

## **Notice Regarding Amendments to Congoleum Plan Trust Distribution Procedures**

The Congoleum Plan Trust Distribution Procedures (the “TDP”) became effective on July 1, 2010, pursuant to the Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code of the Debtors, the Official Asbestos Claimants’ Committee, the Official Committee of Bondholders for Congoleum Corporation, *et al.* and the Futures Representative dated as of March 11, 2010 (as modified).

In accordance with Section 9.1 of the TDP and with the consent of the Trust Advisory Committee and the Futures Representative, the Plan Trustee of the Congoleum Plan Trust adopted certain amendments to Sections 2.5, 2.6, 5.2 and 5.3 of the TDP, effective July 7, 2011. The amendments to the TDP, which are set forth below, address the Trust’s (i) determination and disbursement of the Maximum Annual Payment, (ii) review of the Payment Percentage in specified circumstances, (iii) payment of certain Plan Trust PI Asbestos Claims in the event of a reduction of the Payment Percentage, and (iv) noticing claimants or claimants’ counsel of a reconsideration of the Payment Percentage prior to proposing such change to the Trust Advisory Committee and the Futures Representative.

The Plan Trust has published the First Amended Congoleum Plan Trust Distribution Procedures (effective July 7, 2011), incorporating the amendments set forth below, on the Trust’s website at [www.congoleumtrust.com](http://www.congoleumtrust.com).

### **Amendments to the TDP:**

Section II, Overview, is amended as follows:

Section 2.5, “Plan Trust’s Determination of the Maximum Annual Payment and Maximum Available Payment” is amended in its entirety to read:

After calculating the Payment Percentage, the Plan Trust shall model the cash flow, principal and income year-by-year to be paid over its entire life to ensure that all present and future Congoleum claimants are compensated at the Payment Percentage. In each year, based upon that model of the cash flow, the Plan Trust shall be empowered to pay out the portion of its funds payable for that year according to the model (the “Maximum Annual Payment”). The Plan Trust’s distributions to all claimants for that year shall not exceed the Maximum Annual Payment. The Payment Percentage and the Maximum Annual Payment figures are based on projections over the lifetime of the Plan Trust. As noted in Section 2.4 above, if such long-term projections are revised, the Payment Percentage may be adjusted accordingly, which would result in a new model of the Plan Trust’s anticipated cash flow and a new calculation of the Maximum Annual Payment figures.

However, year-to-year variations in the Plan Trust's flow of claims or the value of its assets, including earnings thereon, will not mean necessarily that the long-term projections are inaccurate; they may simply reflect normal variations, both up and down, from the smooth curve created by the Plan Trust's long-term projections. If, in a given year, however, asset values, including earnings thereon, are below projections, the Plan Trust may need to distribute less in that year than would otherwise be permitted based on the original Maximum Annual Payment derived from long-term projections. Accordingly, the original Maximum Annual Payment for a given year may be temporarily decreased if the present value of the assets of the Plan Trust as measured on a specified date during the year is less than the present value of the assets of the Plan Trust projected for that date by the cash flow model described in the foregoing paragraph. The Plan Trust shall make such a comparison whenever the Plan Trustee becomes aware of any information that suggests that such a comparison should be made and, in any event, no less frequently than once every six months. If the Plan Trust determines that as of the date in question, the present value of the Plan Trust's assets is less than the projected present value of its assets for such date, then it will remodel the cash flow year-by-year to be paid over the life of the Plan Trust based upon the reduced value of the total assets as so calculated and identify the reduced portion of its funds to be paid for that year, which will become the Temporary Maximum Annual Payment (additional reductions in the Maximum Annual Payment can occur during the course of that year based upon subsequent calculations). If in any year the Maximum Annual Payment was temporarily reduced as a result of an earlier calculation and, based upon a later calculation, the difference between the projected present value of the Plan Trust's assets and the actual present value of its assets has decreased, the Temporary Maximum Annual Payment shall be increased to reflect the decrease in the differential. In no event, however, shall the Temporary Maximum Annual Payment exceed the original Maximum Annual Payment. As a further safeguard, the Plan Trust's distribution to all claimants for the first nine months of a year shall not exceed 85% of the Maximum Annual Payment determined for that year. If on December 31 of a given year, the original Maximum Annual Payment for such year is not in effect, the original Maximum Annual Payment for the following year shall be reduced proportionately.

