Section 1: 10-K (10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-37589

ARMSTRONG FLOORING, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**47-4303305**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification number)

2500 Columbia Avenue, PO Box 3025, Lancaster, Pennsylvania 17604
(Address of principal executive offices)

(717) 672-9611
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of exchange on which registered**
Common Stock, $0.0001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files.) Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☑
Non-accelerated filer ☐	Smaller reporting company ☐
(Do not check if a smaller reporting company)	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the Common Stock of Armstrong Flooring, Inc. held by non-affiliates based on the closing price ($17.97 per share) on the New York Stock Exchange (trading symbol AFI) as of June 30, 2017 was approximately $404.5 million. As of February 27, 2018 the number of shares outstanding of the registrant's Common Stock was 25,751,202.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of Armstrong Flooring, Inc.'s definitive Proxy Statement for use in connection with its 2018 annual meeting of stockholders, to be filed no later than April 30, 2018 (120 days after the last day of our 2017 fiscal year), are incorporated by reference into Part III of this Form 10-K Report where indicated.

Armstrong Flooring, Inc.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K ("Form 10-K") and the documents incorporated by reference may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, our expectations concerning our commercial and residential markets and their effect on our operating results, and our ability to increase revenues, earnings and EBITDA (as defined below). Words such as “anticipate,” “expect,” “intend,” “plan,” “target,” “project,” “predict,” “believe,” “may,” “will,” “would,” “could,” “should,” “seek,” “estimate” and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors that could have a material adverse effect on our financial condition, liquidity, results of operations or future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

- global economic conditions;
- competition;
- availability and costs of raw materials and energy;
- key customers;
- construction activity;
- costs savings and productivity initiatives;
- strategic transactions;
- information systems;
- intellectual property rights;
- international operations;
- labor;
- claims and litigation;
- liquidity;
- debt;
- debt covenants;
- personnel;
- outsourcing;
- environmental and regulatory matters; and
- other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), press releases and other communications, including those set forth under “Risk Factors” included elsewhere in this Form 10-K and in the documents incorporated by reference.

Such forward-looking statements speak only as of the date they are made. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

PART I

Item 1. Business

Armstrong Flooring, Inc. ("AFI" or the "Company") is a Delaware corporation incorporated in 2015. When we refer to "AFI," "the Company," "we," "our," and "us" in this report, we are referring to Armstrong Flooring, Inc. and its consolidated subsidiaries.

We are a leading global producer of flooring products for use primarily in the construction and renovation of commercial, residential and institutional buildings. We design, manufacture, source and sell resilient and wood flooring products primarily in North America and the Pacific Rim.

On April 1, 2016, we became an independent company as a result of the separation by Armstrong World Industries, Inc. ("AWI"), a Pennsylvania corporation, of its Resilient Flooring and Wood Flooring segments from its Building Products segment (the "Separation"). The Separation was effected by allocating the assets and liabilities related primarily to the Resilient Flooring and Wood Flooring segments to AFI and then distributing the common stock of AFI to AWI’s shareholders (the "Distribution"). The Separation and Distribution (together, the "Spin-off") resulted in AFI and AWI becoming two independent, publicly traded companies, with AFI owning and operating the Resilient Flooring and Wood Flooring segments and AWI continuing to own and operate a ceilings business.

Reportable Segments

We operate two business segments—Resilient Flooring and Wood Flooring.

Resilient Flooring — Our Resilient Flooring segment designs, manufactures, sources and sells a broad range of floor coverings primarily for homes and commercial buildings under various brands, including the Armstrong brand. Manufactured products in this segment include luxury vinyl tile ("LVT"), vinyl sheet, and vinyl tile flooring. In addition, our Resilient Flooring segment sources and sells LVT products, vinyl sheet products, and laminate products, as well as installation and maintenance materials and accessories. Resilient Flooring products are offered in a wide variety of designs, colors and installation options. We sell these products to independent wholesale flooring distributors, large home centers, retailers, flooring contractors and to the manufactured homes industry, and through secured specifications for these products through architects, designers and end-users. When market conditions and available capacity warrant, we also provide products on an original equipment manufacturer (“OEM”) basis to other flooring companies.

Wood Flooring — Our Wood Flooring segment designs, manufactures, sources and sells branded hardwood flooring products, including the Armstrong and Bruce brands, for use in residential construction and renovation, with some commercial applications in stores, restaurants and high-end offices. The product offering includes pre-finished solid and engineered wood floors in various wood species and dimensions, as well as related accessories. Our Wood Flooring products are generally sold to independent wholesale flooring distributors, large home centers, retailers and flooring contractors, and through secured specifications with regional and national builders. When market conditions and available capacity warrant, we also provide products on an OEM basis to other flooring companies.

See Note 3 to the Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K for financial information on our segments.

Products and Markets

We hold leadership or significant market share positions in the product categories and markets in which we operate. We compete in the resilient and wood flooring product categories in North America and the Pacific Rim. The majority of our sales are in North America, where we serve both commercial and residential markets. In the Pacific Rim, we are principally focused on commercial markets. Virtually all of our Wood Flooring segment sales are in North America, as these products predominantly serve the residential market.

The major markets in which we compete are:

North American Commercial — Our products, primarily resilient flooring, are used in commercial and institutional buildings. Our revenue opportunities come from new construction as well as renovation of existing buildings. Industry analysts estimate that renovation work represents the majority of the total North American commercial market opportunity. Most of our revenue comes from four major segments of commercial building: education, healthcare, retail and office. We monitor U.S. construction starts and follow project activity. Our revenue from new construction can lag behind construction starts by as much as twenty-four months given that the installation of flooring typically occurs later in the construction process. We also monitor office vacancy rates, architectural activity, gross domestic product ("GDP") and general employment levels, which can indicate movement in renovation and new construction opportunities. We believe that these statistics, taking into account the time-lag effect, provide a reasonable indication of our future revenue opportunity from commercial renovation and new construction. We also believe that consumer preferences for product type, style, color, availability and affordability also significantly affect our revenue.

North American Residential — Our Resilient Flooring and Wood Flooring segments sell products for use in single and multi-family housing. Homeowners, contractors, builders, and property management firms can choose from our innovative resilient and wood flooring products. We compete directly with other domestic and international suppliers of these products. Our flooring products also compete with carpet, stone and ceramic products, which we do not offer.

Our products are used in new home construction and existing home renovation work. Industry analysts estimate that existing home renovation (also known as replacement/remodel) work represents a majority of the total North American residential market opportunity. We monitor key U.S. statistics including existing home sales (a key indicator for renovation opportunity), housing starts, housing completions, home prices, interest rates and consumer confidence. We believe there is some longer-term correlation between these statistics and our revenue after reflecting a lag period of several months between a change in these indicators and our operating results. However, we believe that consumers' preferences for product type, style, color, availability and affordability also significantly affect our revenue. Further, changes in inventory levels and/or product focus at national home centers and independent wholesale flooring distributors can significantly affect our revenue.

Outside of North America — We also serve commercial markets in the Pacific Rim region with over 80% of the sales in this region coming from China and Australia. The commercial segments we serve are similar to the North American market (education, retail, office and healthcare). However there is a higher penetration of resilient flooring in the hospitality (retail) and office segments in China than we see in North America. For the countries where we have significant revenue, we monitor various national statistics (such as GDP) as well as construction data (starts and project-related information).

LVT Investment — LVT represents the fastest growing resilient flooring product category. Through enhanced wear layers and coatings, LVT delivers improved durability and lower maintenance over traditional vinyl tile. In addition, the utilization of advanced printing and embossing technology provides LVT with upgraded visual realism in a wide variety of attractive wood and stone designs. LVT's modular format offers a wide range of installation options for the professional and do-it-yourself installer, with an enhanced ease of installation when compared to other products such as wood or ceramic tile; this can be seen with the growing popularity of floating and rigid LVT floors. The largest market for LVT is North America. Historically, this market has been largely served by imported product manufactured in the Pacific Rim. We completed construction of an expansion to our Lancaster, Pennsylvania plant in 2016 and repurposed a portion of our Stillwater, Oklahoma vinyl sheet plant in 2017 to add LVT manufacturing capacity.

The following table provides an estimate of our segments’ 2017 net sales, by major markets.

	(Estimated percentages of individual segment's sales)						
	North American Commercial		North American Residential		Outside of North America		
	New	Renovation	New	Renovation	New	Renovation	Total
Resilient Flooring	10%	35%	5%	35%	10%	5%	100%
Wood Flooring	—	—	50%	50%	—	—	100%

Management has estimated the above data as the end-use of our products is not easily determinable.

Geographic Areas

See Note 3 to the Consolidated Financial Statements for additional financial information by geographic areas.

