

ARMSTRONG WORLD INDUSTRIES INC

Form DEF 14A

April 27, 2009

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## SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☒ Definitive Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

### **ARMSTRONG WORLD INDUSTRIES, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than Registrant)**

Payment of Filing Fee (check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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ARMSTRONG WORLD INDUSTRIES, INC.

2500 COLUMBIA AVE., LANCASTER, PA 17603

P.O. BOX 3001, LANCASTER, PA 17604

**Thomas M. Armstrong**

**Founder**

www.armstrong.com  
April 27, 2009

**1860**

## **2009 ANNUAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

On behalf of the Board of Directors and the management of Armstrong World Industries, Inc., it is my pleasure to invite you to attend the 2009 Annual Meeting of Shareholders of Armstrong World Industries, Inc. at 8:00 a.m. (local time) on Monday, June 22, 2009. The meeting will be held at our headquarters offices at 2500 Columbia Avenue, Lancaster, Pennsylvania.

For this meeting, we are following Securities and Exchange Commission ( SEC ) rules that allow us to furnish proxy materials to shareholders via the Internet. This reduces the costs of printing and mailing the materials and saves paper resources. However, any shareholder who would like to receive paper copies of the proxy materials can request them, free of charge, by email at [www.amstock.com](http://www.amstock.com) or by calling American Stock Transfer & Trust Company, LLC at 1-800-937-5449.

Information concerning the matters to be acted upon at the meeting is provided in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement.

Whether or not you plan to attend the meeting, it is important that your Common Shares be represented. Please vote your Common Shares through the Internet, by telephone, or by completing and returning a proxy card.

On behalf of your Board of Directors, thank you for your continued support of Armstrong.

Very truly yours,

/s/ Michael D. Lockhart

Michael D. Lockhart

Chairman of the Board and

Chief Executive Officer

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**ARMSTRONG WORLD INDUSTRIES, INC.**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held June 22, 2009**

April 27, 2009

To the Shareholders of Armstrong World Industries, Inc.:

The 2009 Annual Meeting of Shareholders of Armstrong World Industries, Inc. (the Company ) will be held on Monday, June 22, 2009, at 8:00 a.m. (local time), at the offices of the Company, 2500 Columbia Avenue, Lancaster, Pennsylvania, for the following purposes:

1. To elect eleven directors for the ensuing year or until their successors are elected and qualified;
2. To ratify the selection of KPMG LLP as independent auditors for 2009, and
3. To transact any other business that may properly be brought before the meeting or any adjournment or postponement of the meeting.

Shareholders of record of the Company's Common Shares, par value \$0.01 per share, at the close of business on March 27, 2009 (the Record Date ) are entitled to receive notice of and to vote at the meeting or any adjournment thereof. You are cordially invited to be present at the meeting and to vote.

Please note that to attend the meeting in person, you must have been a shareholder on the Record Date and you must present an admission ticket and photo identification.

To request an admission ticket, please email or write the Office of the Secretary at [AdmissionTicket@armstrong.com](mailto:AdmissionTicket@armstrong.com) or c/o C. L. Putt, Armstrong World Industries, Inc., P. O. Box 3001, Lancaster, PA 17604-3001. We must receive your request at least ten business days prior to the meeting. If your Common Shares are held directly in an account with our Transfer Agent, American Stock Transfer & Trust Company, LLC, your name will appear in our Record Date shareholder list. If your Common Shares are in the name of a broker, bank or other institution, you must provide evidence of your beneficial stock ownership on the Record Date.

Whether or not you attend the meeting, please ensure your Common Shares are represented by voting through the Internet, by telephone or by signing, dating and returning a proxy card.

By order of the Board of Directors,

/s/ Jeffrey D. Nickel

Jeffrey D. Nickel

Senior Vice President, Secretary

and General Counsel

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Armstrong World Industries, Inc.

2500 Columbia Avenue

Lancaster, PA 17603

**PROXY STATEMENT**

**Annual Meeting of Shareholders**

**to be held June 22, 2009, 8:00 a.m.**

April 27, 2009

This Proxy Statement is being furnished to the shareholders of Armstrong World Industries, Inc., a Pennsylvania corporation (the Company or Armstrong ), in connection with its 2009 Annual Meeting of Shareholders. Shareholder proxies are solicited on behalf of the Board of Directors for use at the Annual Meeting on June 22, 2009 at 8:00 a.m. (local time), and at any adjournment or postponement thereof, at the principal offices of the Company, 2500 Columbia Avenue, Lancaster, Pennsylvania.

For this meeting, we are following SEC rules that allow us to furnish proxy materials to shareholders via the Internet. This reduces the costs of printing and mailing the materials, and saves paper resources. However, any shareholder who would like to receive paper copies of the proxy materials can request them, free of charge, by email at [www.amstock.com](http://www.amstock.com) or by calling American Stock Transfer & Trust Company, LLC at 1-800-937-5449.

