing
Distributions Under the Plan
Are Fair and Reasonable**

97. Sections 7.7, 7.8, and 7.11 of the Plan contain provisions governing distributions under the Plan, and such provisions are fair and reasonable.

Miscellaneous

98. To the extent any of the foregoing findings of fact constitute conclusions of law, they are adopted as such.

CONCLUSIONS OF LAW

Jurisdiction and Venue

1. The Bankruptcy Court has jurisdiction over the Chapter 11 Case pursuant to 28 U.S.C. §§ 1334 and 157.

2. As a result of the withdrawal of the reference to the District Court with respect to confirmation of the Plan and issuance of the Asbestos PI Permanent Channeling Injunction, the District Court has jurisdiction to consider confirmation of the Plan pursuant to 28 U.S.C. §§ 1334 and 157 .

3. Venue of the Chapter 11 Case in this district was proper as of the Commencement Date and continues to be proper pursuant to 28 U.S.C. §§ 1408 and 1409.

4. AWI is an entity qualified to be a debtor under section 109 of the Bankruptcy Code, and AWI is a proper proponent of the Plan under section 1121(a) of the Bankruptcy Code.

Burden of Proof

5. AWI has satisfied its burden of producing evidence that the Plan complies with sections 1129(a), 1129(b) (to the extent applicable), 1129(d), and 524(g) of the Bankruptcy Code.

Solicitation

6. All persons required to receive notice of the Initial Confirmation Hearing and the Confirmation Hearing have received proper, timely and adequate notice in accordance with the Disclosure Statement Order and the Case Management Order and have had an opportunity to appear and be heard with respect thereto.

7. AWI has solicited and tabulated votes with respect to the Plan in good faith and in a manner consistent with the Bankruptcy Code, the Bankruptcy Rules, and the Disclosure Statement Order.

8. Following the dissemination of the Solicitation Packages as provided for in the Disclosure Statement Order, the Voting Agents properly assisted AWI in soliciting votes for the Plan from the impaired classes of Claims and Equity Interests and appropriately solicited the votes of the impaired classes of Claims and Equity Interests in good faith and in a manner consistent with the Bankruptcy Code.

9. The Plan was voted on by all Classes of impaired Claims that were entitled to vote pursuant to the Bankruptcy Code, the Bankruptcy Rules, and the Disclosure Statement Order.

The Plan Satisfies Section 1129(a)(1) of the Bankruptcy Code

10. Section 1129(a)(1) of the Bankruptcy Code requires that a plan comply with the applicable provisions of the Bankruptcy Code. The Plan satisfies all the

applicable provisions of the Bankruptcy Code, and, as required by Bankruptcy Rule 3016(a), the Plan is dated and identifies AWI as the proponent of the Plan. Moreover, the Plan and Disclosure Statement describe the Asbestos PI Permanent Channeling Injunction, including the identities of the PI Protected Parties, and the Claims Trading Injunction, specifically and in conspicuous bold language, in compliance with the requirements of Bankruptcy Rule 3016(c).

A. **Due and Proper Notice of the Disclosure Statement Hearing and the Confirmation Hearing Was Given to All Parties in Interest**

11. The District Court has taken judicial notice of the Affidavits of Mailing, the Certifications of Voting, the Certificate of Publications, the Confirmation Hearing Notice and the Confirmation Hearing Publication Notice and finds and concludes that (a) AWI complied in all material respects with Bankruptcy Rules 2002 and 3017(a) in providing notice of the Disclosure Statement Hearing in the method and manner as prescribed therein, (b) AWI complied in all material respects with the Disclosure Statement Order in providing notice of the Initial Confirmation Hearing in the method and manner as prescribed in the Disclosure Statement Order, and (c) AWI complied in all material respects with the Case Management Order in providing notice of the Confirmation Hearing. All Entities entitled and required to receive notice of the Disclosure Statement Hearing, the Initial Confirmation Hearing and the Confirmation Hearing pursuant to the Bankruptcy Code, applicable non-bankruptcy law, and the orders of the Bankruptcy Court and the District Court have received due, proper, timely and adequate notice of such hearings and have had an opportunity to appear at and be heard at such hearings. *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1957).

B. The Plan Satisfies the Requirements of Section 1123(a)(1) of the Bankruptcy Code

12. Section 1123(a)(1) of the Bankruptcy Code provides that a plan must designate classes of claims and interests. Section 3.1 of the Plan adequately and properly classifies all Claims and Equity Interests required to be so classified and, accordingly, satisfies section 1123(a)(1) of the Bankruptcy Code. Classes of Administrative Expenses and Priority Tax Claims are not required to be designated pursuant to section 1123(a)(1) of the Bankruptcy Code.

C. The Plan Satisfies the Requirements of Section 1122 of the Bankruptcy Code

13. Section 1122(a) of the Bankruptcy Code provides that a plan may place a claim or interest in a particular class if such claim or interest is substantially similar to the other claims or interests of such class. A classification structure satisfies section 1122 of the Bankruptcy Code when a reasonable basis exists for the structure, and the claims or interests within each particular class are substantially similar. *See In re Jersey City Med. Ctr.*, 817 F.2d 1055, 1060-61 (3d Cir. 1987); *In re U.S. Truck Co.*, 800 F.2d 581, 586 (6th Cir. 1986); *In re LeBlanc*, 622 F.2d 872, 879 (5th Cir. 1986).