Customers

We use our reputation, capabilities, service and brand recognition to develop long-standing relationships with our customers. We principally sell products through independent wholesale flooring distributors, who re-sell our products to retailers, builders, contractors, installers and others. In the commercial sector, we also have important relationships with subcontractors’ alliances, large architect and design firms, and major facility owners in our focus segments. In the North American retail channel, which sells to end-users in the residential and light commercial segments, we have important relationships with national home centers and flooring retailers. In the North American residential sector, we also have important relationships with major home builders and retail buying groups. Additionally, when market conditions and available capacity warrant, we also provide products on an OEM basis to other flooring companies.

Approximately 65% of our consolidated net sales in 2017 are to distributors. Sales to large home centers account for approximately 20% of our consolidated sales in 2017. Our remaining sales are primarily to other retailers, end-use customers and contractors.

J.J. Haines and Company, Inc. and The Home Depot, Inc. each accounted for 10% or more of our total consolidated net sales in 2017.

Working Capital

We produce goods for inventory and sell on credit to our customers. Our distributors carry inventory as needed to meet local or rapid delivery requirements, which varies across our Resilient Flooring and Wood Flooring segments. We sell the vast majority of our products to select, pre-approved customers using customary trade terms that allow for payment in the future. These practices are typical within the industry. Due to the required drying time for green lumber within the manufacturing process, there is a lag of 5 to 6 months before costs are reflected in our results of operations.

Competition

We face strong competition in all of our businesses. Principal attributes of competition include product performance, product styling, service and price. Competition in North America comes from both domestic and international manufacturers. Additionally, some of our products compete with alternative products or finishing solutions. Our resilient and wood flooring products compete with carpet, stone and ceramic products. There is excess industry capacity for certain products in some geographies, which tends to increase price competition. The following companies are our primary competitors:

Beaulieu International Group, N.V., Boa-Franc, Inc., Congoleum Corporation, Forbo Holding AG, Gerflor Group, IVC Group (a division of Mohawk Industries, Inc.), Krono Holding AG, Lauzon Ltd, LG Floors, Mannington Mills, Inc., Mercier Wood Flooring, Inc., Metroflor Corporation, Mirage Hardwood Floors (a division of Boa-Franc Inc.), Mohawk Industries, Inc., Mullican Flooring, L.P., Nora Systems GmbH, Pfleiderer AG, Shaw Industries, Inc., Somerset Hardwood Flooring, Tarkett AG, and U.S. Floors, Inc. (a division of Shaw Industries, Inc.).

Raw Materials

We purchase raw materials from numerous suppliers worldwide in the ordinary course of business. The principal raw materials used in each segment include the following:

Business	**Principal Raw Materials**
Resilient Flooring	Polyvinylchloride ("PVC") resins and films, plasticizers, fiberglass and felt backings, limestone, pigments, inks, stabilizers and coatings
Wood Flooring	Hardwood lumber, veneer, coatings and stains

We also purchase significant amounts of packaging materials and consume substantial amounts of energy, such as electricity and natural gas, and water.

In general, adequate supplies of raw materials are available to all of our businesses. However, availability can change for a number of reasons, including environmental conditions, laws and regulations, shifts in demand by other industries competing for the same materials, transportation disruptions and/or business decisions made by, or events that affect, our suppliers. If these suppliers were unable to satisfy our requirements, we believe alternative supply arrangements would be available.

Prices for certain high usage raw materials can fluctuate dramatically. Cost increases for these materials can have a significant adverse impact on our manufacturing costs.

Sourced Products

Some of our products are sourced from third parties. Our primary sourced products include laminate, engineered wood, vinyl sheet, LVT, and rigid core planks as well as installation and maintenance materials and accessories. We purchase most of our sourced products from suppliers that are located outside of the U.S., primarily from Asia. Sales of sourced products represented approximately 25% of our total consolidated revenue in 2017.

In general, adequate supplies of sourced products are available to all of our businesses. However, availability can change for a number of reasons, including environmental conditions, laws and regulations, production and transportation disruptions and/or business decisions made by, or events that affect, our suppliers. If these suppliers were unable to satisfy our requirements, we believe alternative supply arrangements would be available.

Seasonality

Generally, our resilient and wood flooring sales in North America tend to be stronger in the second and third quarters of our fiscal year due to more favorable weather conditions, customer business cycles and education renovations typical during the summer months. We see similar patterns with respect to our sales in the Pacific Rim, though the timing of the Chinese New Year can affect buying behaviors.

Patent and Intellectual Property Rights

Patent protection is important to our business. Our competitive position has been enhanced by U.S. and foreign patents on products and processes developed or perfected within AFI, including those before and after the Spin-off, or obtained through acquisitions and licenses. In addition, we benefit from our trade secrets for certain products and processes.

Patent protection extends for varying periods according to the date of patent filing or grant and the legal term of a patent in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies. Although we consider that, in the aggregate, our patents, licenses and trade secrets constitute a valuable asset of material importance to our business, we do not regard any of our businesses as being materially dependent upon any single patent or trade secret, or any group of related patents or trade secrets.

We own or have a license to use certain trademarks, including, without limitation, Armstrong®, Alterna®, BBT®, BioBased Tile®, Bruce®, Diamond 10®, Dundee®, Excelon®, Imperial®, Initiator™, Inspiring Great Spaces®, Laurel™, Lock&Fold®, Luxe Plank®, Manchester®, Medintech®, Memories™, Natural Creations®, Plano®, Station Square™, StrataMax®, Timberline®, and Vivero®, which are important to our business because of their significant brand name recognition. Trademark protection continues in some countries as long as the mark is used, and continues in other countries as long as the mark is registered. Registrations are generally for fixed, but renewable, terms.

Employees

As of December 31, 2017, we had approximately 3,600 full-time and part-time employees worldwide. Approximately 40% of our 2,400 production and maintenance employees are represented by labor unions. As of March 6, 2018, approximately 160 employees at one of our domestic plants continue to work under an expired collective bargaining agreement and negotiations continue. Contracts for remaining employees expire between 2019 and 2020. We believe that our relations with our employees are satisfactory.

Legal and Regulatory Proceedings

AFI's manufacturing and research facilities are affected by various federal, state and local requirements relating to the discharge of materials and the protection of the environment. We make expenditures necessary for compliance with applicable environmental requirements at each of our operating facilities. These regulatory requirements continually change, therefore we cannot predict with certainty future expenditures associated with compliance with environmental requirements.

We are involved in various lawsuits, claims, investigations and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, relationships with suppliers, distributors and competitors, employees and other matters. For example, we are currently a party to various litigation matters that involve product liability, tort liability and other claims under a wide range of allegations, including illness due to exposure to certain chemicals used in the workplace, or medical conditions arising from exposure to product ingredients or the presence of trace contaminants. In some cases, these allegations involve multiple defendants and relate to legacy products that we and other defendants purportedly manufactured or sold. We believe these claims and allegations to be without merit and intend to defend them vigorously. While complete assurance cannot be given to the outcome of these proceedings, we do not believe that any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

We have not experienced a material adverse effect upon our capital expenditures or competitive position as a result of environmental control legislation and regulations. There were no material liabilities recorded at December 31, 2017 for potential environmental liabilities, on a global basis, that we consider probable and for which a reasonable estimate of the probable liability could be made. See Note 23 to the Consolidated Financial Statements and Risk Factors in this

Form 10-K for information regarding the possible effects that compliance with environmental laws and regulations may have on our businesses and operating results.

Website

We maintain a website at www.armstrongflooring.com. Information contained on our website is not incorporated into this document. Reference in this Form 10-K to our website is an inactive text reference only. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports and other information about us are available free of charge through this website as soon as reasonably practicable after the reports are electronically filed with the SEC. These materials are also available from the SEC’s website at www.sec.gov.

Item 1A. Risk Factors

Worldwide economic conditions could have a material adverse impact on our financial condition, liquidity or results of operations.

Our business is influenced by conditions in domestic and foreign economies, including inflation, deflation, interest rates, availability and cost of capital, consumer spending rates, energy availability and the effects of governmental initiatives to manage economic conditions. Volatility in financial markets and the continued softness or further deterioration of national and global economic conditions could have a material adverse effect on our financial condition, liquidity or results of operations, including as follows:

- the financial stability of our customers or suppliers may be compromised, which could result in additional bad debts for us or non-performance by suppliers;
- commercial and residential consumers of our products may postpone spending in response to tighter credit, negative financial news and/or stagnation or further declines in income or asset values, which could have a material adverse impact on the demand for our product;
- the fair value of the investment funds underlying our defined-benefit pension plans may decline, which could result in negative plan investment performance and additional charges, and may involve significant cash contributions to such plans to meet obligations or regulatory requirements; and
- our asset impairment assessments and underlying valuation assumptions may change, which could result from changes to estimates of future sales and cash flows that may lead to substantial impairment charges.