Please read this Proxy Statement and vote your Common Shares through the Internet, by telephone, by completing, dating, signing and returning a proxy card, or by attending the meeting and voting in person.

Your proxy may be revoked at any time before it is voted by the proxy holder at the meeting by filing a revocation with the Secretary before the polls close at the Annual Meeting. Your proxy may be changed by a duly executed proxy card or instructions bearing a later date (including proxy instructions given by telephone or Internet vote) or by voting in person at the meeting.

Properly executed and valid proxies will be voted according to their terms. If a shareholder instructs how the proxy is to be voted with respect to any of the proposals for which a choice is provided, the proxy will be voted accordingly. If a shareholder fails to so specify how to vote on a particular proposal, the proxy will be voted on proposals 1 and 2 as follows:

1. **FOR** the election of each director nominee named in this Proxy Statement; and

2. **FOR** the ratification of the appointment of independent auditors.

Only holders of Common Shares of record at the close of business on March 27, 2009 (the Record Date ) are entitled to receive notice of and to vote at the meeting or any adjournment or postponement thereof. On the Record Date, there were 57,426,975 Common Shares outstanding. Each such Common Share is entitled to one vote on each matter to be voted on at the Annual Meeting of Shareholders. Cumulative voting for directors is not permitted.



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### **Questions and Answers about the Annual Meeting and Voting**

#### **Q: WHY DID I RECEIVE A ONE-PAGE NOTICE IN THE MAIL REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS INSTEAD OF A FULL SET OF PROXY MATERIALS?**

**A:** Under SEC rules, we are providing access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials ( Notice ) to our shareholders of record and beneficial owners. All shareholders are free to access the proxy materials on a website referred to in the Notice and to request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy are in the Notice. In addition, shareholders may request proxy materials be sent by mail or by email.

#### **Q: HOW CAN I RECEIVE PRINTED PROXY MATERIALS?**

**A:** If you are a shareholder of record with an account at American Stock Transfer & Trust Company, LLC ( AST ), call 1-800-937-5449; write to AST at 59 Maiden Lane, Plaza Level, New York, NY 10038; or email [www.amstock.com](http://www.amstock.com) and ask for printed proxy materials for Armstrong. You will be asked to provide AST certain secure information. If you are a beneficial or street name holder, meaning that you hold Armstrong stock through a broker, bank or other firm, you must contact that company with your request.

#### **Q: CAN I RECEIVE PRINTED COPIES OF SHAREHOLDER MATERIALS IN THE FUTURE?**

**A:** Yes. Once a shareholder requests printed copies, we will send future materials in print until asked to stop doing so.

#### **Q: HOW CAN I OBTAIN ELECTRONIC PROXY MATERIALS INSTEAD OF MAILED COPIES?**

**A:** This Proxy Statement and our 2008 Annual Report on Form 10-K are available at [www.amstock.com](http://www.amstock.com) and on our website at [www.armstrong.com](http://www.armstrong.com). Shareholders of record can also elect to receive future proxy statements and annual reports via electronic access instead of receiving paper copies in the mail. Log on to [www.proxyconsent.com/armstrong](http://www.proxyconsent.com/armstrong) and follow the instructions. It will be helpful to have your shareholder account number on hand when you go on line. This option saves us the cost of producing and mailing these documents. Beneficial or street name shareholders who wish to enroll in electronic access should contact the firm where they have their account.

If you choose to receive future proxy statements and annual reports electronically, each year you will be notified when these documents become available. Your choice to receive these documents electronically will remain in effect until you instruct otherwise. You do not have to elect Internet access each year.

#### **Q: WHERE CAN I GET A COPY OF THE 10-K REPORT?**

**A:** You can obtain an Annual Report on Form 10-K, free of charge, by downloading it from [www.amstock.com](http://www.amstock.com) or [www.armstrong.com](http://www.armstrong.com). You can request a printed copy free of charge from the Company's Investor Relations office at the following address:

Investor Relations

Armstrong World Industries, Inc.

P. O. Box 3001

Lancaster, PA 17604-3001

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**Q: WHAT IS INCLUDED IN THESE PROXY MATERIALS?**

**A:** These proxy materials include:

Our Proxy Statement and proxy for the Annual Meeting; and

Our 2008 Annual Report on Form 10-K, which includes our audited consolidated financial statements.

If you requested printed versions of these materials by mail, these materials also include a proxy card and return envelope.

**Q: HOW CAN I GET ELECTRONIC ACCESS TO THIS YEAR'S PROXY MATERIALS?**

**A:** Go to [www.amstock.com](http://www.amstock.com). The Notice sent to shareholders about the Annual Meeting provides instructions on how to:

View our proxy materials for the Annual Meeting on the Internet; and

Instruct us to furnish our future proxy materials to you electronically.

