RESILIENT FLOOR COVERING PENSION TRUST FUND

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NOTICE OF CRITICAL STATUS PENSION PLAN

April 30, 2010

TO: PARTICIPANTS AND BENEFICIARIES
CONTRIBUTING EMPLOYERS
LOCAL UNIONS
PENSION BENEFIT GUARANTY CORPORATION
SECRETARY OF LABOR

This is to inform you that on March 31, 2010 the actuary for the Resilient Floor Covering Pension Plan (the "Plan") certified to the U.S. Department of the Treasury, and to the Board of Trustees that the Plan is in critical status (the "red zone") for the Plan Year beginning January 1, 2010. Federal law requires that you receive this notice.

CRITICAL STATUS

The Plan is considered to be in critical status because it has funding problems or liquidity problems, or both. More specifically, the Plan's actuary determined that the sum of the Plan's normal cost and interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants; and over the next four Plan Years the Plan is projected to have an accumulated funding deficiency for the Plan Year ending December 31, 2014.

REHABILITATION PLAN AND POSSIBILITY OF REDUCTION IN BENEFITS

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan. In addition to revising the Plan's formula for future benefit accruals and making similar changes, the law permits pension plans in the red zone to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. If the Trustees of the Plan determine that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits (other than a repeal of a recent benefit increase, as described below) will not reduce the level of a participant's basic benefit payable at normal retirement age. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after April 30, 2010. You should also know that whether or not the Plan reduces adjustable benefits in the future, effective as of April 30, 2010, the Plan will not be permitted to pay lump sum benefits or any other payment in excess of the monthly amount paid under a single life annuity (except for the payout of benefits worth less than $5000) while it is in critical status.

<u>ADJUSTABLE BENEFITS</u>

The Plan offers the following adjustable benefits that <u>may</u> be reduced or eliminated as part of any future rehabilitation plan the pension plan may adopt:

- **Pre-Retirement Death Benefits Other Than a Surviving Spouse Pension** – Currently, Beneficiaries of a deceased eligible Participant may receive a *Pre-Retirement Death Benefit* (Plan Section 8.01) consisting of 36 monthly payments in the amount of the Participant's accrued benefit or a *Pre-Retirement Lump Sum Death Benefit* (Plan Section 8.02) consisting of an amount equal to the Employer Contributions made to the Plan on behalf of the Participant (maximum $10,000). The Pre-Retirement Lump Sum Death Benefit is not payable if the Beneficiary elects the Pre-Retirement Death Benefit. Neither benefit is payable if a *Surviving Spouse Pension* (Plan Section 7.05) is payable.

- **Disability Pension (not already in pay status)** – Currently, eligible Participants who are totally and permanently disabled are entitled to 90% of their accrued benefit as a *Disability Pension* (Plan Sections 3.06, 3.07 and 3.08).

- **Early Retirement Benefit or Retirement-Type Subsidy** – Currently, Participants who meet the necessary age and service requirements may receive a *Regular Pension* (Plan Sections 3.02 and 3.03), *Early Retirement Pension* (Plan Sections 3.04 and 3.05), *Service Pension* (Plan Sections 3.12 and 3.13) or *Special Service Pension* (Plan Sections 3.14 and 3.15). In each case, a Participant may retire prior to the Plan's age 65 Normal Retirement Age. The Pension is "subsidized" in that the reduction (if any) applied to the benefit does not reflect the true actuarial cost of providing payments an earlier age.

  The calculation of pension benefits are also currently subject to the Plan's *Minimum Monthly Benefit* provisions (Plan Section 3.16) which provide for a 25% increase in the calculated benefit amount if the Participant is age 65 with the percent reduced for each year that the Participant is younger than age 65.

- **Life Annuity Payment Form Guarantee of Payments** – Currently, available life annuity payment forms include either a minimum *36-month guarantee* (Plan Section 8.03) or optional minimum *10-year year guarantee* (Plan Section 8.04).

- **100% Husband-and-Wife Pension** – In addition to the 50% and 75% Husband-and-Wife Pensions that are required under the law, the Plan offers a 100% Husband-and-Wife Pension (Plan Article 7) which provides a Participant's eligible surviving spouse with a lifetime benefit that is 100% of the benefit that the Participant was receiving prior to his or her death.

- **Automatic Single Life Reversion Provision** – Currently, all of the Husband-and-Wife Pensions have a "reversion" or "pop-up" feature (Plan Section 7.08). If the Participant is predeceased by his or her spouse, going forward, the Participant's pension is increased to the amount that would have been payable if no Husband-and-Wife Pension had been elected.

In addition to the "adjustable benefits" described above that may be subject to reduction or elimination under a rehabilitation plan, the Plan's red zone status means that *effective April 30, 2010, the Level Income Option (Plan Article 9) is no longer available to Participants who retire after that date.*

The preceding description of benefits and payment forms is necessarily brief and does not cover all of the eligibility requirements or features. For more details, you should refer to your Summary Plan Description booklet or the Plan document.

EMPLOYER SURCHARGE

The law requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation beginning 30 days after the employer is notified that the plan is in critical status. The surcharge is a percentage of an employer's negotiated contribution rate. A 5% surcharge is applicable the first year in critical status. The surcharge goes up to 10% for each succeeding plan year in which the plan is in critical status, until the employer agrees to a collective bargaining agreement that implements one of the schedules in the rehabilitation plan.

WHAT'S NEXT

We understand that legally required notices like this one can create concern about the Trust's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Trust. With the assistance of the Trust's actuary, legal counsel and other professionals, and working with the contributing employers and the Union, the Trustees will develop a rehabilitation plan that addresses these issues. You should know that we expect that both contribution increases and benefit reductions will be necessary to improve the Trust's serious financial condition. As a final note, since the Pension Trust is influenced by economic and financial variables beyond our control (such as market volatility and changes in employment and/or the number of contributing employers), unexpected developments can affect the Trust's status and any future corrective actions needed. Each year the Board of Trustees will be reviewing the Trust's progress with its professional advisors, and which may lead to future changes in the recommended contribution and benefit schedules.

For more information about this notice or the Trust, contact the Administration Office at the address or phone number listed at the top of this letter. You have a right to receive a copy of the rehabilitation plan from the Fund Office.

Sincerely,

Board of Trustees