In distributing the Maximum Annual Payment, the Plan Trust shall, after reimbursing the Reorganized Debtors for the Claims Handling Fee (as defined in the Plan Trust Agreement), allocate and use the remaining portion of the Maximum Annual Payment (the "Maximum Available Payment") to satisfy all liquidated Plan Trust PI Asbestos Claims, subject to the Claims Payment Ratio set forth in Section 2.6 below; provided, however that if the Maximum Annual Payment is

reduced during a year pursuant to the provisions above, the Maximum Available Payment shall be adjusted accordingly.

The second paragraph of Section 2.6, "Claims Payment Ratio" is amended to read:

In each year, after the determination of the Maximum Available Payment described in Section 2.5 above, 75% of that amount shall be available to pay Category A claims and 25% shall be available to pay Category B claims that have been liquidated since the Petition Date; provided, however, that if the Maximum Annual Payment is reduced during the year pursuant to the provisions of Section 2.5 above, the amounts available to pay Category A claims and Category B claims shall be recalculated based on the adjusted Maximum Available Payment. In the event there are insufficient funds in any year to pay the liquidated claims within either or both of the Categories, the available funds allocated to the particular Category shall be paid to the maximum extent to claimants in that Category based on their place in the FIFO Payment Queue described in Section 6.1(c) below, which shall be based upon the date of claim liquidation. Claims for which there are insufficient funds allocated to the relevant Category shall be carried over to the next year where they shall be placed at the head of the FIFO Payment Queue. If there are excess funds in either or both Categories, because there is an insufficient amount of liquidated claims to exhaust the respective Maximum Available Payment amount for that Category, then the excess funds for either or both Categories shall be rolled over and remain dedicated to the respective Category to which they were originally allocated. During the first nine months of a given year, the Plan Trust's payments to claimants in a Category shall not exceed the amount of any excess funds that were rolled over for such Category from the prior year plus 85% of the amount that would otherwise be available for payment to claimants in such Category.

Section V, Payment Percentage; Periodic Estimates, is amended as follows:

The second paragraph of Section 5.2, "Computation of Payment Percentage," is amended to read:

The Payment Percentage shall thereafter be subject to change pursuant to the terms of this TDP and the Plan Trust Agreement if the Plan Trustee determines that an adjustment is required. No less frequently than once every three years, commencing with the first day of January occurring after the Plan is consummated, the Plan Trustee shall reconsider the then applicable Payment Percentage to assure that it is based on accurate, current information and may, after such reconsideration, change the Payment Percentage if necessary with the consent of the TAC and the

Futures Representative. The Plan Trustee shall also reconsider the then applicable Payment Percentage at shorter intervals if he or she deems such reconsideration to be appropriate or if requested to do so by the TAC or the Futures Representative. In any event, no less frequently than once every twelve (12) months, commencing on the Initial Claims Filing Date, the Plan Trustee shall compare the liability forecast on which the then applicable Payment Percentage is based with the actual claims filing and payment experience of the Plan Trust to date. If the results of the comparison call into question the ability of the Plan Trust to continue to rely upon the current liability forecast, the Plan Trustee shall undertake a reconsideration of the Payment Percentage.