**Q: WHAT AM I VOTING ON?**

**A:** You are being asked to vote your proxy on two proposals. The first is the election of eleven members to our Board of Directors; all of the nominees recommended by the Company's Board of Directors are currently serving on the Board. For more information on each nominee, please turn to the section Election of Directors.

You also are being asked to ratify the selection of KPMG LLP as Armstrong's independent auditors for 2009. For more information, please turn to Ratification of Auditors.

**Q: WHO IS ENTITLED TO VOTE?**

**A:** Each holder of record of Common Shares of Armstrong at the close of business on the record date, March 27, 2009, is entitled to one vote for each Common Share owned on each matter to be voted on.

**Q: CAN I CUMULATE MY VOTES FOR DIRECTORS AND CAST THEM ALL FOR ONE CANDIDATE?**

**A:** No. The Articles and Bylaws of the Company do not permit cumulative voting for directors.

**Q: HOW DO I VOTE?**

**A:** You can vote in any one of the following ways:

*You can vote through the Internet* by going to the website listed on your meeting notice or proxy card and following the instructions.

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*You can vote by telephone* by using a touch tone phone to call 1-800-776-9437, the telephone number included on your meeting notice or proxy card, and following the recorded instructions.

*You can vote by mail* by signing and dating a proxy card, and mailing it back.

*You can also vote at the Annual Meeting* by delivering your completed proxy card in person at the Annual Meeting or by completing a ballot at the meeting. However, if you hold your Common Shares through a bank or broker rather than directly with the Company, you must obtain a proxy from that firm and provide it at the meeting in order to vote at the meeting.

In each case, your Common Shares will be voted as you instruct. If you return a signed card but do not provide voting instructions, your Common Shares will be voted **FOR** the nominees for election as directors and **FOR** the ratification of the appointment of KPMG LLP as our independent auditors for the year ending December 31, 2009.

*Regardless of how you choose to vote, your vote is important, and we encourage you to vote promptly.*

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**Q: WHAT MUST I DO TO ATTEND THE MEETING IN PERSON?**

**A:** If you wish to attend the meeting in person, please request an admission ticket and, if you hold your Common Shares in an account with a broker or bank, provide evidence that you were a shareholder on the Record Date. We must receive your request at least ten business days prior to the meeting at the Office of the Secretary (Attn: C. L. Putt, Armstrong World Industries, Inc., P. O. Box 3001, Lancaster, PA 17604-3001) or by email at [AdmissionTicket@armstrong.com](mailto:AdmissionTicket@armstrong.com). It will be necessary to present the admission ticket and picture identification to gain entrance to the Corporate Campus.

**Q: HOW MANY VOTES ARE NEEDED TO HOLD THE MEETING?**

**A:** The presence in person or by proxy at the Annual Meeting of the holders of a majority of all Common Shares issued and outstanding is required for a quorum in order to hold the meeting.

**Q: WHAT IS THE VOTE REQUIRED TO ELECT THE NOMINEES FOR DIRECTOR?**

**A:** The eleven nominees receiving the greatest number of affirmative votes will be elected directors.

**Q: HOW MANY VOTES ARE NEEDED TO APPROVE THE RATIFICATION OF KPMG LLP AS AUDITORS?**

**A:** The approval of a majority of votes cast at the Annual Meeting is required.

**Q: WILL ANY OTHER MATTERS BE VOTED ON?**

**A:** We do not expect any other matters to be considered at the Annual Meeting. However, if a matter not listed on the proxy card is properly brought before the Meeting by a shareholder, the individuals designated as proxies will vote on the matter in accordance with their judgment. If the Secretary of the Company receives notice of a shareholder proposal that complies with the governing Bylaw provision on or prior to the required date, and if such proposal is properly presented at the 2010 Annual Meeting of Shareholders, the proxy-holders appointed by the Company may exercise discretionary authority in voting on such proposal if, in the Company's Proxy Statement for such meeting, the Company advises shareholders of the nature of such proposal and how the proxies appointed by the Company intend to vote on such proposal, unless the shareholder submitting the proposal satisfies certain SEC requirements, including the mailing of a separate statement to the Company's Shareholders.

**Q: WHO WILL COUNT THE VOTES?**

**A:** The Judge of Election, a representative of American Stock Transfer & Trust Company, LLC, the Company's Registrar and Transfer Agent, will count the votes.

**Q: HOW ARE VOTES COUNTED?**

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**A:** In determining whether we have a quorum, all properly submitted proxies and ballots, including abstentions, broker non-votes and withheld votes, are counted as present. However, abstentions and broker non-votes, as well as votes withheld, are not considered votes cast and will not be counted for or against a matter or nominee. Therefore, abstentions and broker non-votes have no effect on the outcome of the election of directors or ratification of the appointment of the independent auditors. If a shareholder specifies how the proxy is to be voted with respect to any of the proposals, the proxy will be voted accordingly.