Continued or sustained deterioration of economic conditions would likely exacerbate and prolong these adverse effects.

We compete with numerous flooring manufacturers in highly competitive markets. Competition can affect customer preferences, reduce demand for our products, negatively affect our product sales mix, leverage greater financial resources, or cause us to lower prices.

Our markets are highly competitive. We compete for sales of flooring products with many manufacturers of resilient and wood flooring as well as with manufacturers who also produce other types of flooring products. Some of our competitors have greater financial resources than we do. Competition can reduce demand for our products, negatively affect our product sales mix or cause us to lower prices. Our failure to compete effectively through management of our product portfolio, by meeting consumer preferences, maintaining market share positions in our legacy product categories and gaining market leadership in growth product categories such as LVT, could have a material adverse effect on our financial condition, liquidity or results of operations. Our customers consider our products' performance, product styling, customer service and price when deciding whether to purchase our products. Shifting consumer preference in our highly competitive markets whether for performance or styling preferences or our inability to develop and offer new competitive performance features, could have an adverse effect on our sales.

In addition, excess industry capacity for certain products in several geographic markets could lead to industry consolidation and/or increased price competition. We are also subject to potential increased price competition from overseas competitors, which may have lower cost structures.

If the availability of raw materials or energy decreases, or the costs increase and we are unable to pass along increased costs, our financial condition, liquidity or results of operations could be adversely affected.

The availability and cost of raw materials, packaging materials, energy and sourced products are critical to our operations. For example, we use substantial quantities of natural gas, petroleum-based raw materials and hardwood lumber in our manufacturing operations. The cost of some of these items has been volatile in recent years and availability has been limited at times. We source some materials from a limited number of suppliers, which, among other things, increases the risk of unavailability. This dependency and any limited availability could cause us to reformulate products or limit our production. Decreased access to raw materials and energy or significant increased cost to purchase these items, as well as increased transportation costs, and any corresponding inability to pass along such costs through price increases could have a material adverse effect on our financial condition, liquidity or results of operations.

Sales fluctuations to and changes in our relationships with key customers could have a material adverse effect on our financial condition, liquidity or results of operations.

Some of our business lines and markets are dependent on a few key customers, including independent distributors. We generally do not enter into written or long-term agreements with our independent distributors. The loss, reduction, or fluctuation of sales to one of these major customers, or any adverse change in our business relationship with any one of them, could have a material adverse effect on our financial condition, liquidity or results of operations.

Our business is dependent on construction activity. Downturns in construction activity could adversely affect our financial condition, liquidity or results of operations.

Our business has greater sales opportunities when construction activity is strong and, conversely, has fewer opportunities when such activity declines. The cyclical nature of commercial and residential construction activity, including construction activity funded by the public sector, tends to be influenced by prevailing economic conditions, including the rate of growth in gross domestic product, prevailing interest rates, government spending patterns, business, investor and consumer confidence and other factors beyond our control. Prolonged downturns in construction activity could have a material adverse effect on our financial condition, liquidity or results of operations.

Our cost saving initiatives may not achieve expected savings in our operating costs or improved operating results.

We aggressively look for ways to make our operations more efficient and effective. We reduce, move and expand our plants and operations as needed. Such actions involve substantial planning, often require capital investments and may result in charges for fixed asset impairments or obsolescence and substantial severance costs. Our ability to achieve cost savings and other benefits within expected time frames is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays, or if other unforeseen events occur, our financial condition, liquidity or results of operations could be materially and adversely affected.

We may pursue strategic transactions that could create risks and present unforeseen integration obstacles or costs, any of which could materially adversely affect our financial condition, liquidity or results of operations.

We have evaluated, and expect to continue to evaluate, potential strategic transactions as opportunities arise. We routinely engage in discussions with third parties regarding potential transactions, including joint ventures, which could be significant. Any such strategic transaction involves a number of risks, including potential disruption of our ongoing business and distraction of management, difficulty with integrating or separating personnel and business operations and infrastructure, and increasing or decreasing the scope, geographic diversity and complexity of our operations. Strategic transactions could involve payment by us of a substantial amount of cash, assumption of liabilities and indemnification obligations, regulatory requirements, incurrence of a substantial amount of debt or issuance of a substantial amount of equity. Certain strategic opportunities may not result in the consummation of a transaction or may fail to realize the intended benefits and synergies. If we fail to consummate and integrate our strategic transactions in a timely and cost-effective manner, our financial condition, liquidity or results of operations could be materially and adversely affected.

Disruptions to or failures of our various information systems could have an adverse effect on our business.

We rely heavily on our information systems to operate our business activities, including, among other things, purchasing, distribution, inventory management, processing, shipping and receiving, billing and collection, financial reporting and record keeping. We also rely on our computer hardware, software and network for the storage, delivery and transmission of data to our sales and distribution systems, and certain of our production processes are managed and conducted by computer. Any interruption, whether caused by human error, natural disasters, power loss, computer viruses, system conversion, intentional acts of vandalism, or various forms of cybercrimes including and not limited to hacking, intrusions, malware or otherwise, could disrupt our normal operations. There can be no assurance that we can effectively carry out our disaster recovery plan to handle the failure of our information systems, or that we will be able to restore our operational capacity within sufficient time to avoid material disruption to our business. The occurrence of any of these events could cause unanticipated disruptions in service, decreased customer service and customer satisfaction, harm to our reputation and loss or misappropriation of sensitive information, which could result in loss of customers, increased operating expenses and financial losses. Any such events could in turn have a material adverse effect on our business, financial condition, results of operations, and prospects.

Our intellectual property rights may not provide meaningful commercial protection for our products or brands, which could adversely impact our financial condition, liquidity or results of operations.

We rely on our proprietary intellectual property, including numerous patents and registered trademarks, as well as our licensed intellectual property to market, promote and sell our products. We will monitor and protect against activities that might infringe, dilute, or otherwise harm our patents, trademarks and other intellectual property and rely on the patent, trademark and other laws of the United States and other countries. However, we may be unable to prevent third parties from using our intellectual property without our authorization. In addition, the laws of some non-United States jurisdictions, particularly those of certain emerging markets, will provide less protection for our proprietary rights than the laws of the United States and present greater risks of counterfeiting and other infringement. To the extent we cannot protect our intellectual property, unauthorized use and misuse of our intellectual property could harm our competitive position and have a material adverse effect on our financial condition, liquidity or results of operations.

We are subject to risks associated with our international operations in both established and emerging markets. Legislative, political, regulatory and economic volatility, as well as vulnerability to infrastructure and labor disruptions, could have an adverse effect on our financial condition, liquidity or results of operations.

A portion of our products move in international trade, with approximately 9% of our revenues from operations outside the United States and Canada in 2017. Our international trade is subject to currency exchange fluctuations, trade regulations, import duties, logistics costs, delays and other related risks. Our international operations are also subject to various tax rates, credit risks in emerging markets, political risks, uncertain legal systems, and loss of sales to local competitors following currency devaluations in countries where we import products for sale.

In addition, our international growth strategy depends in part on our ability to expand our operations in certain emerging markets. However, some emerging markets have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions than established markets. In many countries outside of the United States, particularly in those with developing economies, it may be common for others to engage in business practices prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act or similar local anti-corruption or anti-bribery laws, which generally prohibit companies and their employees, contractors or agents from making improper payments to government officials for the purpose of obtaining or retaining business. Failure to comply with these laws, as well as U.S. and foreign export and trading laws, could subject us to civil and criminal penalties. As we continue to expand our business globally, including in emerging markets, we may have difficulty anticipating and effectively managing these and other risks that our international operations may face, which may adversely affect our business outside the United States and our financial condition, liquidity or results of operations.

Increased costs of labor, labor disputes, work stoppages or union organizing activity could delay or impede production and could have a material adverse effect on our financial condition, liquidity or results of operations.

Increased costs of U.S. and international labor, including the costs of employee benefits plans, labor disputes, work stoppages or union organizing activity could delay or impede production and have a material adverse effect on our financial condition, liquidity or results of operations. As the majority of our manufacturing employees are represented by unions and covered by collective bargaining or similar agreements, we often incur costs attributable to periodic renegotiation of those agreements, which may be difficult to project. We are also subject to the risk that strikes or other conflicts with organized personnel may arise or that we may become the subject of union organizing activity at our facilities that do not currently have union representation. Prolonged negotiations, conflicts or related activities could also lead to costly work stoppages and loss of productivity.

Adverse judgments in regulatory actions, product claims, environmental claims and other litigation could be costly. Insurance coverage may not be available or adequate in all circumstances.

In the ordinary course of business, we are subject to various claims and litigation. Any such claims, whether with or without merit, could be time consuming and expensive to defend and could divert management’s attention and resources. While we will strive to ensure that our products comply with applicable government regulatory standards and internal requirements, and that our products perform effectively and safely, customers from time to time could claim that our products do not meet warranty or contractual requirements, or were improperly installed and users could claim to be harmed by use or misuse of our products. These claims could give rise to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage. They could also result in negative publicity.

