

In the Court of Common Pleas of Allegheny County, PA

Faith Craig, Executrix of the	)	Civil Division - Asbestos
Estate of Robert V. Baird,)	
Plaintiff	)	Civil Action No. _____
)	
Vs.)	
)	
Armstrong World Industries, Inc.	)	Exhibit 7 to
Now Known As	)	COMPLAINT IN CIVIL ACTION
Armstrong World Industries	)	<i>Filed on Behalf of the Plaintiff by</i>
Asbestos Personal Injury Trust	)	Lee W. Davis, Esquire
	)	PA I.D. # 77420
and	)	Law Offices of
	)	Lee W. Davis, Esquire, LLC
Armstrong World Industries, Inc.	)	5239 Butler St, Ste 201
	)	Pittsburgh, Pa 15201
and	)	412-781-0525
	)	lee@leewdavis.com
Trustees of the Armstrong World Industries)	
Asbestos Personal Injury Trust)	
And its Trustees,)	
Anne M. Ferazzi, individually,	)	JURY TRIAL DEMANDED
and)	
Harry Huge, individually,)	
and)	
Richard E. Neville, individually)	
)	
and)	
)	
Trust Advisory Committee of the)	
Armstrong World Industries Asbestos)	
Personal Injury Trust)	
and its members,)	
John D. Cooney, individually)	
and)	
Russell D. Budd, individually)	
and)	
Joseph F. Rice, individually)	
and)	
Steven Kazan, individually)	
and)	
Perry Weitz, individually)	

and)
)
)
Future Claimants' Representative of)
Armstrong World Industries Asbestos)
Personal Injury Trust)
and)
Dean M. Trafelet, individually,)
)
and)
)
Delaware Claims Processing Facility)
and)
Mary Ellen Nickel, individually)

Defendants

Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

Pursuant to Article 7.1 of the Fourth Amended Plan of Reorganization of Armstrong World Industries, Inc., as modified (the “**Plan**”), and Section 2.2(c) of the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust Agreement (the “**Trust Agreement**”), the Trustees of the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust (the “**Trust**”), Anne M. Ferazzi, Harry Huge, and Richard E. Neville (collectively, the “**Trustees**”), make the following Annual Report for the year ended December 31, 2018 (the “**Annual Report**”).

A. Financial Statements

Section 2.2(c)(i) of the Trust Agreement requires the Annual Report to include the following:

[F]inancial statements of the PI Trust (including, without limitation, a balance sheet of the Asbestos PI Trust as of the end of such fiscal year and a statement of operations for such fiscal year) audited by a firm of independent certified public accountants selected by the Trustees and accompanied by an opinion of such firm as to the fairness of the financial statements’ presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with generally accepted accounting principles.

Attached as Exhibit 1.A is a copy of the Armstrong World Industries, Inc. Asbestos PI Trust Financial Statements with Independent Auditors’ Report as of December 31, 2018 and 2017 (the “**Audited Financial Statements**”). As required, the Trust’s auditor, BKM Sowan Horan LLP, has conducted an audit of the Trust in accordance with auditing standards generally accepted in the United States, and has expressed an opinion that the Trust’s financial statements present

fairly, in all material respects, the financial position of the Trust as of December 31, 2018 and 2017, and that the results of the Trust's operations and its cash flows for the years then ended are in conformity with the special-purpose basis of accounting described in the notes to the Audited Financial Statements. The auditor's opinion expressly provides that it is intended for the use of this Court.

B. Claims Summary

Section 2.2(c)(ii) of the Trust Agreement requires the Annual Report to include "a summary regarding the number and type of claims disposed of during the period covered by the financial statements." Attached as Exhibit 1.B is a summary of claims filed and paid by the Trust in 2018, as well as in total since the Trust's inception through the end of 2018.

The Delaware Claims Processing Facility ("**DCPF**") processes asbestos personal injury claims for the Trust. DCPF is a claims processing facility jointly owned by the Trust and six other asbestos trusts. DCPF operates in such a way that each of the trust co-owners pays the *pro rata* cost of its usage of the facility. Trustee Anne Ferazzi sits on the board of DCPF and reports regularly to her fellow Trustees on issues relating to claims processing and the Trust's ownership interest in DCPF.

C. Trustees' Fees

Section 4.5(c) of the Trust Agreement provides that the Annual Report shall include a description of the amounts paid to the Trustees in 2018. The Audited Financial Statements separately set forth the amounts paid in fees and expenses to the Trustees during the year ended December 31, 2018 (the "**Reporting Period**").¹

¹ See Audited Financial Statements at 19.

D. Trust Advisory Committee Fees

Section 5.6 of the Trust Agreement provides that the Annual Report shall include a description of the amounts paid to the Trust Advisory Committee (“TAC”). The Audited Financial Statements separately set forth the amounts paid in fees and expenses to the TAC during the Reporting Period.² The members of the TAC are Russell Budd, John D. Cooney, Steven Kazan, Joseph F. Rice, and Perry Weitz.

E. Future Claimants’ Representative Fees

Section 6.5 of the Trust Agreement provides that the Annual Report shall include a description of the amounts paid to the Future Claimants’ Representative (“FCR”). The Audited Financial Statements separately set forth the amounts paid in fees and expenses to the FCR during the Reporting Period.³ The FCR is Dean M. Trafelet.