**Q: WHAT ARE BROKER NON-VOTES?**

**A:** Broker non-votes occur when firms such as banks and brokers holding Common Shares on behalf of beneficial shareholders who have accounts at those firms do not receive voting instructions from the beneficial shareholders at least ten days prior to the Annual Meeting. If that happens, the

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nominee firms may vote those Common Shares only on matters deemed routine by the New York Stock Exchange ( NYSE ). On non-routine matters, nominees cannot vote without instructions from the beneficial shareholder, resulting in a so-called broker non-vote. The election of directors and ratification of auditors are considered routine.

### **Q: WHAT SHARES ARE COVERED BY MY PROXY?**

**A:** You should have a paper or electronic proxy card/voting instructions for each account in which you own Armstrong stock either:

directly in your name as the shareholder of record; or

indirectly through a broker, bank or other holder of record.

### **Q: WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY CARD OR VOTING INSTRUCTIONS?**

**A:** It means that you have multiple accounts in which you own stock. Please vote all proxy cards/voting instructions from the Company to ensure that all your Common Shares are voted. However, you may want to contact your broker, bank or the Company's transfer agent to consolidate as many accounts as possible under a single name and address. Our transfer agent is American Stock Transfer & Trust Company, LLC. All communications concerning Common Shares you hold in your name, including address changes, name changes, requests to transfer and similar issues, can be handled by contacting them at American Stock Transfer & Trust Company, LLC, 59 Maiden Lane, Plaza Level, New York, NY 10038; phone 1-800-937-5449; or on the Internet at [www.amstock.com](http://www.amstock.com).

### **Q: HOW CAN I CHANGE MY VOTE?**

**A:** You can revoke your proxy and change your vote before the polls close at the Annual Meeting by:

delivering a revocation to the Secretary;

submitting another proxy with a later date; or

voting at the meeting.

The telephone and Internet voting for shareholders will close at 11:59 p.m. on June 21, 2009.

### **Q: WHO PAYS THE COST OF SOLICITING THE PROXIES REQUESTED?**

**A:** The cost of solicitation on behalf of the Board of Directors is borne by the Company. In addition to the use of the mails, proxies could be solicited in person, by telephone or by electronic mail, and could be requested by directors, officers or

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employees of the Company, or by employees of our Transfer Agent or an independent company retained to assist in the solicitation of proxies.

### **Q: WILL MY VOTE BE CONFIDENTIAL?**

**A:** Under the Company's confidential voting policy, all proxies, ballots and tabulations that identify how shareholders voted will be kept confidential. To implement this policy, the Company has engaged an independent Judge of Election. Company employees will not serve as vote tabulators or judges. This confidentiality policy does not apply: (1) when disclosure about a matter is required by law; (2) when disclosure is necessary in connection with a claim involving the Company; (3) when a shareholder expressly requests or permits disclosure; or (4) during the course of a contested proxy solicitation. Shareholders comments on proxy cards and ballots will be conveyed to the Company in a manner that protects the confidentiality of the voter.



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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

**BOARD OF DIRECTORS**

Eleven directors will be elected at the Annual Meeting to serve on the Company's Board of Directors until the next Annual Meeting and until their successors have been elected and qualified. Unless you specify otherwise, the enclosed proxy will be voted to elect the nominees named below. Each nominee is currently serving as a director.

Eight directors, Ms. Haberkorn and Messrs. Gaffney, Garland, Lockhart, Peppet, Pergament, Roberts and Sanders, Jr., were named to serve on the Board in the Company's Chapter 11 Plan of Reorganization ( "POR" ) that became effective October 2, 2006. James J. O'Connor was elected to the Board in February 2007. In October 2008, Stan A. Askren and Jon A. Boscia, two candidates who had been submitted to the Nominating and Governance Committee for consideration by the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust ( "Trust" ), pursuant to the Trust's rights under the Sixth Article of the Company's Articles of Incorporation and Articles II and III of the Bylaws, were elected to the Board.

If one or more of the nominees named below should become unavailable for election, the proxy may be voted for a substitute person or persons, but not for more than eleven nominees. The eleven nominees receiving the greatest number of affirmative votes will be elected.