In addition, claims and investigations may arise related to patent infringement, distributor relationships, commercial contracts, antitrust or competition law requirements, employment matters, employee benefits issues, and other compliance and regulatory matters, including anti-corruption and anti-bribery matters. For example, we are currently a party to various litigation matters that involve product liability, tort liability and other claims under a wide range of allegations, including illness due to exposure to certain chemicals used in the workplace, or medical conditions arising from exposure to product ingredients or the presence of trace contaminants. In some cases, these allegations involve multiple defendants and relate to legacy products that we and other defendants purportedly manufactured or sold. While we have processes and policies designed to mitigate these risks and to investigate and address such claims as they arise, we will not be able to predict or, in some cases, control the costs to defend or resolve such claims.

We currently maintain insurance against some, but not all, of these potential claims. In the future, we may not be able to maintain insurance at commercially acceptable premium levels. In addition, the levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. If any significant judgment or claim is not fully insured or indemnified against, it could have a material adverse impact. We cannot assure that the outcome of all current or future litigation will not have a material adverse effect on our financial condition, liquidity or results of operations.

We require a significant amount of liquidity to fund our operations.

Our liquidity needs vary throughout the year. If our business experiences materially negative unforeseen events, we may be unable to generate sufficient cash flow from operations to fund our needs or maintain sufficient liquidity to operate and remain in compliance with our debt covenants, which could result in reduced or delayed planned capital expenditures and other investments and adversely affect our financial condition or results of operations.

Our indebtedness may adversely affect our cash flow and our ability to operate our business, make payments on our indebtedness and declare dividends on our capital stock.

Our level of indebtedness and degree of leverage could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- make us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, more able to take advantage of opportunities that our leverage prevents us from exploiting;
- limit our ability to refinance existing indebtedness or borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other purposes;
- restrict our ability to pay dividends on our capital stock; and
- adversely affect our credit ratings.

We may also incur additional indebtedness, which could exacerbate the risks described above. In addition, to the extent that our indebtedness bears interest at floating rates, our sensitivity to interest rate fluctuations will increase.

Any of the above listed factors could materially adversely affect our financial condition, liquidity or results of operations.

Our credit agreement contains a number of covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in activities that may be in our best long-term interests.

Our $225 million senior secured asset-based revolving credit facility (the “ABL Facility”) and the underlying credit agreement that governs our indebtedness includes covenants that, among other things, may impose significant operating and financial restrictions, including restrictions on our ability to engage in activities that may be in our best long-term interests. These covenants may restrict our ability to:

- incur additional indebtedness;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or indebtedness;
- make investments, loans, advances and acquisitions;
- engage in transactions with our affiliates;
- sell assets, including capital stock of our subsidiaries;
- consolidate or merge;
- create liens;
- change the nature of our business; and
- enter into sale and lease back transactions.

Under the terms of the ABL Facility, we are required to maintain a specified fixed charge coverage ratio if our borrowings exceed certain levels. Our ability to meet these ratios could be affected by events beyond our control, and we cannot assure that we will meet them. A breach of any of the restrictive covenants or ratios would result in a default under the ABL Facility. If any such default occurs, the lenders under the ABL Facility may be able to elect to declare all outstanding borrowings under our facilities, together with accrued interest and other fees, to be immediately due and payable, or enforce their security interest. The lenders may also have the right in these circumstances to terminate commitments to provide further borrowings.

Our performance depends on our ability to attract, develop and retain talented management.

We must attract, develop and retain qualified and talented personnel in senior management, sales, marketing, product design, and operations. We compete with numerous companies for these employees and invest resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect our competitive position, execution on strategic priorities and operating results.

We outsource our information technology infrastructure and certain finance and accounting functions, which makes us more dependent upon third parties.

In an effort to make our finance, accounting and information technology ("IT"), functions more efficient, increase related capabilities, as well as generate cost savings, we outsource certain finance and accounting functions and a significant portion of our IT infrastructure to separate third party service providers. As a result, we rely on third parties to ensure that our related needs are sufficiently met. This reliance subjects us to risks arising from the loss of control over certain processes, changes in pricing that may affect our operating results, and potentially, termination of provisions of these services by our suppliers. A failure of our service providers to perform may have a material adverse effect on our financial condition, liquidity or results of operations.

We may be subject to liability under and may make substantial future expenditures to comply with environmental laws and regulations, which could materially adversely affect our financial condition, liquidity or results of operations.

We are involved with environmental investigation and remediation activities for which our ultimate liability may exceed the currently estimated and accrued amounts. It is possible that we could become subject to additional environmental matters and corresponding liabilities in the future. See Note 23 to the Consolidated Financial Statements for further information related to environmental matters.

Our industry has been subject to claims relating to raw materials. We have not received any significant claims involving our raw materials or our product performance; however, product liability insurance coverage may not be available or adequate in all circumstances to cover claims that may arise in the future.

In addition, our operations are subject to various domestic and foreign environmental, health, and safety laws and regulations. These laws and regulations not only govern our current operations and products, but also impose potential liability on us for our past operations. Our costs to comply with these laws and regulations may increase as these requirements become more stringent in the future, and these increased costs may materially adversely affect our financial condition, liquidity or results of operations.

Risks Related to the Separation from AWI

We may be unable to achieve some or all of the benefits that we expected to achieve from our separation from AWI.

As an independent, publicly-traded company, we continue to, among other things, focus our financial and operational resources on our specific business, growth profile and strategic priorities, design and implement corporate strategies and policies targeted to our operational focus and strategic priorities, guide our processes and infrastructure to focus on our core strengths, implement and maintain a capital structure designed to meet our specific needs and more effectively respond to industry dynamics, all of which are benefits we expected to achieve from our separation. However, we may be unable to fully achieve some or all of these benefits. If we fail to achieve some or all of the benefits that we expected to achieve as an independent company, or do not achieve them in the time we expected, our business, financial condition and results of operations could be materially and adversely affected.

If the Separation and Distribution fails to qualify as a tax-free transaction for U.S. federal income tax purposes, then we could be subject to significant tax liability or tax indemnity obligations.

AWI received an opinion of AWI's tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP, on the basis of certain facts, representations, covenants and assumptions set forth in such opinion, substantially to the effect that, for U.S. federal income tax purposes, the Separation and Distribution should qualify as a transaction that generally is tax-free to AWI and AWI's shareholders, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code.

Notwithstanding the tax opinion, the Internal Revenue Service ("IRS") could determine on audit that the Distribution should be treated as a taxable transaction if it determines that any of the facts, assumptions, representations or covenants set forth in the tax opinion is not correct or has been violated, or that the Distribution should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the Distribution, or if the IRS were to disagree with the conclusions of the tax opinion. If the Distribution is ultimately determined to be taxable, the Distribution could be treated as a taxable dividend to shareholders for U.S. federal income tax purposes, and shareholders could incur significant U.S. federal income tax liability. In addition, AWI and/or we could incur significant U.S. federal income tax liabilities or tax indemnification obligations, whether under applicable law or the Tax Matters Agreement that we entered into with AWI, if it is ultimately determined that certain related transactions undertaken in anticipation of the Distribution are taxable.

We agreed to numerous restrictions to preserve the tax-free treatment of the separation transactions in the U.S., which may reduce our strategic and operating flexibility.

To preserve the tax-free treatment to AWI of the Separation and the Distribution, under the Tax Matters Agreement that we entered into with AWI, we may be restricted from taking any action that prevents the Distribution and related transactions from being tax-free for U.S. federal income tax purposes. Under the Tax Matters Agreement, for the two-year period following the Distribution, we are prohibited, except in certain circumstances, from, among other things:

- entering into any transaction resulting in the acquisition of 35% or more of our stock or substantially all of our assets, whether by merger or otherwise;
- merging, consolidating, or liquidating;
- issuing equity securities beyond certain thresholds;
- repurchasing our capital stock; and
- ceasing to actively conduct our business.

These restrictions may limit our ability to pursue certain strategic transactions or other transactions that we may believe to be in the best interests of our stockholders or that might increase the value of our business. In addition, under the Tax Matters Agreement, we are required to indemnify AWI against liabilities resulting from certain actions taken after the Distribution that cause the Distribution to be taxable for U.S. federal income tax purposes, even if we did not participate in or otherwise facilitate such actions.

We may fail to perform under various transaction agreements that we executed as part of the Separation or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.

In connection with the Separation, we entered into a Separation and Distribution Agreement with AWI and also entered into various other agreements, including a Tax Matters Agreement, an Employee Matters Agreement, a Campus Lease

Agreement and Trademark License Agreements. We rely on AWI to satisfy its performance obligations under these agreements. If AWI is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses.