14. The Bankruptcy Code does not require that all claims with equal priority be classified in the same class. Consequently, it is appropriate to classify Asbestos Personal Injury Claims (including Indirect PI Trust Claims) in a separate class from Unsecured Claims. Because all Asbestos Personal Injury Claims in Class 7 (including Indirect PI Trust Claims) relate, directly or indirectly, to AWI's liability for asbestos-related personal injury and wrongful death claims, whether arising under tort law (as is the case with direct Asbestos Personal Injury Claims and may be the case with Indirect PI Trust Claims) or under contract (as may be the case with certain direct Asbestos Personal

Injury Claims and certain Indirect PI Trust Claims), a reasonable basis exists for the classification of the Asbestos Personal Injury Claims together in a single class. Moreover, section 524(g)(2)(B)(ii)(IV)(bb) of the Bankruptcy Code requires that the Plan establish a separate class or classes of the Claimants whose Claims are to be addressed by the Asbestos PI Trust.

15. In accordance with section 1122(a) of the Bankruptcy Code, Section 3.1 of the Plan separately classifies Claims against and Equity Interests in AWI together with Claims against or Equity Interests that are substantially similar to the other Claims or Equity Interests of such class. The Plan, therefore, satisfies section 1122(a) of the Bankruptcy Code.

16. Section 1122(b) of the Bankruptcy Code provides that a plan may designate a separate class of claims consisting of unsecured claims that are less than or reduced to an amount the court approves as reasonable and necessary for administrative convenience. Section 3.2(c) of the Plan provides treatment for holders of Convenience Claims. The convenience class established in Section 3.2(c) of the Plan is reasonable and necessary for administrative convenience and, therefore, the classification of Convenience Claims in Section 3.2(c) satisfies section 1122(b) of the Bankruptcy Code.

D. The Plan Satisfies the Requirements of Section 1123(a)(2) of the Bankruptcy Code

17. Section 1123(a)(2) of the Bankruptcy Code provides that a plan must specify any class of claims or interests that is not impaired under the Plan. Pursuant to Section 3.1 of the Plan, each of Classes 3, 6, 8, and 12 is identified as impaired, and each of Classes 1, 2, 4, 5, 9, 10, and 11 is identified as unimpaired. As a result of the EPA

Settlement, Class 8 is unimpaired. Accordingly, the Plan satisfies section 1123(a)(2) of the Bankruptcy Code.

E. **The Plan Satisfies the Requirements of Section 1123(a)(3) of the Bankruptcy Code**

18. Section 1123(a)(3) of the Bankruptcy Code provides that a plan must specify the treatment of each impaired class of claims and equity interests. Article III of the Plan specifies the treatment of each impaired class of Claims and Equity Interests. Accordingly, the Plan satisfies section 1123(a)(3) of the Bankruptcy Code.

F. **The Plan Satisfies the Requirements of Section 1123(a)(4) of the Bankruptcy Code**

19. Section 1123(a)(4) of the Bankruptcy Code requires a plan to provide the same treatment for each claim or interest of a particular class, unless the holder of the claim or interest agrees to less favorable treatment of such particular claim or interest. The Plan provides the same treatment for each Claim or Equity Interest in each class. Accordingly, the Plan satisfies section 1123(a)(4) of the Bankruptcy Code.

G. **The Plan Satisfies the Requirements of Section 1123(a)(5) of the Bankruptcy Code**

20. Section 1123(a)(5) of the Bankruptcy Code provides that a plan must provide adequate means of implementation of the plan. The various provisions of the Plan provide adequate means for implementation of the Plan. Without limiting the foregoing, Article VII of the Plan provides for, among other things, (i) the creation of the Asbestos PI Trust, (ii) the adoption of the Amended and Restated Articles of Incorporation and Amended and Restated By-Laws by Reorganized AWI, (iii) the effectuation of the corporate reorganization transactions set forth in Section 7.23 of the Plan and the entry into the exit financing facility, (iv) the listing of the New Common Stock, (v) the adoption of

the Stockholder and Registration Rights Agreement and the New Long-Term Incentive Plan, (vi) the distribution of property of AWI's estate to the creditors entitled to receive Distributions under the Plan and the Distribution to the Asbestos PI Trust, and (vii) the funding of the payments due on the Effective Date. In addition, Article VIII of the Plan provides for, *inter alia*, the assumption and rejection of various contracts and unexpired leases of AWI, and Article X of the Plan provides for the creation and funding of the Asbestos PI Trust. Accordingly, the Plan satisfies section 1123(a)(5) of the Bankruptcy Code.

H. **The Plan Satisfies the Requirements of Section 1123(a)(6) of the Bankruptcy Code**

21. Section 1123(a)(6) of the Bankruptcy Code requires a plan to provide for the inclusion in the charter of the debtor, if the debtor is a corporation, or of any corporation to which the debtor transfers all or any part of the debtor's estate or with which the debtor has merged or consolidated, of a provision prohibiting the issuance of non-voting equity securities. In furtherance of Section 7.4 of the Plan, the Amended and Restated Articles of Incorporation of Reorganized AWI contain provisions prohibiting the issuance of non-voting equity securities. (Exhibit 1.13 to the Plan). Accordingly, the Plan satisfies section 1123(a)(6) of the Bankruptcy Code.

22. Section 1123(a)(6) is not applicable to the Asbestos PI Trust because (i) the Asbestos PI Trust does not have a corporate charter, and (ii) the Asbestos PI Trust is not a corporation to which AWI or Reorganized AWI is transferring, or has transferred, all or any part of its estate (within the meaning of section 1123(a)(6) of the Bankruptcy Code) or with which AWI or Reorganized AWI has merged or consolidated or will merge or consolidate.