**The Board of Directors recommends that shareholders vote FOR election of the eleven nominees identified below.**

**DIRECTOR INFORMATION**

**Stan A. Askren**

Age 48; Director since October 2008. Member Audit Committee. Mr. Askren has been Chairman and Chief Executive Officer since 2004, and President since 2003. Previously, he was Executive Vice President with HNI Corporation from 2001-2003. With sales of approximately \$2.5 billion, HNI Corporation is the second largest office furniture manufacturer in the world and the nation's leading manufacturer and marketer of gas- and wood-burning fireplaces. He has worked in several industries and has held multiple executive management and general management positions with Emerson Electric, Thomson S.A. and HNI Corporation. Mr. Askren serves on the Boards of Directors of the National Association of Manufacturers ( "NAM" ) and the Business and Institutional Furniture Manufacturer's Association ( "BIFMA" ). He is active in numerous local and civic organizations and boards. Mr. Askren received his bachelor's degree from University of Northern Iowa, an MBA from Washington University and completed the Advanced Management Program at Harvard Business School.

**Jon A. Boscia**

Age 57; Director since October 2008. Member Management Development and Compensation Committee and Nominating and Governance Committee. In 2008, Mr. Boscia was named President of Sun Life Financial, Inc., an international financial services organization providing protection and wealth accumulation products and services to individuals and corporate customers. Previously, he was Chairman and Chief Executive Officer of Lincoln National Corporation, a diversified financial services organization headquartered in the Philadelphia area with \$200 billion in assets under management as of September 30, 2008. He joined Lincoln National in 1983 as Vice President of Investment Management and Strategic Planning, became Senior Vice President in 1985, President and Chief Operating Officer in 1994 and President and Chief Executive Officer in 1998. Currently, he serves on the Boards of Directors of the Southern Company and the Union League of Philadelphia where he is a Vice President. Mr. Boscia also serves as President of the Boscia Family Foundation. He also served on the Boards of Directors of Lincoln National Corporation, The Hershey Company, Georgia Pacific Corporation, and

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National RE Holdings Corporation. Mr. Boscia received his bachelor's degree from Point Park University and his MBA from Duquesne University.

### **James J. Gaffney**

Age 68; Director since October 2006. Member Nominating and Governance Committee (Chair) and Management Development and Compensation Committee. Former Consultant to GS Capital Partners, II, LP, a private investment fund affiliated with Water Street Corporate Recovery Fund I, LP and Goldman, Sachs & Co. and other affiliated investment funds from 1997-2003. From 1995-1997, he served as Chairman of the Board and Chief Executive Officer of General Aquatics, Inc., comprised of companies involved in the manufacturing of swimming pool equipment and pool construction. He was President and Chief Executive Officer of KDI Corporation, a conglomerate with companies involved in swimming pool construction and manufactured products. Mr. Gaffney serves as Chairman of the Board of Directors of Imperial Sugar Company and serves on the Boards of SCP Pool, Inc. and Beacon Roofing Supply, Inc.

### **Robert C. Garland**

Age 41; Director since October 2006. Member Audit Committee. Consultant in the forest products industry, most recently on behalf of Oaktree Capital Management, LLC and Cerberus Capital Management, LP. Executive Chairman of ImageTree, Inc., a precision forestry assessment company. Owner and Co-Chairman of Titan Industries, LLC, an engineering and manufacturing company in the conveying and materials handling industry. Founder and President of Garland Capital Management, LLC, a buyout and special situations investment and advisory firm. Currently, Chief Executive Officer of AFR Holdco, Inc., American Fiber Resources, LLC and Great Lakes Pulp Company, Inc. ( AFR Group ) since 2001. Previously, Chief Financial Officer of the AFR Group in 1999; President, CFO and Director of the AFR Group in 2000 and Chief Executive Officer, President, CFO and Director of the AFR Group from 2001-2006. Mr. Garland's experience includes business restructuring and business turnaround consulting at PriceWaterhouse LLP, Adjunct Professor of Finance at the University of Pittsburgh Katz MBA program, and Vice-President at an international medical equipment distributor. Mr. Garland holds a law degree and an MBA.

### **Judith R. Haberkorn**

Age 62; Director since July 1998. Member Management Development and Compensation Committee (Chair) and Nominating and Governance Committee. Lead Director until February 25, 2008. Director of the Company's former holding company May 2000 October 2006. Ms. Haberkorn is a graduate of Briarcliff (NY) College and completed the Advanced Management Program at Harvard Business School. She served Verizon Communication (formerly Bell Atlantic) in a variety of management positions for over a decade most recently as President Consumer Sales and Service from 1998 until her retirement in 2000. She is on the Boards of Directors of Computer Sciences Corporation and ExpressJet Holdings, Inc. She is Chair Emerita of the Committee of 200 and a member of The International Women's Forum and the Harvard Business School Network of Women Alumnae. Ms. Haberkorn is a Vice President Emerita of the Harvard Business School Alumni Advisory Board and a former member of the Visiting Committee.