We will be required to satisfy certain indemnification obligations to AWI or may not be able to collect on indemnification rights from AWI.

Under the terms of the Separation and Distribution, we will indemnify AWI from and after the Separation and Distribution with respect to (i) all debts, liabilities and obligations allocated or transferred to us in connection with the Separation and Distribution (including our failure to pay, perform or otherwise promptly discharge any such debts, liabilities or obligations after the Separation and Distribution), (ii) any misstatement or omission of a material fact in our Information Statement, dated March 24, 2016, resulting in a misleading statement, (iii) any breach by us of the Separation and Distribution Agreement, the Transition Services Agreement, the Employee Matters Agreement, the Tax Matters Agreement, the Campus Lease Agreement or the Trademark License Agreements and (iv) our ownership and operation of our business. We are not aware of any existing indemnification obligations at this time, but any such indemnification obligations that may arise could be significant. Under the terms of the Separation and Distribution agreement, AWI will indemnify us from and after the Separation and Distribution with respect to (i) all debts, liabilities and obligations allocated to AWI after the Separation and Distribution (including its failure to pay, perform or otherwise promptly discharge any such debts, liabilities or obligations after the Separation and Distribution), (ii) any breach by AWI of the Separation and Distribution Agreement, the Transition Services Agreement, the Employee Matters Agreement, the Tax Matters Agreement, the Campus Lease Agreement or the Trademark License Agreements and (iii) AWI’s ownership and operation of its business. Our and AWI’s ability to satisfy these indemnities, if called upon to do so, will depend upon our and AWI’s future financial strength. If we are required to indemnify AWI, or if we are not able to collect on indemnification rights from AWI, our financial condition, liquidity or results of operations could be materially and adversely affected. We cannot determine whether we will have to indemnify AWI, or if AWI will have to indemnify us, for any substantial obligations after the Distribution.

Risks Related to our Common Stock

A stockholder's percentage of ownership in us may be diluted in the future.

A stockholder's percentage ownership in us may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including, without limitation, equity awards that we may grant to our directors, officers and employees. Such issuances may have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock.

In addition, our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock with respect to dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of our common stock.

Certain provisions in our amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- the inability of our stockholders to call a special meeting;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our board of directors to issue preferred stock without stockholder approval;
- the initial division of our board of directors into three classes of directors, with each class serving a staggered three-year term, and this classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult until we have phased out our staggered board;
- a provision that directors serving on a classified board may be removed by stockholders only for cause; and
- the ability of our directors, and not stockholders, to fill vacancies on our board of directors.

In addition, because we are subject to Section 203 of the General Corporation Law of the State of Delaware (the "DGCL"), this provision could also delay or prevent a change in control that stockholders may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliates becomes the holder of more than 15% of the corporation's outstanding voting stock.

We believe these provisions will protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and the provisions could delay or prevent an acquisition that our board of directors determines is not in the best interests of AFI and its stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, an acquisition or further issuance of our stock could trigger the application of Section 355(e) of the Internal Revenue Code. Under the Tax Matters Agreement, AFI would be required to indemnify AWI for the resulting tax, and this indemnity obligation might discourage, delay or prevent a change in control that stockholders may consider favorable.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our world headquarters is in Lancaster, Pennsylvania. We entered into a lease agreement with AWI under which we lease certain portions of their current headquarters as our corporate headquarters. See Note 8 to the Consolidated Financial Statements for a discussion of the terms of the Campus Lease Agreement.

We produce and market our flooring products and services throughout the world, operating 15 manufacturing plants in three countries. One of our plants is leased and the remaining 14 plants are owned. We operate 12 manufacturing plants located throughout the United States.

Business Segment	Number of Plants	Location of Principal Facilities
Resilient Flooring	9	U.S. (California, Illinois, Mississippi, Oklahoma, and Pennsylvania), China and Australia
Wood Flooring	6	U.S. (Arkansas, Kentucky, Missouri, Pennsylvania, Tennessee and West Virginia)

Excluded from the table above are two plants, a solid wood plant in Jackson, Tennessee and an engineered wood plant in Vicksburg, Mississippi, which were closed during the fourth quarter of 2017.

Our sales and administrative offices are leased and/or owned worldwide, and leased facilities are utilized to supplement our owned warehousing facilities.

Production capacity and the extent of utilization of our facilities are difficult to quantify with certainty. In any one facility, utilization of our capacity varies periodically depending upon demand for the product that is being manufactured. We believe our facilities are adequate and suitable to support the business. Additional incremental investments in plant facilities are made as appropriate to balance capacity with anticipated demand, improve quality and service, and reduce costs.

Item 3. Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of our management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

AFI’s common shares trade on the New York Stock Exchange under the ticker symbol “AFI.” As of February 27, 2018, there were approximately 222 holders of record of AFI’s common stock.

The figures below represent the high and low intra-day sale prices for our common stock for each quarter starting April 4, 2016, the date on which our common shares began regular-way trading on the New York Stock Exchange.

	2017				
	First	Second	Third	Fourth	Total Year
Price range of common stock - high	$22.96	$20.20	$18.60	$17.91	$22.96
Price range of common stock - low	$16.55	$17.89	$13.55	$13.32	$13.32

	2016				
	First	Second	Third	Fourth	Total Year
Price range of common stock - high	—	$19.95	$20.85	$21.00	$21.00
Price range of common stock - low	—	$11.77	$16.48	$15.48	$11.77

There were no dividends declared during 2017 or 2016.

AFI does not presently have a plan to pay cash dividends on its common stock. Payment of cash dividends, if any, on our common stock will rest solely within the discretion of our board of directors and will depend, among other things, upon AFI’s earnings, capital requirements, financial condition, legal requirements, regulatory constraints, covenants associated with certain of AFI’s debt service obligations, industry practice, and other relevant factors as determined by our board of directors.

Issuer Purchases of Equity Securities

The following table includes information about our stock repurchases from October 1, 2017 to December 31, 2017:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Approximate Dollar Value of Shares that may yet be Purchased under the Plans or Programs
October 1 - 31, 2017	239	$15.59	—	$10 million
November 1 - 30, 2017	841	$19.06	—	$10 million
December 1 - 31, 2017	3,399	$16.50	—	$10 million
Total	4,479		—	$10 million

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[1] Shares reacquired through the withholding of shares to pay employee tax obligations upon the exercise of options or vesting of restricted units granted under our long-term incentive plans and those previously granted under AWI's long-term incentive plans, which were converted to AFI units on April 1, 2016.

[2] Shares of common stock reacquired pursuant to our $50 million share repurchase program effective March 6, 2017. During 2017, 2.5 million shares were repurchased for a total cost of $40 million, with an average price of $16.29 per share. Any shares not used to fulfill employee stock award obligations are held in Treasury as of December 31, 2017.

Item 6. Selected Financial Data

The following selected historical consolidated financial data should be read in conjunction with our audited Consolidated Financial Statements, the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-K. The Consolidated Financial Statements for periods prior to the Spin-off include the historical results of operations, assets and liabilities of the legal entities that are considered to comprise AFI and may not be indicative of results had we actually been a separate stand-alone entity during such periods, nor are they necessarily indicative of our future financial position, results of operations and cash flows.

	Year Ended December 31,				
(Dollars in millions, except per share data)	**2017**	**2016**	**2015**	**2014**	**2013**
Income statement data					
Net sales	$ 1,133.7	$ 1,193.2	$ 1,188.7	$ 1,220.4	$ 1,262.8
Operating (loss) income	(47.0)	18.9	(14.0)	21.8	63.5
(Loss) income from continuing operations	(41.8)	7.5	(10.3)	9.5	40.8
Per common share - basic [1]	$ (1.54)	$ 0.27	$ (0.37)	$ 0.34	$ 1.47
Per common share - diluted [1]	(1.54)	0.27	(0.37)	0.34	1.47
Dividends declared per share of common stock	—	—	—	—	—
Balance sheet data (end of period)					
Total assets	$ 879.5	$ 904.4	$ 870.6	$ 858.0	$ 1,022.4
Long-term debt	86.0	21.2	10.0	10.0	10.0

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[1] For 2013-2015, basic and diluted earnings (loss) per share were calculated based on 27,738,779 shares of AFI common stock distributed on April 1, 2016.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Armstrong Flooring, Inc. ("AFI") is a leading global producer of flooring products for use primarily in the construction and renovation of commercial, residential and institutional buildings. We design, manufacture, source and sell resilient and wood flooring products primarily in North America and the Pacific Rim. As of December 31, 2017, we operated 15 manufacturing plants in three countries, including 12 manufacturing plants located throughout the U.S. We operate through two segments: Resilient Flooring and Wood Flooring.