I. The Plan Satisfies the Requirements of Section 1123(a)(7) of the Bankruptcy Code

23. Section 1123(a)(7) of the Bankruptcy Code requires that the manner of selection of any director, officer or trustee of the reorganized debtor, or any successor to such officer, director or trustee, be consistent with the interests of creditors and equity security holders and with public policy. In furtherance of Section 7.21 of the Plan, AWI has disclosed the identities of those persons who will serve, on the Effective Date, as officers of Reorganized AWI. (Rodruan Affidavit, at ¶ 21) (“AWI’s officers immediately prior to the Effective Date will serve as officers of Reorganized AWI.”).

24. On the Effective Date, the board of directors of Reorganized AWI will consist of those persons identified in Exhibit “7.21” to the Plan and disclosed by AWI at the Confirmation Hearing. Following the Effective Date, and subject to the provisions of any existing employment agreements and the requirements of applicable non-bankruptcy law, the officers of Reorganized AWI immediately prior to the Effective Date will serve as the officers of Reorganized AWI. The continuation in office of such individuals is consistent with the interests of creditors and with public policy. (Rodruan Affidavit, at ¶ 22). Accordingly, the Plan satisfies section 1123(a)(7) of the Bankruptcy Code.

25. Although section 1123(a)(7) of the Bankruptcy Code does not apply to either the Asbestos PI Trustees or the members of the TAC established under the Asbestos PI Trust Agreement, AWI has disclosed the identities of the Asbestos PI Trustees and the members of the TAC, as well as the role of the Future Claimants’ Representative under the Asbestos PI Trust Agreement.

**J. Section 1123(b)(2) of the Bankruptcy Code:
The Rejection and Assumption of Executory
Contracts and Unexpired Leases
Are in the Best Interests of AWI's Estate**

26. Pursuant to section 1123(b)(2) of the Bankruptcy Code, a plan may provide for the rejection or assumption and assignment of any executory contract or unexpired lease of the debtor not previously rejected under section 365 of the Bankruptcy Code.

27. Under section 365 of the Bankruptcy Code, a debtor may assume an executory contract or unexpired lease if (i) outstanding defaults under the contract or lease have been cured under section 365(b)(1) of the Bankruptcy Code, and (ii) the debtor's decision to assume such executory contract or unexpired lease is supported by valid business justifications. *See, e.g., Sharon Steel Corp. v. National Fuel Gas Distrib. Corp.*, 872 F.2d 36, 39-40 (3d Cir. 1989); *In re Pinnacle Brands, Inc.*, 259 B.R. 46, 53 (Bankr. D. Del. 2001).

28. Section 8.1 of the Plan provides for the assumption of the executory contracts listed on Exhibit "8.1" to the Plan. The assumption of executory contracts and unexpired leases pursuant to Section 8.1 of the Plan, subject to the occurrence of the Effective Date, (i) is in the best interests of AWI, its estate, and creditors, (ii) is based upon and within AWI's sound business judgment, (iii) is necessary to the implementation of the Plan, and (iv) satisfies the requirements of section 365(a) of the Bankruptcy Code.

29. Exhibit "8.2" to the Plan sets forth contracts and leases that, to the extent they constitute executory contracts and unexpired leases, AWI wishes to reject, subject to the occurrence of and effective as of the Effective Date.

30. Courts have uniformly deferred to the business judgment of the debtor to determine whether the rejection of an executory contract or unexpired lease by the debtor is appropriate under section 365(a) of the Bankruptcy Code. See *N.L.R.B. v. Bildisco*, 465 U.S. 513, 523 (1984); *Sharon Steel*, 872 F.2d at 39-40; *Glenstone Lodge, Inc. v. Buckhead Am. Corp. (In re Buckhead Am. Corp.)*, 180 B.R. 83, 88 (D. Del. 1995); *In re III Enterprises, Inc. V*, 163 B.R. 453, 469 (Bankr. E.D. Pa.), *aff'd sub nom, Pueblo Chem., Inc. v. III Enter., Inc. V*, 169 B.R. 551 (E.D. Pa. 1994); *In re Patterson*, 119 B.R. 59, 60 (E.D. Pa. 1990); *Pinnacle Brands*, 259 B.R. at 53. To the extent that sound business reasons justify the debtor's rejection of a particular lease or contract, rejection should be approved.

31. The rejection of the executory contracts and unexpired leases set forth in Section 8.2 of the Plan, subject to the occurrence of and effective as of the Effective Date, (i) is in the best interests of AWI, its estate and creditors, (ii) is based upon and within AWI's sound business judgment, (iii) is necessary to the implementation of the Plan, and (iv) satisfies the requirements of section 365(a) of the Bankruptcy Code. Accordingly, the Plan satisfies the requirements of section 1123(b)(2) of the Bankruptcy Code.

K. **The Plan Satisfies Section 1123(b)(3) of the Bankruptcy Code**

32. Section 1123(b)(3)A) of the Bankruptcy Code permits a plan to provide for "the settlement or adjustment of any claim or interest belonging to the debtor or to the estate." Section 5.2 of the Plan provides for the amendment of the Claims Settlement Guidelines as set forth on Exhibit "1.39" to the Plan. Such amendment is (i) fair and reasonable, (ii) in the best interests of AWI, its estate, and its creditors, and

(iii) necessary to the implementation of the Plan. To the extent applicable, Section 5.2 of the Plan complies with section 1123(b)(3)(A) of the Bankruptcy Code.