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### **Michael D. Lockhart**

Age 60; Chairman of the Board and President since March 2001; Chairman of the Board, President and Chief Executive Officer since December 2002; Chairman and Chief Executive Officer of the Company's former holding company from August 2000 December 2007. Mr. Lockhart previously served as Chairman and Chief Executive Officer of General Signal, a diversified manufacturer, headquartered in Stamford, Connecticut from September 1995 until it was acquired in October 1998. He joined General Signal as President and Chief Operating Officer in September 1994. From 1981 until 1994, Mr. Lockhart worked for General Electric in various executive capacities in the GE Credit Corporation (now GE Capital), GE Transportation Systems and GE Aircraft Engines. Mr. Lockhart is a member of the Board of Directors of the Norfolk Southern Corporation and a member of the Business Council for the Booth School of Business at the University of Chicago.

### **James J. O Connor**

Age 72; Director since February 2007. Lead Director since February 25, 2009 and Member Audit Committee. Mr. O Connor is a Retired Chairman of the Board and Chief Executive Officer of Unicom Corporation. He joined Commonwealth Edison Company in 1963, became President in 1977, a Director in 1978 and Chairman and Chief Executive in 1980. In 1994, he was also named Chairman and Chief Executive Officer of Unicom Corporation, which then became the parent company of Commonwealth Edison Company. He retired in 1998. Mr. O Connor serves on the Boards of Directors of Corning, Inc., Smurfit Stone Container Corporation, UAL Corporation and United Airlines.

### **Russell F. Peppet**

Age 69; Director since October 2006. Member Management Development and Compensation Committee and Nominating and Governance Committee. Since 2001, Mr. Peppet has been a Consultant to a number of firms, principally in the mutual fund industry. He is a Partner in Park Avenue Equity Partners, a private equity firm. He was Chief Executive Officer of Possible Dreams, Inc. from 2002-2003. Mr. Peppet was a Principal of Churchill Capital, Inc. from 1998-2001 and Vice Chairman of Quirk Carson Peppet, Inc., a private equity firm from 1990-1998. He was employed by and was a former partner and Vice Chairman of Peat, Marwick, Mitchell & Co., now KPMG LLP, from 1969-1988. Mr. Peppet serves on the Boards of Directors of Joerns Healthcare, Inc. and Condor Automotive Group, LLC.

### **Arthur J. Pergament**

Age 48; Director since October 2006. Member Audit Committee. Founder and Chief Executive Officer of Pergament Advisors, LLC, a New York based asset manager serving the institutional and high net worth communities. Co-founder and Director of Accelerated Technologies, Inc., an incubator specializing in the development of coronary and vascular devices. Prior to founding Pergament Advisors, he served as a Senior Partner at Cramer Rosenthal McGlynn. During his seven years at Cramer Rosenthal McGlynn, Mr. Pergament advanced from Analyst and Portfolio Manager to Senior Partner until he sold his partnership interests to Wilmington Trust Company. During this period, he was instrumental in growing assets under management from \$300 million to \$5.5 billion. He is a Co-founder and Director of the Cardiovascular Research Foundation, a global cardiovascular research effort specializing in developing less invasive techniques to treat and potentially cure heart disease. Mr. Pergament is on the Boards of Directors of North Shore/Long Island Jewish Health Systems and Children's Medical Fund.

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### **John J. Roberts**

Age 64; Director since September 2006. Member Audit Committee (Chair). Director of Company's former holding company from April 2003-October 2006. Mr. Roberts formerly served as Global Managing Partner for PriceWaterhouse Coopers LLP from 1998 until his retirement in June 2002. He held numerous positions at Coopers & Lybrand LLP from 1967 until its merger with PriceWaterhouse LLP in 1998. From 1994 to 1998, Mr. Roberts served as one of three members of the Office of the Chairman of Coopers & Lybrand's United States operations. Prior to that time, Mr. Roberts held other positions at Coopers & Lybrand, including Deputy Vice Chairman, Vice Chairman and Managing Partner. Mr. Roberts is a graduate of Drexel University. He serves on the Boards of Directors and Audit Committees of Safeguard Scientifics, Inc., the Pennsylvania Real Estate Investment Trust, and Vonage Holdings Corporation.

### **Alexander M. Sanders, Jr.**

Age 70; Director since October 2006. Member Management Development and Compensation Committee and Nominating and Governance Committee. President Emeritus of the College of Charleston since 2001. He served as President of the College of Charleston from 1992-2001. He was the Chief Judge on the South Carolina Court of Appeals and an Acting Associate Justice of the South Carolina Supreme Court from 1983-1992. Judge Sanders is a Shareholder in the law firm of Sanders & Nettles, LLC; and serves on the Board of Directors of the National Bank of South Carolina and has been Chairman of the Charleston School of Law, LLC since 2003.

## **PROPOSAL 2**

### **RATIFICATION OF AUDITORS**

The independent registered public accounting firm of KPMG LLP was appointed by the Audit Committee to serve as independent auditors of Armstrong and its subsidiaries for 2009.