Recent Events

On April 1, 2016, Armstrong World Industries, Inc. ("AWI"), a Pennsylvania corporation, separated AWI’s Resilient Flooring and Wood Flooring segments from its Building Products segment (the "Separation"). The Separation was effected by allocating the assets and liabilities related primarily to the Resilient Flooring and Wood Flooring segments to AFI and then distributing the common stock of AFI to AWI’s shareholders (the "Distribution"). The Separation and Distribution (together, the "Spin-off") resulted in AWI and AFI becoming two independent, publicly traded companies, with AFI owning and operating the Resilient Flooring and Wood Flooring segments and AWI continuing to own and operate a ceilings business. On the distribution date, each holder of AWI common stock received one share of AFI's common stock for every two shares of AWI's common stock held on the record date.

The Spin-off was completed pursuant to a Separation and Distribution Agreement and several other agreements with AWI related to the Separation, including a Transition Services Agreement, a Tax Matters Agreement, an Employee Matters Agreement, a Trademark License Agreement, a Transition Trademark Agreement and a Campus Lease Agreement, each of which was filed with the SEC as an exhibit to our Current Report on Form 8-K on April 4, 2016. These agreements govern the relationship between AFI and AWI following the Spin-off and provided for the allocation of various assets, liabilities, rights and obligations. For a discussion of each agreement, see the section entitled “Certain Relationships and Related Person Transactions — Agreements with AWI” in our Information Statement, dated March 24, 2016.

Our Registration Statement on Form 10 was declared effective by the Securities and Exchange Commission ("SEC") on March 15, 2016 and our common stock began regular-way trading on the New York Stock Exchange on April 4, 2016 under the symbol AFI.

During the second quarter of 2017, we acquired vinyl composition tile ("VCT") assets of Mannington Mills, Inc., a nationally recognized flooring company, for a cash purchase price of $36.1 million including transaction costs (the "VCT Acquisition"). See Note 16 to the Consolidated Financial Statements for further information.

During the third quarter of 2017, our board of directors approved the closure of a solid wood plant in Jackson, Tennessee and an engineered wood plant in Vicksburg, Mississippi (the "Wood Plant Closures"), in response to a decline in sales. The Wood Plant Closures were completed in the fourth quarter of 2017 and resulted in the separation of approximately 300 employees. The Wood Plant Closures resulted in $29.6 million of pre-tax costs during the second half of 2017. We expect to incur up to $2.0 million of additional pre-tax cash expenses in 2018. See Note 4 to the Consolidated Financial Statements for further information.

Factors Affecting Our Business

Net Sales

Overview

Demand for our products is influenced by economic conditions. We closely monitor publicly available macroeconomic trend data that provides insight to commercial and residential market activity; this includes Gross Domestic Product growth indices, the Architecture Billings Index and the Consumer Confidence Index, as well as housing starts and existing home sales. In the U.S., we noted continued weakness in the education and healthcare markets and continued improvement in the retail and office markets during 2017. U.S. residential markets continued to show improvement in both new construction and renovation activity.

Demand for our products is also influenced by consumer preferences. During 2017, we continued to experience growth in the demand for luxury vinyl tile ("LVT") in conjunction with accelerated decline in our legacy resilient products, particularly vinyl sheet, and our wood products. In addition, our channel partners raise or lower their inventory levels according to their expectations of market demand and consumer preferences, which directly affects our sales. We noted higher distributor inventory levels at December 31, 2017, which may affect our results in the first quarter of 2018.

Segments

Resilient Flooring segment — In our Resilient Flooring segment, we compete in both the commercial and residential markets in North America and primarily the commercial market in the Pacific Rim. Our business operates in a competitive environment across all our product categories, and excess capacity exists in much of the industry. We continue to see efforts by various competitors to price aggressively as a means to gain market share.

We have experienced a decline in demand for our legacy resilient products, particularly vinyl sheet products used in residential applications. The decline in vinyl sheet is driven by loss of market share to competitors as well as consumer trends, which have continued to favor alternate products, including LVT products. Late in 2017, we began migrating a portion of our laminate business to a licensing model in place of the current sourcing model.

The flooring market continues to experience LVT growth. Given its attractive visuals and performance characteristics, LVT growth has exceeded that of the overall flooring market. We believe LVT growth has and will continue to come partially at the expense of other product categories in both the soft and hard surface flooring markets, with the largest impacts on the AFI portfolio within the vinyl sheet and VCT categories.

We are the largest producer of VCT. The market for VCT, which is primarily used in commercial environments, is a mature and well-structured category. We expect the VCT Acquisition to be accretive to VCT sales in 2018.

Wood Flooring segment — Our product offerings include both solid and engineered wood flooring products. We have noted increasing popularity of non-wood flooring with wood-like visuals in addition to a market shift from solid to engineered wood flooring products, a category experiencing continued competitive pressure from lower-priced imports.

Operating Expenses

Resilient Flooring segment — We have experienced increased raw material prices and basic energy costs impacting both our manufacturing and sourced finished product costs, which we expect to continue to experience in 2018. Additionally, we expect increases in transportation costs in 2018.

We began producing LVT at our Lancaster, PA plant in the fourth quarter of 2015 and incurred continued ramp-up costs in 2016 to achieve expected operating levels. During 2017, manufacturing costs for our LVT operations improved.

In response to inflation of raw materials, energy costs and transportation costs, and as a result of continued competitive pressures, we announced a price increase, primarily for our legacy commercial products, in the first quarter of 2018. In certain cases, realized price increases are less than the announced increases because of competitive reactions and changing market conditions.

Wood Flooring segment — We purchase a significant amount of green lumber as an input into our hardwood flooring products. The market for lumber has historically been volatile. We experienced an increase in lumber costs in 2017 compared to 2016, and we expect these costs to continue to increase in 2018. Due to the required drying time for green lumber within the manufacturing process, there is a lag of 5 to 6 months before such costs are reflected in our results of operations.

We expect to achieve reduced manufacturing costs in 2018 compared to 2017 as a result of the Wood Plant Closures.

We may continue to experience expenses related to our involvement in antidumping and countervailing duty cases as an importer of multilayered wood flooring. See Note 23 to the Consolidated Financial Statements for further information related to multilayered wood flooring duties.

U.S. Tax Reform

In December 2017, the Tax Cuts and Jobs Act (the “Tax Reform Act”) was enacted. The Tax Reform Act represents major tax reform legislation that, among other provisions, reduces the U.S. corporate tax rate. We expect our future U.S. after-tax earnings to be positively impacted as a result of the reduction of the federal corporate income tax rate in the Tax Reform Act. See Note 9 to the Consolidated Financial Statements for further information on the financial statement impact of the Tax Reform Act.

Results of Operations

2017 Compared to 2016

Consolidated Results from Continuing Operations

	Year Ended December 31,			
			Change	
(Dollars in millions)	**2017**	**2016**	**$**	**%**
Net sales	$ 1,133.7	$ 1,193.2	$ (59.5)	(5.0)%
Cost of goods sold	963.6	963.1	0.5	— %
Gross profit	**170.1**	**230.1**	**(60.0)**	(26.0)%
Selling, general and administrative expenses	204.6	211.2	(6.6)	(3.1)%
Intangible asset impairment	12.5	—	12.5	NM
Operating (loss) income	**(47.0)**	**18.9**	**(65.9)**	NM
Interest expense	2.8	1.5	1.3	
Other expense, net	0.2	5.8	(5.6)	
(Loss) income from continuing operations before income taxes	**(50.0)**	**11.6**	**(61.6)**	
Income tax (benefit) expense	(8.2)	4.1	(12.3)	
(Loss) income from continuing operations	**(41.8)**	**7.5**	**(49.3)**	
Gain on disposal of discontinued operations, net of tax	—	1.7	(1.7)	
Net (loss) income	**$ (41.8)**	**$ 9.2**	**$ (51.0)**	

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NM: not meaningful

For the year ended December 31, 2017, net sales decreased by $59.5 million, or 5.0%, and operating income decreased by $65.9 million. The decline in net sales and operating income largely reflected results in our Wood Flooring segment; however, our Resilient Flooring segment also experienced lower net sales and operating income. During 2017, we also incurred expenses of $29.6 million in connection with the Wood Plant Closures and recorded a Wood Flooring intangible asset impairment charge of $12.5 million. These expenses were partially offset by the lower impact of new duty rates related to prior years' imports of multilayered wood flooring from China of $6.9 million. See Notes 4, 16, and 23 to the Consolidated Financial Statements for additional information regarding the Wood Plant Closures, the impairment charge, and multilayered wood flooring duties, respectively.