33. Section 1123(b)(3)(B) of the Bankruptcy Code provides that a plan may provide for “the retention and enforcement by the debtor, by the trustee, or by a representative of the estate appointed for such purpose, of any such claim or interest.” Section 11.3 of the Plan provides that any rights, claims, or causes of action accruing to AWI pursuant to the Bankruptcy Code or pursuant to any statute or legal theory, including, without express or implied limitation, any avoidance or recovery actions under sections 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code, and (except as provided in Articles X and XI of the Plan) any rights to, claims or causes of action for recovery under any policies of insurance issued to or on behalf of AWI shall remain assets of AWI’s estate and, on the Effective Date, shall be transferred to Reorganized AWI. Reorganized AWI shall be deemed the appointed representative to, and may, pursue, litigate, and compromise and settle any such rights, claims, or causes of action, as appropriate, in accordance with what is in the best interests of and for the benefit of Reorganized AWI. Such section is (i) fair and reasonable, (ii) in the best interests of AWI, its estate, and its creditors, (iii) necessary to the implementation of the Plan, and (iv) complies with section 1123(b)(3)(B) of the Bankruptcy Code.

34. Accordingly, the Plan satisfies section 1123(b)(3) of the Bankruptcy Code.

L. The Transfers of Properties Under the Plan Are Governed by the Exemptions Provided in Section 1146(c) of the Bankruptcy Code

35. Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any

mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without express or implied limitation, any liens granted in connection with the exit finance facility referred to in Section 7.16(g) of the Plan, shall not be subject to any sales and use, stamp, real estate transfer, mortgage recording, or other similar tax. See *Baltimore County, Md. v. Hechinger Liquidation Trust (In re Hechinger Inv. Co. of Delaware Inc.)*, 335 F.3d 243, 252-53 (3d Cir. 2003); *In re GST Telecom, Inc.*, 2002 WL 442233 (D. Del. 2002).

AWI Has Satisfied Section 1129(a)(2) of the Bankruptcy Code

36. Section 1129(a)(2) of the Bankruptcy Code requires the proponent of a plan to comply with all of the applicable provisions of the Bankruptcy Code. AWI has complied with the applicable provisions of the Bankruptcy Code, thereby satisfying section 1129(a)(2) of the Bankruptcy Code. Specifically, (i) AWI is a proper debtor under section 109 of the Bankruptcy Code, (ii) AWI has complied with applicable provisions of the Bankruptcy Code, except as otherwise provided or permitted by orders of the Bankruptcy Court, (iii) AWI has complied with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Voting Procedures, and the Disclosure Statement Order in transmitting the Plan, the Disclosure Statement, the Ballots, and related documents and notices and in soliciting and tabulating votes on the Plan, and (iv) AWI has complied with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, applicable non-bankruptcy law, the local Bankruptcy Rules and the specific rules of the Bankruptcy Court throughout the Chapter 11 Case.

37. AWI has complied with the operating guidelines and financial reporting requirements enacted by the United States Trustee by (i) timely filing all operating reports and financial statements and (ii) maintaining and providing proof of insurance.

38. AWI has paid all statutory fees required to be paid during the Chapter 11 Case and has filed all fee statements required to be filed.

39. AWI has timely filed with the Court all schedules, lists of executory contracts, and statements of financial affairs.

40. Sufficient and timely notice of the Confirmation Hearing and all other hearings in the Chapter 11 Case has been given to holders of Claims and Equity Interests and all other parties in interest to whom notice was required to have been given.

41. The solicitation of votes was made following approval and dissemination of the Disclosure Statement to holders of Claims and Equity Interests in classes that are impaired and entitled to vote and was made in good faith and in compliance with the provisions of the Bankruptcy Code and the Bankruptcy Rules. The Ballots of holders of Claims were properly solicited and tabulated.

42. AWI has complied with all applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and all orders of the Bankruptcy Court and has fulfilled all of the obligations and duties owed to its estate and creditors as required by and set forth in sections 1107 and 1108 of the Bankruptcy Code. Accordingly, AWI has satisfied section 1129(a)(2) of the Bankruptcy Code.

**The Plan Satisfies the Requirements of
Section 1129(a)(3) of the Bankruptcy Code**

43. Section 1129(a)(3) of the Bankruptcy Code states that a plan must be proposed in good faith and not by any means forbidden by law. *See Solow v. PPI Enters.(U.S.) (In re PPI Enters.(U.S.))*, 324 F.3d 197, 211-12 (3d Cir. 2002); *In re PWS Holding Corp.*, 228 F.3d 224, 242 (3d Cir. 2000), *citing In re Abbotts Dairies of Pa., Inc.*, 788 F.2d 143, 150 n.5 (3d Cir. 1986) (*quoting In re Madison Hotel Assocs.*, 749 F.2d 410, 425 (7th Cir. 1984)); *In re SGL Carbon Corp.*, 200 F.3d 154, 162 n.10 (3d Cir. 1999); *In re Genesis Health Ventures, Inc.*, 266 B.R. 591, 609 (Bankr. D. Del. 2001).

44. The Court has examined the totality of the circumstances surrounding the formulation of the Plan. The Plan has been proposed with the legitimate and honest purpose of reorganizing AWI's business and affairs, restructuring its asbestos-related liability, and maximizing the value available for distribution to creditors. Further, the discharge, exculpation and indemnification provided in Sections 11.2, 11.6 and 8.6 of the Plan have been agreed to in good faith and are consistent with sections 105 and 1129 of the Bankruptcy Code. Thus, AWI has complied with the "good faith and not by any means forbidden by law" requirement of section 1129(a)(3) of the Bankruptcy Code.