F. Significant Events During the Reporting Period

1. AWI Stock Ownership

At its inception, the Trust was funded with cash, insurance assets, and 36,981,480 shares of Armstrong World Industries, Inc. (“AWI”) stock. The AWI shares began to trade publicly on the New York Stock Exchange shortly after the Plan went effective. Since that time, the Trust disposed of AWI shares through a series of sales, secondary offerings, and block trades.

On April 1, 2016, AWI effected the spin off of its flooring business by means of a 1:2 stock dividend of shares of Armstrong Flooring, Inc. (“AFI”). Following this transaction, the Trust owned 9.5% of the stock of each of AWI, now a pure-play building products (ceilings) business, and of AFI, a pure-play commercial and residential flooring business. The spin off transaction was pursuant to a provision of the Internal Revenue Code of 1986, as amended,

² *Id.*

³ *Id.*

Section 355, that imposes certain limitations on post-spin off transactions by stockholders in the stock of the distributing company (AWI) and of the spin-off company (AFI) if the spin-off is to remain a tax-free transaction.

As previously reported, on March 7, 2017, the Trustees authorized the Trust to sell: (i) 5,251,234 shares of common stock of AWI in a block trade to Deutsche Bank for a per share price (net) of \$44.31; and (ii) 2,625,617 shares of common stock of AFI in a block trade to Barclays for a per share price (net) of \$17.40. These sales represent a total divesture by the Trust of its interest in both AWI and AFI. The transactions were completed on March 13, 2017.

2. Reconsideration of the Payment Percentage

During the Reporting Period, the actuarial consultants to the Trust, Ankura Consulting Group (“**Ankura**”) continued to monitor trends affecting the Payment Percentage. Based on Ankura’s recommendation, the Trustees determined that a reconsideration of the Payment Percentage was advisable due primarily to above-forecast claim filings and approval rates. On April 20, 2018, the Trust gave the 30-day notice as required by the TDP to all claimants and claimants’ counsel that the Payment Percentage would be re-determined. After reviewing Ankura’s report and recommendation, the Trustees determined that the Payment Percentage should be decreased from 43% to 36%, and requested that the TAC and FCR consent to this adjustment. Notice of this proposed change was provided to claimants and their counsel on June 29, 2018, at which time the 36% Payment Percentage went into effect with the provision that if a higher Payment Percentage was ultimately adopted, the Trust would make supplemental payments to all claimants who liquidated their claims at the 36% Payment Percentage. The TAC has requested additional time and is still reviewing Ankura’s estimates and underlying data

supporting the proposed adjustment. On April 2, 2019, the Trust gave another 30-day notice to claimants and claimants' counsel that the 36% Payment Percentage was under reconsideration.

3. Civil Investigative Demand

In September 2018, the United States Department of Justice (“DOJ”) served a Civil Investigative Demand (“CID”) on the Trust pursuant to the False Claims Act. Several other asbestos trusts were served with almost identical demands. The stated focus of this CID is to determine whether the Medicare Program has been reimbursed in accordance with Medicare Secondary Payer Act for payments made by asbestos settlement trusts. The Trust has engaged counsel to assist it with its response to the CID.

4. Trust Investments

As of the end of the Reporting Period, the Trust had approximately \$685,707,176 in fixed income investments, approximately \$86,041,566 in marketable alternative strategies, and approximately \$177,184,677 in equity investments. The total return on these investments (excluding cash) was -1.5% in calendar year 2018.

Exhibit 1.C to this Report shows the asset allocation of the Trust's investment portfolio. The total return on the Trust's investment portfolio in calendar year 2018 (including cash) was -1.4% (7.1% annualized since inception). Advised by their financial professionals, the Trustees continue to actively monitor the Trust's investment portfolio.

5. Extension of Trustee Huge's Term

On September 26, 2018, Trustees Neville and Ferazzi, with the consent of the TAC and FCR, elected to reappoint Harry Huge to serve an additional five-year term as Trustee as provided for in the Trust Agreement.

6. Meetings

In fulfillment of the meeting requirements contained in the Trust Agreement, during the Reporting Period the Trustees held quarterly meetings with the TAC and FCR. In addition, the Trustees conferred among themselves through weekly conference calls and monthly in-person meetings.

7. Office

As previously reported, the Trust's office is located at 1105 North Market Street, Wilmington, Delaware.

8. Officers

The Trustees previously appointed Dr. B. Thomas Florence and Mr. John Brophy, Jr., of Ankura as the Trust's Executive Director and Assistant Executive Director, respectively. They serve as the only officers of the Trust, and they directed the day-to-day management of the Trust throughout the Reporting Period.

9. Delaware Trustee

Wilmington Trust, National Association serves as the resident Delaware Trustee.

G. Additional Information

For additional information regarding the Trust's financials or operations, please contact its General Counsel, Keating Muething & Klekamp PLL, One East Fourth Street, Suite 1400, Cincinnati, Ohio 45202, attention: Rachael A. Rowe. For information on how to file a claim with the Trust, please visit the Trust's website: www.armstrongworldasbestostrust.com.