Segment Results

Net Sales

Net sales by segment are shown in the table below:

	Year Ended December 31,		Change		Percentage Point Change Due to			
(Dollars in millions)	2017	2016	$	%	Price	Volume	Mix	Currency
Resilient Flooring	$ 700.9	$ 707.1	$ (6.2)	(0.9)%	(1.5)	(2.6)	3.1	0.1
Wood Flooring	432.8	486.1	(53.3)	(11.0)%	(0.5)	(11.3)	0.7	0.1
Total	$ 1,133.7	$ 1,193.2	$ (59.5)	(5.0)%				

In our Resilient Flooring segment, net sales for the year ended December 31, 2017 decreased compared to the year ended December 31, 2016 primarily due to lower volume and price, partially offset by favorable mix. Lower volume reflected a decline in sales of vinyl sheet and laminate products, partially offset by higher sales of LVT, which continued to achieve double-digit growth, and VCT. The decline in price reflected continued competitive pressure across our product categories. Favorable mix was driven by growth from our LVT products relative to declines in legacy categories.

In our Wood Flooring segment, net sales for the year ended December 31, 2017 decreased compared to the year ended December 31, 2016 primarily due to lower volume. Volume declined within both our solid and engineered product categories and across all of our customer channels, with the most impact in the strategic retail customer channel. Volume declines reflected shifting consumer preferences in addition to continued competitive pressures from lower-priced imports.

Operating (Loss) Income

Operating (loss) income by segment is shown in the table below:

	Year Ended December 31,		
(Dollars in millions)	2017	2016	Change
Resilient Flooring	$ 9.0	$ 15.1	$ (6.1)
Wood Flooring	(56.0)	3.8	(59.8)
Total	$ (47.0)	$ 18.9	$ (65.9)

In our Resilient Flooring segment, operating results for the year ended December 31, 2017 declined compared to the year ended December 31, 2016. The decline reflected the impact of lower sales and higher input costs, partially offset by lower manufacturing costs, including lower costs related to our Lancaster, PA LVT operations compared to the prior-year period, and lower selling, general and administrative ("SG&A") expenses. Lower SG&A expenses were driven by lower incentive-based employee compensation of $6.9 million.

In our Wood Flooring segment, operating results for the year ended December 31, 2017 declined compared to the year ended December 31, 2016. The decline primarily reflected expenses related to the Wood Plant Closures of $29.6 million, the impact of lower sales, and an impairment charge of $12.5 million on intangible assets, partially offset by the lower impact of new duty rates related to prior years' imports of multilayered wood flooring from China of $6.9 million and lower SG&A expenses. See Notes 4, 16, and 23 to the Consolidated Financial Statements for additional information regarding the Wood Plant Closures, the impairment charge, and multilayered wood flooring duties, respectively. Lower SG&A expenses were driven by lower incentive-based employee compensation of $4.7 million.

Other expense, net: Other expense, net of $0.2 million and $5.8 million for the years ended December 31, 2017 and 2016, respectively, primarily reflected the translation of unhedged cross-currency intercompany loans.

Income tax expense: For the year ended December 31, 2017 we recorded an income tax benefit of $8.2 million compared to income tax expense of $4.1 million for the year ended December 31, 2016. The effective tax rates were 16.4% and 35.3% for the years ended December 31, 2017 and 2016, respectively. The loss from continuing operations in 2017 resulted in the recognition of federal and state valuation allowances in the period. These valuation allowances, net of the effect from the geographic distribution of earnings and losses, resulted in a lower effective tax rate.

Discontinued operations: For the year ended December 31, 2016, discontinued operations of $1.7 million reflected non-cash tax benefits for our former European resilient flooring business related to pension expense deductions. See Note 10 to the Consolidated Financial Statements.

2016 Compared to 2015

Consolidated Results from Continuing Operations

	Year Ended December 31,			
			Change	
(Dollars in millions)	**2016**	**2015**	**$**	**%**
Net sales	$ 1,193.2	$ 1,188.7	$ 4.5	0.4 %
Cost of goods sold	963.1	993.0	(29.9)	(3.0)%
Gross profit	**230.1**	**195.7**	**34.4**	17.5 %
Selling, general and administrative expenses	211.2	209.7	1.5	0.7 %
Operating income (loss)	**18.9**	**(14.0)**	**32.9**	NM
Interest expense	1.5	—	1.5	
Other expense, net	5.8	3.6	2.2	
Income (loss) from continuing operations before income taxes	**11.6**	**(17.6)**	**29.2**	
Income tax expense (benefit)	4.1	(7.3)	11.4	
Income (loss) from continuing operations	**7.5**	**(10.3)**	**17.8**	
Gain on disposal of discontinued operations, net of tax	1.7	39.9	(38.2)	
Net income	**$ 9.2**	**$ 29.6**	**$ (20.4)**	

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NM: not meaningful

For the year ended December 31, 2016, net sales increased $4.5 million, or 0.4%, and operating results increased by $32.9 million. Excluding the unfavorable impact of foreign exchange, the increase in net sales reflected higher sales in our Wood Flooring segment. The increase in operating income primarily reflected lower raw material costs in our Wood Flooring segment, which resulted from lower purchase prices of lumber for products sold in 2016. The increase in operating income was partially offset by the higher impact from new duty rates related to prior years' imports of multilayered wood flooring from China of $2.6 million, and higher SG&A expenses, including $1.7 million of severance expenses. See Notes 5 and 23 to the Consolidated Financial Statements for further information related to severance expenses and multilayered wood flooring duties, respectively.

Segment Results

Net Sales

Net sales by segment are shown in the table below:

	Year Ended December 31,		Change		Percentage Point Change Due to			
(Dollars in millions)	2016	2015	$	%	Price	Volume	Mix	Currency
Resilient Flooring	$ 707.1	$ 713.3	$ (6.2)	(0.9)%	(1.9)	(0.6)	2.4	(0.8)
Wood Flooring	486.1	475.4	10.7	2.3 %	(2.6)	6.3	(1.2)	(0.2)
Total	$ 1,193.2	$ 1,188.7	$ 4.5	0.4 %				

In our Resilient Flooring segment, excluding the unfavorable effect of foreign currency, our net sales for the year ended December 31, 2016 were essentially flat compared to the year ended December 31, 2015 with favorable mix offset by lower price and volume. Favorable mix primarily reflected growth from our LVT products, partially offset by unfavorable mix in other product categories. We experienced continued competitive pressure and lower prices across our product categories. Lower volume reflected weakness in both residential and commercial markets for the traditional product categories of vinyl tile and resilient sheet.

In our Wood Flooring segment, net sales for the year ended December 31, 2016 increased compared to the year ended December 31, 2015 on higher volume, partially offset by lower price and unfavorable mix. The hardwood flooring market saw increased penetration in the new construction and remodeling sectors. Higher volume also reflected inventory build by large retail customers. Lower price reflected competitive pricing pressure. Unfavorable mix primarily reflected increased sales of lower-priced engineered wood products.

Operating Income (Loss)

Operating income (loss) by segment is shown in the table below:

	Year Ended December 31,		
(Dollars in millions)	2016	2015	Change
Resilient Flooring	$ 15.1	$ 11.2	$ 3.9
Wood Flooring	3.8	(25.2)	29.0
Total	$ 18.9	$ (14.0)	$ 32.9

In our Resilient Flooring segment, operating income for the year ended December 31, 2016 increased compared to the year ended December 31, 2015 as a result of lower input and manufacturing costs and lower SG&A expenses, partially offset by the negative margin impact of price and mix and the continued ramp-up costs associated with our Lancaster, PA LVT operation.

In our Wood Flooring segment, operating income for the year ended December 31, 2016 increased compared to the year ended December 31, 2015 on higher net sales and gross margin. Higher gross margin primarily reflected lower input costs, which were driven by lower prices of lumber purchased late in 2015 and early 2016 on products sold in 2016. Higher SG&A expenses were a partial offset. Lower input costs were net of expenses from new duty rates related to prior years’ imports of multilayered wood flooring from China, which increased $2.6 million compared to prior year.

Other expense, net: Other expense, net of $5.8 million and $3.6 million for the years ended December 31, 2016 and 2015, respectively, primarily reflected the translation of unhedged cross-currency intercompany loans.

Income tax expense: For the year ended December 31, 2016, income tax expense was $4.1 million compared to an income tax benefit of $7.3 million for the year ended December 31, 2015. The effective tax rates were 35.3% and 41.5% for the years ended December 31, 2016 and 2015, respectively. The effective tax rate for 2016 was lower than the comparable period in 2015 primarily due to geographic distribution of income, lower unbenefited foreign losses and an increase in a domestic production activities deduction.

Discontinued operations: For the years ended December 31, 2016 and 2015, discontinued operations of $1.7 million and $39.9 million, respectively, reflected non-cash tax benefits for our former European resilient flooring business related to pension expense deductions. See Note 10 to the Consolidated Financial Statements.