Pursuant to the recommendation of the Audit Committee, the Board of Directors recommends that shareholders ratify the selection by the Audit Committee of KPMG LLP to conduct an audit of Armstrong and its subsidiaries for 2009. The Board is submitting the selection of KPMG LLP to our shareholders for ratification as a matter of good corporate practice. Whether or not the appointment of KPMG LLP is ratified by the shareholders, the Audit Committee may, in its discretion, change the appointment at any time during the year if it determines that such change would be in the best interests of the Company and its shareholders. This discretion is consistent with the responsibilities of the Audit Committee as outlined in its charter. If the shareholders at the 2009 Annual Meeting do not approve this proposal, the Audit Committee will reconsider its selection of KPMG, but no determination has been made as to what action the Audit Committee would take if shareholders do not ratify the appointment of KPMG.

Representatives of KPMG LLP are expected to be present at the meeting. They will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions raised by shareholders at the meeting.

The affirmative vote of a majority of those votes cast at the meeting is required to ratify the selection of KPMG LLP.

**The Board of Directors recommends that shareholders vote FOR this proposal.**

### **RELATIONSHIP WITH INDEPENDENT AUDITORS**

#### **Pre-Approval of Services Provided by Auditors**

Consistent with the Audit Committee's responsibility for engaging the Company's independent registered public accountant, all audit and permitted non-audit services performed by KPMG LLP require pre-approval by the Audit Committee, as discussed on page 12. Authority to approve services is delegated to the Audit Committee Chair, provided that the Chair is held by a director

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who is independent within the meaning of the Sarbanes-Oxley Act and that all such pre-approvals are presented to the Audit Committee at its next regularly scheduled meeting.

**Fees Paid to KPMG**

The following table presents fees for professional audit services rendered by KPMG LLP, for the audit of Armstrong's annual consolidated financial statements for 2008 and 2007, and fees billed for other services rendered by KPMG LLP. All fees in 2008 and 2007 were pre-approved by the Audit Committee.

	(amounts in thousands)	
	<b>2008</b>	<b>2007</b>
Audit Fees <sup>(1)</sup>	\$ 5,408	\$ 5,645
Audit Related Fees <sup>(2)</sup>	322	470
Audit and Audit Related Fees	5,730	6,115
Tax Fees <sup>(3)</sup>	1,050	1,680
Total Fees	\$ 6,780	\$ 7,795

<sup>(1)</sup> Audit Fees are for services rendered in connection with the integrated audit of Armstrong's consolidated financial statements as of and for the year, for which a portion of the billings occurred the following year. Audit fees were also incurred for reviews of consolidated financial statements included in Armstrong's quarterly reports on Form 10-Q and services normally provided in connection with statutory and regulatory filings.

<sup>(2)</sup> Audit Related Fees consisted principally of fees for audits of financial statements of certain employee benefit plans, accounting research assistance on technical topics and other matters with respect to non-U.S. statutory financial statements.

<sup>(3)</sup> Tax Fees were primarily for preparation of tax returns in non-U.S. jurisdictions, assistance with tax audits and appeals and other tax consultation and compliance services.

The Audit Committee has considered whether the provision by KPMG LLP of the non-audit services described above was allowed under Rule 2-01(c)(4) of Regulation S-X and was compatible with maintaining auditor independence, and has concluded that KPMG LLP was and is independent of the Company in all respects.

**BOARD OF DIRECTORS****Board Committees and Responsibilities**

The Board of Directors has three committees: an Audit Committee, a Management Development and Compensation Committee, and a Nominating and Governance Committee. Each Committee has a charter and consists solely of independent directors who meet applicable New York Stock Exchange, Securities and Exchange Commission, Internal Revenue Service and Company standards for independence. Each committee reports to the Board regularly and evaluates the effectiveness of its performance annually. The membership of each committee is determined by the Board of Directors on the recommendation of the Nominating and Governance Committee.

The Board met ten times during the fiscal year ended December 31, 2008. The Management Development and Compensation Committee met seven times, the Audit Committee met six times, and the Nominating and Governance Committee met five times during the year. Certain meetings were jointly held, and each committee met from time to time in executive session.

On February 25, 2008, James J. O'Connor was elected to serve as Lead Director. He succeeded Judith R. Haberkorn, who had previously served as Lead Director. As Lead Director, Mr. O'Connor presided over executive sessions of the non-employee directors during the year. The Lead Director chairs discussions in executive sessions of the Board, communicates with the Chief Executive Officer regarding discussions during executive sessions of the Board and is available to assist in the Board and committee evaluation processes.



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With the exception of Mr. Boscia, all directors participated in at least 75% of all meetings of the Board of Directors and meetings of the Committees on which they served. Board members are expected to attend annual meetings. Seven of the then-current nine directors attended the June 23, 2008 Annual Meeting of Shareholders.