**The Plan Satisfies the Requirements of
Section 1129(a)(4) of the Bankruptcy Code**

45. Section 1129(a)(4) of the Bankruptcy Code requires that all payments made or to be made by the plan proponent, by the debtor or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in or in connection with the case, or in connection with the plan and incident to the case, have been approved by, or are subject to the approval of, the court as reasonable.

46. All payments made by AWI out of the ordinary course of business have been approved by the Bankruptcy Court, and all payments made or to be made to professionals retained by order of the Bankruptcy Court will be, as set forth in Section 2.2 of the Plan, subject to review and approval by the Bankruptcy Court or the District Court upon final application under section 330, 331 or 503(b) of the Bankruptcy Code. Accordingly, the Plan satisfies section 1129(a)(4) of the Bankruptcy Code.

The Plan Satisfies the Requirements of Section 1129(a)(5) of the Bankruptcy Code

47. Section 1129(a)(5) of the Bankruptcy Code requires the proponent of a plan of reorganization to disclose the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor or a successor to the debtor under the plan, and to show that the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity security holders and with public policy. Section 1129(a)(5) of the Bankruptcy Code also requires the proponent of a plan of reorganization to disclose the identity of any insider that will be employed or retained by the reorganized debtor and the nature of any compensation for such insider.

48. AWI has disclosed in the Disclosure Statement, the exhibits to the Plan, and through evidence presented at the Confirmation Hearing the identities and nature of compensation of those persons who will serve, on the Effective Date of the Plan, as directors and officers of Reorganized AWI. Moreover, although the identities of the Asbestos PI Trustees are not required to be disclosed, AWI has also disclosed the identities of the Asbestos PI Trustees in Exhibit 7.2 to the Plan and the members of the TAC through

evidence presented at the Initial Confirmation Hearing and/or the Confirmation Hearing. *See In re Eagle-Picher Indus., Inc.*, 1996 U.S. Dist. LEXIS 17160, *29-30 (S.D. Ohio 1996) (“The trustees of the § 524(g) trust in this case are not subject to the statutory provision . . . They are not directors, officers or voting trustees of the debtor.”). Based on, among other things, the experience, education and/or particular skills of each and the manner of selection of each and any successors thereto, the appointment or continuation in office of such individuals is consistent with the interests of creditors and with public policy. (Rodruan Affidavit, at ¶¶ 18-22; Trafelet Affidavit, at ¶ 24). Accordingly, the Plan satisfies section 1129(a)(5) of the Bankruptcy Code.

Section 1129(a)(6) of the Bankruptcy Code Is Not Applicable to the Plan

49. Section 1129(a)(6) of the Bankruptcy Code requires a debtor to obtain the approval of any governmental regulatory commission, with jurisdiction over the debtor, with respect to any rate changes provided for in the debtor’s plan of reorganization. The Plan does not provide for any changes in rates that require regulatory approval of any governmental agency. Section 1129(a)(6) of the Bankruptcy Code is accordingly not applicable.

The Plan Satisfies the Requirements of Section 1129(a)(7) of the Bankruptcy Code

50. Section 1129(a)(7) of the Bankruptcy Code requires each creditor or equity interest holder in an impaired class to accept the plan of reorganization or receive or retain under such plan on account of such claim or interest property of a value, as of the effective date of such plan, that is not less than the amount that such holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

51. Based upon the evidence adduced at the Initial Confirmation Hearing, the Plan satisfies the “best interest” test under section 1129(a)(7) of the Bankruptcy Code.

The Plan Does Not Satisfy the Requirements of Section 1129(a)(8) of the Bankruptcy Code

52. Section 1129(a)(8) of the Bankruptcy Code requires that, with respect to each class of claims or interests under a plan, such class either has accepted the plan or is not impaired under the plan. According to the Trumbull Certification, all classes of impaired Claims that were entitled to vote on the Plan, other than Class 6 (General Unsecured Claims other than Convenience Claims), have voted to accept the Plan.⁴ The Claims in each of Classes 1, 2, 4, 5, 8, 9, 10 and 11 are unimpaired under the Plan and, pursuant to section 1126(f) of the Bankruptcy Code, holders of unimpaired Claims in such classes are deemed to have accepted the Plan. Although the Plan does not comply with section 1129(a)(8) of the Bankruptcy Code because of the rejection of the Plan by Class 6 and the deemed rejection of the Plan by Class 12, AWI seeks confirmation of the Plan pursuant to 1129(b) of the Bankruptcy Code.

The Plan Satisfies the Requirements of Section 1129(a)(9) of the Bankruptcy Code

53. Section 1129(a)(9) of the Bankruptcy Code provides for certain mandatory treatment of claims entitled to priority under the Bankruptcy Code.

54. As required by section 1129(a)(9)(A) of the Bankruptcy Code, Section 2.1 of the Plan provides that each holder of an Allowed Administrative Expense

⁴ Although Class 12 (Equity Interests) voted to accept the Plan, Class 12 is not receiving any property under the terms of the Plan and is deemed to have rejected the Plan.

shall be paid on account of such Allowed Claim, in full, in cash, on the Effective Date of the Plan; *provided, however*, that Administrative Expenses of the type specified in Section 1.1(c)(i) of the Plan shall be assumed and paid by Reorganized AWI in accordance with the terms and conditions of the particular transactions and any agreements relating thereto. In addition, pursuant to Section 2.2 of the Plan, all payments made or to be made (as Administrative Expenses) to professionals retained by orders of the Court will be subject to review and approval by the Bankruptcy Court or the District Court upon final application under section 330, 331 or 503(b) of the Bankruptcy Code.