Section 5.3, “Applicability of the Payment Percentage” is amended in its entirety to read:

Except as set forth in Section 5.2 above with respect to supplemental payments, no holder of a Plan Trust Voting Claim, other than a holder of a claim for Other Asbestos Disease (Disease Level I – Cash Discount Payment) as defined in Section 6.2(a)(3) below shall receive a payment that exceeds the initial Payment Percentage times the liquidated value of the claim. Except as otherwise provided (a) in Section 6.1(c) below for Plan Trust PI Asbestos Claims involving deceased or incompetent claimants for which approval of the Plan Trust’s offer by a court or through a probate process is required and (b) in the paragraph below with respect to Released Claims, no holder of any other Plan Trust PI Asbestos Claim, other than a Plan Trust PI Asbestos Claim for Other Asbestos Disease (Disease Level I - Cash Discount Payment) shall receive a payment that exceeds the liquidated value of the claim times the Payment Percentage in effect at the time of payment; provided, however, that if there is a reduction in the Payment Percentage, the Plan Trustee, in his or her sole discretion, may cause the Plan Trust to pay a Plan Trust PI Asbestos Claim based on the Payment Percentage that was in effect prior to the reduction if such Plan Trust PI Asbestos Claim was filed and actionable with the Plan Trust ninety (90) days or more prior to the date the Plan Trustee proposed the new Payment Percentage in writing to the TAC and the Futures Representative (the “Proposal Date”) and the processing of such claim was unreasonably delayed due to circumstances beyond the control of the claimant or the claimant’s counsel, but only if such claim had no deficiencies for the ninety (90) days prior to the Proposal Date. Plan Trust PI Asbestos Claims involving Other Asbestos Disease (Disease Level I - Cash Discount Payment) shall not be subject to the Payment Percentage, but shall instead be paid the full amount of their Scheduled Value as set forth in Section 6.2(a)(3) below.

If a redetermination of the Payment Percentage has been proposed in writing by the Plan Trustee to the TAC and the Futures Representative but has not yet been adopted, the claimant shall receive the lower of the

current Payment Percentage or the proposed Payment Percentage. However, if the proposed Payment Percentage was the lower amount but was not subsequently adopted, the claimant shall thereafter receive the difference between the lower proposed amount and the higher current amount. Conversely, if the proposed Payment Percentage was the higher amount and was subsequently adopted, the claimant shall thereafter receive the difference between the lower current amount and the higher adopted amount.

Notwithstanding anything contained herein, if the proposed Payment Percentage is lower than the current Payment Percentage, a claimant whose Plan Trust PI Asbestos Claim was liquidated prior to the Proposal Date and who either (a) transmitted<sup>2</sup> an executed release to the Plan Trust prior to the Proposal Date or (b) with respect to those claimants who had received releases fewer than thirty (30) days prior to the Proposal Date, transmitted an executed release to the Plan Trust within thirty (30) days of the claimant's receipt of the release (the claims described in (a) and (b) are collectively referred to herein as the "Released Claims") shall be paid based on the current Payment Percentage (the "Released Claims Payment Percentage"). For purposes hereof, (a) a claimant represented by counsel shall be deemed to have received a release on the date that the claimant's counsel receives the release, (b) if the Plan Trust transmits a release electronically, the release shall be deemed to have been received on the date the Plan Trust transmits the offer notification, and (c) if the Plan Trust places the release in the U.S. mail, postage prepaid, the release shall be deemed to have been received three (3) business days after such mailing date. A delay in the payment of the Released Claims for any reason, including delays resulting from limitations on payment amounts in a given year pursuant to Sections 2.5 and 2.6 hereof, shall not affect the rights of the holders of the Released Claims to be paid based on the Released Claims Payment Percentage.

At least thirty (30) days prior to proposing in writing to the TAC and the Futures Representative a change in the Payment Percentage, the Plan Trustee shall issue a written notice to claimants or claimants' counsel indicating that the Plan Trustee is reconsidering such Payment Percentage. During the period of time between the date of such notice and the Proposal Date, the Plan Trust shall continue processing claims and making offers in a manner consistent with its normal course of business.

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<sup>2</sup> For the purposes of this sentence, "transmitted" is defined as the date/time postmarked if submitted by mail or the date/time uploaded if submitted electronically.