### **Armstrong Corporate Governance Website Materials and Printed Copies Available**

Information about Armstrong's corporate governance is available on the Company's Armstrong.com website under Company Information and then Corporate Governance. See <http://www.armstrong.com/corporate/corporate-governance.html>. Posted on that website are the charters of the Audit, Management Development and Compensation, and Nominating and Governance Committees of the Board of Directors, plus the Armstrong Corporate Governance Principles, the Armstrong Code of Business Conduct and the Armstrong Code of Ethics for Financial Professionals. The Board's Process for Evaluation of Director Candidates, a description of Director Responsibilities and Qualifications and a Position Description for an Armstrong Director are also posted, along with instructions for shareholders who wish to recommend candidates for consideration as directors. In addition, any or all of these documents, as well as copies of our Bylaws and Articles of Incorporation, are available in print free of charge upon request to: Investor Relations, Armstrong World Industries, Inc., P. O. Box 3001, Lancaster, PA 17604-3001.

## **AUDIT COMMITTEE AND AUDIT COMMITTEE EXPERT**

The members of the Audit Committee are:

John J. Roberts (Chair and Audit Committee Financial Expert )  
Stan A. Askren  
Robert C. Garland  
James J. O'Connor  
Arthur J. Pergament

The Audit Committee oversees auditing and accounting matters, including the selection, supervision and compensation of the Company's independent auditors, the scope of the annual audits, non-audit services performed by the auditor, and the Company's accounting practices and internal accounting controls. The Committee assists the Board of Directors in monitoring the integrity of the Company's financial statements; the independent auditors' qualifications, independence and performance; the effectiveness of the Company's internal audit and legal compliance functions; and compliance by the Company with legal and regulatory requirements.

Each member meets the financial literacy requirements of the New York Stock Exchange ( NYSE ) and Securities and Exchange Commission ( SEC ) rules. The Board of Directors determined that at least one member of this Committee, John J. Roberts, qualifies as an Audit Committee Financial Expert as defined in the Securities Exchange Act. Additionally, as noted above, all members of the Audit Committee are independent under the listing standards of the NYSE and within the meaning of the applicable SEC rule pertaining to Audit Committees (Rule 10A-3). The Audit Committee regularly meets independently with the Company's internal and independent auditors, with the leaders of the Company's legal compliance function, and with management.

The Company's Corporate Governance Principles provide that (i) directors who are currently fully employed should not serve on more than two other corporate boards; and (ii) other directors should not serve on more than four other corporate boards. John J. Roberts currently serves on the audit committees of three public companies other than Armstrong. The Nominating and Governance Committee discussed Mr. Roberts' effectiveness as Chair of the Audit Committee and, based upon the Committee's recommendation, the Board determined his contemporaneous service on the audit committees of three other public company boards does not impair his ability to effectively serve on Armstrong's Board and serve as Audit Committee Chair.

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### **Audit Committee Pre-approval Policy**

The Audit Committee follows a policy that requires the Audit Committee's prior approval of any audit, audit-related and non-accounting services provided by the firm that serves as our independent auditor. Pursuant to this policy, management cannot engage the independent auditor for any services without the Audit Committee's pre-approval. The Audit Committee delegates to the Committee Chair the authority to pre-approve services not exceeding 5% of the total audit fees for the year for purposes of handling immediate needs, with a report to the full Committee of such approvals at its next meeting. The policy complies with Section 10A(i) of the Securities Exchange Act.

## **AUDIT COMMITTEE REPORT**

The Audit Committee engaged KPMG LLP as Armstrong's independent registered public accounting firm for 2008. In making this selection, the Audit Committee considered KPMG's qualifications, discussed with KPMG LLP its independence, and reviewed the audit and non-audit services provided by KPMG to Armstrong.

The Audit Committee reviewed and discussed the audited financial statements for fiscal 2008 with the Company's management. The Audit Committee also discussed with KPMG LLP the matters required to be discussed by the Statement on Auditing Standards on Communication with Audit Committees, as currently in effect. In addition, the Committee discussed with KPMG LLP its independence from the Company and its management, including matters in the written disclosures and letter received by the Committee from KPMG LLP, as required by the applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Audit Committee on its independence. Based on that review and those discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Armstrong's Annual Report on Form 10-K for 2008.

Submitted by the Audit Committee

John J. Roberts, Chair

Stan A. Askren

Robert C. Garland

James J. O'Connor

Arthur J. Pergament

See the discussion of Fees Paid to KPMG under the heading Relationship With Independent Auditors under Proposal 2 (Ratification of Auditors) in this Proxy Statement.

*This Report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission (SEC), nor incorporated by reference into any future SEC filing under the Securities Act or the Exchange Act, except to the extent that Armstrong specifically incorporates it by reference therein.*

## **MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE**

The members of the Management Development and Compensation Committee are:

Judith R. Haberkorn (Chair)