55. Consistent with section 1129(a)(9)(B) of the Bankruptcy Code, Section 3.2 of the Plan provides that each holder of an Allowed Priority Claim shall be paid the Allowed Amount of its Allowed Priority Claim, in full, in cash, in an amount equal to such Claim, on the later of the Effective Date and as soon as reasonably practicable after the date such Claim becomes Allowed.

56. Consistent with section 1129(a)(9)(C) of the Bankruptcy Code, Section 2.4 of the Plan provides that each holder of an Allowed Priority Tax Claim shall be paid the Allowed Amount of its Allowed Priority Tax Claim either (a) in full, in cash, on the latest of (i) the Effective Date, (ii) the date such Allowed Priority Tax Claim becomes Allowed, and (iii) the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law or (b) upon such other terms as may be mutually agreed upon between each holder of a Priority Tax Claim and Reorganized AWI.

57. AWI has sufficient cash to fund payments of Allowed Administrative Expenses, Allowed Priority Claims, and Allowed Priority Tax Claims. Accordingly, the Plan satisfies section 1129(a)(9) of the Bankruptcy Code.

**The Plan Satisfies the Requirements of
Section 1129(a)(10) of the Bankruptcy Code**

58. Section 1129(a)(10) of the Bankruptcy Code provides that at least one impaired class of claims must accept a plan of reorganization, determined without including any acceptance of such plan by any insider.

59. The Plan satisfies section 1129(a)(10) of the Bankruptcy Code because Classes 3 and 7, which are impaired classes, have voted to accept the Plan by the requisite majorities. Because Classes 3 and 7 contain no insiders (Rodruan Affidavit, at ¶ 12), at least one impaired class entitled to vote on the Plan has voted to accept the Plan by the requisite majorities, determined without including any acceptance of the Plan by insiders.

**The Plan Satisfies the Requirements of
Section 1129(a)(11) of the Bankruptcy Code**

60. Section 1129(a)(11) of the Bankruptcy Code requires that a plan be feasible and that the debtor or its successor under such plan would not likely require liquidation or further financial reorganization, except as provided under such plan. *See In re NII Holdings*, 288 B.R. 356, 364 (D. Del. 2002); *In re Am. Family Enters.*, 256 B.R. 377, 404-05 (D.N.J. 2000); *Corestates Bank, N.A. v. United Chem. Tech., Inc.*, 202 B.R. 33, 41-42 (E.D. Pa. 1996); *Moody v. Sec. Pacific Bus. Credit, Inc.*, 85 B.R. 319, 346 (W.D. Pa. 1988), *citing Chase Manhattan Mortgage & Realty Trust v. Bergman (In re Bergman)*, 585 F.2d 1171, 1179 (2d Cir. 1978)).

61. As set forth above in the Findings of Fact, Reorganized AWI will be able to satisfy its obligations under the Plan after confirmation. AWI has carefully structured the Plan and the Asbestos PI Trust to provide appropriate mechanisms and

funding to consummate the Plan with a high degree of certainty that Reorganized AWI will be able to meet its obligations under the Plan.

62. Thus, based upon the Findings of Fact and the Conclusions of Law contained herein, the Plan satisfies section 1129(a)(11) of the Bankruptcy Code, and Reorganized AWI will not likely require liquidation or further financial reorganization after confirmation.

The Plan Satisfies the Requirements of Section 1129(a)(12) of the Bankruptcy Code

63. Section 1129(a)(12) of the Bankruptcy Code requires that all fees payable under section 1930 of title 28 of the United States Code, as determined by the court at the hearing on confirmation of the plan, either have been paid or the plan provides for the payment of all such fees on the effective date of the plan.

64. Section 11.1 of the Plan provides for the payment on the Effective Date (or as soon as practicable thereafter) of all fees payable under section 1930 of title 28 of the United States Code. All post-consummation fees that are due and payable will be paid by Reorganized AWI until the Chapter 11 Case is closed pursuant to section 350(a) of the Bankruptcy Code. Accordingly, the Plan satisfies section 1129(a)(12) of the Bankruptcy Code.

The Plan Satisfies the Requirements of Section 1129(a)(13) of the Bankruptcy Code

65. Section 1129(a)(13) of the Bankruptcy Code requires the continuation of payment of all retiree benefits, at the level established pursuant to section 1114 of the Bankruptcy Code at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.

66. Section 8.7 of the Plan provides that, on and after the Effective Date, Reorganized AWI shall continue to pay all retiree benefits (within the meaning of section 1114 of the Bankruptcy Code) for the duration of the period AWI has obligated itself to provide such benefits. Accordingly, the Plan satisfies section 1129(a)(13) of the Bankruptcy Code.

The Plan Satisfies the Requirements of Section 1129(b) of the Bankruptcy Code

67. As set forth in the Unfair Discrimination Decision and Order, the Plan satisfies section 1129(b) of the Bankruptcy Code with respect to Class 6. With respect to Class 12, the Plan satisfies section 1129(b) of the Bankruptcy Code because no holder of any interest that is junior to the Equity Interests in Class 12 will receive or retain under the Plan on account of such junior interest any property.

The Plan Satisfies the Requirements of Section 1129(d) of the Bankruptcy Code

68. Section 1129(d) of the Bankruptcy Code provides that, on request of a governmental unit, the court may not confirm a plan if its principal purpose is the avoidance of taxes or the avoidance of the application of section 5 of the Securities Act of 1933, as amended. The principal purpose of the Plan is not avoidance of taxes or avoidance of the requirements of section 5 of the Securities Act of 1933, as amended, and there has been no objection to the Plan by any governmental unit alleging any such avoidance. (Rodruan Affidavit, at ¶ 8). Accordingly, the Plan satisfies section 1129(d) of the Bankruptcy Code.

**The Modifications Satisfy the Requirements
of Section 1127 of the Bankruptcy Code
and Rule 3019 of the Bankruptcy Rules**

69. The Modifications do not adversely change the treatment of the Claim of any creditor. To the contrary, the Modifications clarify certain provisions of the Plan and preserve the Plan, as negotiated, and the rights of all parties as set forth therein.

70. The Modifications comply in all respects with section 1127 of the Bankruptcy Code, Bankruptcy Rule 3019, and all other provisions of the Bankruptcy Code. Sufficient and adequate notice of the Modifications was provided, and no additional disclosure or notice is required with respect to the Modifications.

**The Asbestos PI Channeling
Injunction and the Establishment of
the Asbestos PI Trust Comply with
Section 524(g) of the Bankruptcy Code**

71. The Plan and its Exhibits are a fair, equitable and reasonable resolution of the liabilities of AWI for Asbestos Personal Injury Claims.

72. The Asbestos PI Trust satisfies the requirements for a trust under section 524(g) of the Bankruptcy Code.

73. The Asbestos PI Permanent Channeling Injunction is consistent with sections 524(g) and 1129 of the Bankruptcy Code and other applicable provisions of the Bankruptcy Code, and the Asbestos PI Permanent Channeling Injunction is in the best interests of AWI's estate. *See In re Johns-Manville Corp.*, 801 F.2d 60, 63-64 (2d Cir. 1986). *See also, In re Eagle-Picher Indus., Inc.*, 1996 U.S. Dist. LEXIS 17160, *26-28 (S.D. Ohio 1996). Because Indirect PI Trust Claims, including those arising under contract, relate to direct Asbestos Personal Injury Claims, they are appropriately channeled to the Asbestos PI Trust and have historically been channeled to trusts established in

connection with asbestos related chapter 11 cases. *See, e.g., In re Forty-Eight Insulations*, 115 F.3d 1294 (7th Cir. 1997); *In re The Babcock & Wilcox Co., et al.*, 2001 U.S. Dist. LEXIS 9660, *22 (E.D. La. 2001); *In re Eagle-Picher Indus., Inc.*, 1996 U.S. Dist. LEXIS 17160, *26-28 (S.D. Ohio 1996).

74. Moreover, in addition to the protection afforded the debtor or transferees or successors of the debtor under the plan, section 524(g)(4) sets forth the broad categories of third parties who, if alleged to be directly or indirectly liable for Asbestos Personal Injury Claims, may be beneficiaries of the Asbestos PI Permanent Channeling Injunction. Generally, these categories include the following:

(i) a party owning a financial interest in the debtor, a past or present affiliate of the debtor, or a predecessor in interest of the debtor (11 U.S.C. § 524(g)(4)(A)(ii)(I));

(ii) a party who has been involved in the management of the debtor or a predecessor in interest of the debtor, or served as an officer, director or employee of the debtor or a related party (11 U.S.C. § 524(g)(4)(A)(ii)(II));

(iii) an insurer of the debtor or a related party (11 U.S.C. § 524(g)(4)(A)(ii)(III)); and

(iv) third parties who have had involvement in a transaction changing the corporate structure, or in a loan or other financial transaction affecting the financial condition, of the debtor or a related party, including but not limited to involvement in providing financing (debt or equity) or advice to an entity involved in such a transaction or acquiring or selling a financial interest in an entity as part of such a transaction (11 U.S.C. § 524(g)(4)(A)(ii)(IV)).

75. Each of the PI Protected Parties falls within one or more of these categories, or is a representative, Affiliate or subsidiary of an Entity covered by these categories, and is therefore entitled to the protection of the Asbestos PI Permanent Channeling Injunction under section 524(g) of the Bankruptcy Code.

**The Claims Trading Injunction Is Permissible
Under Section 105(a) of the Bankruptcy Code**

76. The Claims Trading Injunction is needed so that the beneficial interests in the Asbestos PI Trust are not considered "securities" under the federal securities laws. Without the Claims Trading Injunction, AWI might not be permitted to create a trust for the benefit of the holders of Asbestos Personal Injury Claims. The Claims Trading Injunction, therefore, forms an integral part of AWI's reorganization and the Plan.

77. The District Court has jurisdiction to enter the Claims Trading Injunction under sections 1334(a), (b), and (d) of title 28 of the United States Code.

78. Section 105(a) of the Bankruptcy Code permits approval and entry of the Claims Trading Injunction, especially where, as here, such injunction is essential to the formulation and implementation of the Plan as provided in section 1123(a)(5) of the Bankruptcy Code, confers material benefits on AWI's estate, and is in the best interests of holders of Claims against AWI.

79. The Claims Trading Injunction is consistent with sections 105 and 1129 of the Bankruptcy Code and other applicable provisions of the Bankruptcy Code, and the Claims Trading Injunction is in the best interests of AWI's estate. *See Celotex Corp. v. Edwards*, 514 U.S. 300, 310-311 (1995); *In re Dow Corning Corp.*, 280 F.3d 648, 656-58 (6th Cir. 2002); *In re Wedgewood Realty Group, Ltd.*, 878 F.2d 693, 701-02 (3d Cir. 1989); *A.H. Robins Co., Inc. v. Piccinin*, 788 F.2d 994, 1002-03 (4th Cir.), *cert. denied*, 479 U.S.

876 (1986); *In re Johns-Manville Corp.*, 801 F.2d 60, 63-64 (2d Cir. 1986); *In re Combustion Eng'g Inc.*, 295 B.R. 459 (D. Del. 2003); *In re Asbestos Claims Mgmt. Corp.*, 294 B.R. 663 (N.D. Tex. 2003); *In re Eagle-Picher Indus., Inc.*, 1996 U.S. Dist. LEXIS 17160, *68 (S.D. Ohio 1996).

The Discharge, Exculpation and Indemnity Provisions Are Consistent with Sections 105 and Other Provisions of the Bankruptcy Code

80. The District Court has jurisdiction to and hereby does approve the provisions in Sections 11.2 (Discharge of AWI), 11.6 (Exculpation), and 8.6 (Indemnification and Reimbursement Obligations) of the Plan pursuant to sections 1334(a), (b) and (d) of title 28 of the United States Code.

81. Given the circumstances, the Plan's discharge provisions, including the Asbestos PI Permanent Channeling Injunction, are proper. Section 105(a) of the Bankruptcy Code empowers the court and permits court approval of the discharge, exculpation and indemnification provisions where, as here, such provisions are essential to the formulation and implementation of the Plan and confer material benefits on AWI, its estate and creditors. On the basis of the Affidavits in Support of Confirmation and the record presented at the Initial Confirmation Hearing and the Confirmation Hearing, the Court finds and concludes that it has jurisdiction to and hereby does approve the discharge, exculpation and indemnification provisions set forth in the Plan and that such provisions of the Plan are consistent with sections 105 and 1129 of the Bankruptcy Code and other applicable provisions of the Bankruptcy Code and are in the best interests of AWI's estate and creditors. See *In re PWS Holding Corp.*, 228 F.3d 224 (3d Cir. 2000); *In re Continental Airlines*, 203 F.3d 203 (3d Cir. 2000); *A.H. Robins Co., Inc. v. Piccinin*, 788 F.2d 994, 1002-03 (4th Cir.), cert. denied, 479 U.S. 876 (1986); *In re Am. Family Enters.*,

256 B.R. 377, 406-07 (D.N.J. 2000); *In re Allegheny, Health, Educ., & Research Found.*, 252 B.R. 309, 331 (W.D. Pa. 1999); *In re Genesis Health Ventures, Inc.*, 266 B.R. 591 (Bankr. D. Del. 2001).

**The New Common Stock and the Plan
Notes Are Exempt from Registration
Pursuant to Section 1145 of the Bankruptcy Code**

82. Under section 1145 of the Bankruptcy Code, the New Common Stock and the Plan Notes will be freely tradeable by the recipients thereof, subject to (i) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in Section 2(a)(11) of the Securities Act and compliance with any rules and regulations of the Securities Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments; (ii) the restrictions, if any, on the transferability of such securities and instruments; and (iii) applicable regulatory approval. The issuance of New Common Stock and the Plan Notes are or were in exchange for Claims against AWI, or principally in such exchange and partly for cash or property, within the meaning of section 1145(a)(1) of the Bankruptcy Code.

83. The exemption from the requirements of Section 5 of the Securities Act of 1933, as amended, and any state or local law requiring registration of the offer, issuance, exchange or transfer of a security provided for in the Plan or registration or licensing of an issuer of, underwriter of, or broker dealer in, such security is authorized by section 1145 of the Bankruptcy Code and is applicable to the extent set forth in the Plan. The New Common Stock and the Plan Notes are exempt from registration pursuant to section 1145 of the Bankruptcy Code and are freely tradeable by the holders thereof except to the extent a holder is an "underwriter" as defined in section 1145(b) of the Bankruptcy

Code. For the purposes of section 1145(d) of the Bankruptcy Code, Class 7 is not an “underwriter” as defined in Section 2(11) of the Securities Act of 1933.

**The Plan Provides for
Proper Retention of Jurisdiction**

84. The Bankruptcy Court or the District Court, as provided in Article IX of the Plan, may retain jurisdiction over the matters set forth in Section 9.2 of the Plan and the Confirmation Order as entered by the District Court.

Effect of Confirmation

85. The Plan and its provisions shall be binding upon AWI, Reorganized AWI, the Disbursing Agent, any entity acquiring or receiving property or a distribution under the Plan, and any holder of a Claim against or Equity Interest in AWI, whether or not the Claim or Equity Interest of such holder is impaired under the Plan and whether or not such holder or entity has accepted the Plan.

86. Pursuant to Section 11.7 of the Plan, except as otherwise provided in the Plan, upon the Effective Date, title to all property of AWI’s estate shall vest in Reorganized AWI free and clear of all Claims, Equity Interests, Encumbrances, and other interests, and all such Claims, Equity Interests, Encumbrances, and other interests shall be extinguished. From and after the Effective Date, Reorganized AWI may operate its business and may use, acquire, and dispose of property, and compromise or settle any Claims and Equity Interests without the supervision of or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order.

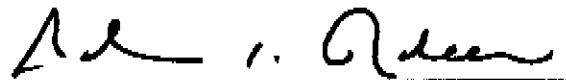
Miscellaneous

87. To the extent any of the foregoing conclusions of law constitute findings of fact, they are adopted as such.

Conclusion

These Findings of Fact and Conclusions of Law and the Unfair Discrimination Decision and Order shall serve to support the entry of the Confirmation Order and issuance of the Asbestos PI Permanent Channeling Injunction and the Claims Trading Injunction in the Confirmation Order.

Dated: Philadelphia, Pennsylvania
August 18, 2006



THE HONORABLE EDUARDO C. ROBRENO
United States District Judge