Liquidity and Capital Resources

In March 2017, our board of directors authorized a share repurchase program of up to $50.0 million. The authorization of the repurchase program is aligned with our goal to increase the efficiency of our capital structure over time while preserving sufficient liquidity to invest in growth projects and other value-accretive opportunities. We repurchased $40.0 million of the Company's outstanding common stock during 2017.

Our primary sources of liquidity are, and we anticipate that they will continue to be, cash generated from operations and borrowings under our asset-based revolving credit facility ("ABL Facility"), described below. We believe these sources are sufficient to provide operating liquidity, fund planned capital expenditures, and allow further purchases under our share repurchase authorization. Our liquidity needs for operations vary throughout the year with the majority of our operating cash flows generated in the second and third quarters.

Prior to the Spin-off, deemed transfers of cash to and from AWI’s cash management system were reflected in net AWI investment in the historical combined financial statements.

Cash and cash equivalents totaled $39.0 million as of December 31, 2017 of which $8.3 million was held in the U.S.

Cash Flows

The table below shows our cash provided (used) by operating, investing and financing activities:

	Year Ended December 31,		
(Dollars in millions)	2017	2016	2015
Cash provided by operating activities	$ 62.9	$ 54.0	$ 52.6
Cash used for investing activities	(80.5)	(36.9)	(58.3)
Cash provided by financing activities	24.4	14.5	5.7

Operating activities

Operating activities for 2017 provided $62.9 million of cash. Cash was generated from earnings exclusive of net non-cash expenses, primarily depreciation and amortization, impairment and pension, and by changes in working capital. Changes in working capital primarily reflected lower inventories, partially offset by lower accounts payable and accrued expenses and changes in other assets and liabilities.

Operating activities for 2016 provided $54.0 million of cash. Cash was generated through earnings exclusive of non-cash expenses, primarily depreciation and amortization, partially offset by increased working capital. Increased working capital primarily reflected net changes in inventories and accounts payable and accrued expenses.

Operating activities for 2015 provided $52.6 million of cash. Cash was generated through earnings exclusive of non-cash expenses, primarily depreciation and amortization and deferred income taxes, and by decreased working capital. Decreased working capital primarily reflected changes in accounts payable and accrued expenses and inventories.

Investing activities

Net cash used for investing activities of $80.5 million, $36.9 million and $58.3 million for the years ended December 31, 2017, 2016 and 2015, respectively, was primarily due to purchases of property, plant and equipment. Included in the 2017 outflow was the cash paid for the acquisition of the VCT assets of Mannington Mills, Inc. for $36.1 million including transaction costs. Purchases of property, plant and equipment in 2015 include significant expenditures related to the expansion of our Lancaster, PA resilient flooring plant to include the manufacture of LVT.

Financing activities

Net cash provided by financing activities was $24.4 million, $14.5 million and $5.7 million for the years ended December 31, 2017, 2016 and 2015, respectively. Cash provided in 2017 primarily reflected net proceeds from debt, partially offset by purchases of treasury stock. Cash provided in 2016 primarily reflected net proceeds from debt and transfers from AWI, net of the distribution paid at Separation. Cash provided in 2015 represented net transfers from AWI.

Debt

On April 1, 2016, AFI entered into a $225.0 million ABL Facility with a five-year maturity. As of December 31, 2017, the debt outstanding under the ABL Facility was $85.0 million and outstanding letters of credit were $3.0 million.

Due to its stated five-year maturity, this obligation is presented as a long-term obligation in our Consolidated Balance Sheets. However, AFI may repay this obligation at any time, without penalty.

Obligations under the ABL Facility are secured by qualifying accounts receivable, inventories, and select machinery and equipment of AFI’s wholly-owned domestic subsidiaries. The ABL Facility includes a $50.0 million sublimit for the issuance of standby letters of credit. Borrowings under the ABL Facility bear interest at a rate equal to an adjusted base rate or the London Interbank Offered Rate (“LIBOR”) plus an applicable margin, which varies according to average excess credit availability and was 1.50% as of December 31, 2017. The total interest rate was 3.07% as of December 31, 2017. We are required to pay a commitment fee on the average daily unused amount of the ABL Facility, which is payable quarterly in arrears. The fee rate varies according to utilization and was 0.25% as of December 31, 2017. Outstanding letters of credit issued under the ABL Facility are subject to fees which are due quarterly in arrears based on an adjusted base rate. The adjusted base rate was 1.625% as of December 31, 2017.

Debt Covenants

The only material financial covenant in the ABL Facility is a fixed charge coverage ratio. As of December 31, 2017, availability under the ABL Facility exceeded the minimum required threshold and, as a result, this covenant was not applicable. In addition, the ABL Facility contains customary negative covenants, including those that restrict our ability to allow certain liens to attach to assets, make certain acquisitions and investments, incur certain additional indebtedness, pay dividends on our capital stock or redeem, repurchase or retire our capital stock or indebtedness, make certain fundamental changes to our structure, make certain dispositions, change the nature of our business, and enter into certain other transactions or agreements.

Off-Balance Sheet Arrangements

No disclosures are required pursuant to Item 303(a)(4) of Regulation S-K.

Contractual Obligations

As part of our normal operations, we enter into numerous contractual obligations that require specific payments during the term of the various agreements. The following table includes amounts under contractual obligations existing as of December 31, 2017. Only known payments that are dependent solely on the passage of time are included. Obligations under contracts that contain minimum payment amounts are shown at the minimum payment amount. Contracts that contain variable payment structures without minimum payments are excluded. Purchase orders that are entered into in the normal course of business are also excluded because they are generally cancelable and not legally binding. Amounts are presented below based upon the currently scheduled payment terms. Actual future payments may differ from the amounts presented below due to changes in payment terms or events affecting the payments.

(Dollars in millions)	2018	2019	2020	2021	2022	Thereafter	Total
Long-term debt	$ —	$ —	$ —	$ 85.0	$ —	$ —	$ 85.0
Capital lease obligations	0.2	0.2	0.3	0.3	—	—	1.0
Scheduled interest and fee payments [1]	3.3	3.6	3.7	0.9	—	—	11.5
Operating lease obligations [2]	9.7	8.8	7.8	2.9	0.7	1.2	31.1
Unconditional purchase obligations [3]	16.8	6.8	1.2	0.1	—	—	24.9
Pension contributions [4]	0.2	—	—	—	—	—	0.2
Total contractual obligations	$ 30.2	$ 19.4	$ 13.0	$ 89.2	$ 0.7	$ 1.2	$ 153.7

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(1) For debt with variable interest rates, we projected future interest payments based on market interest rates and the balance outstanding as of December 31, 2017.

(2) Operating lease obligations include the minimum payments due under existing agreements with non-cancelable lease terms in excess of one year.

(3) Unconditional purchase obligations include (a) purchase contracts whereby we must make guaranteed minimum payments of a specified amount regardless of how little material is actually purchased (“take or pay” contracts) and (b) Service agreements. Unconditional purchase obligations exclude contracts entered into during the normal course of business that are non-cancelable and have fixed per unit fees, but where the monthly commitment varies based on usage.

(4) Pension contributions include estimated contributions for our defined-benefit pension plans. We are not presenting estimated payments in the table above beyond 2018 as funding can vary significantly from year to year based upon changes in the fair value of plan assets, funding regulations and actuarial assumptions.

The table does not include $4.8 million of unrecognized tax benefits under ASC 740 "Income Taxes." Due to the uncertainty relating to these positions, we are unable to reasonably estimate the ultimate amount or timing of the settlement of these issues. See Note 9 to the Consolidated Financial Statements for more information.

This table excludes obligations related to postretirement benefits since we voluntarily provide these benefits. The amount of benefit payments we made in 2017 was $8.1 million. See Note 19 to the Consolidated Financial Statements for additional information regarding future expected cash payments for postretirement benefits.

We are party to supply agreements, some of which require the purchase of inventory remaining at the supplier upon termination of the agreement. The last such agreement will expire in 2019. Had these agreements terminated as of December 31, 2017, we would have been obligated to purchase approximately $1.3 million of inventory. Historically, due to production planning, we have not had to purchase material amounts of product at the end of similar contracts. Accordingly, no liability has been recorded for these guarantees.

Letters of credit are issued to third party suppliers, insurance and financial institutions and typically can only be drawn upon in the event of our failure to pay our obligations to the beneficiary. This table summarizes the commitments we have available in the U.S. for use as of December 31, 2017. Letters of credit are currently arranged through AFI’s ABL Facility.

(Dollars in millions)	2018	2019	2020	2021	2022	Thereafter	Total
Other Commercial Commitments							
Letters of credit	$ 3.0	—	—	—	—	—	$ 3.0

Critical Accounting Estimates

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), we are required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and assumptions on an ongoing basis, using relevant internal and external information. We believe that our estimates and assumptions are reasonable. However, actual results may differ from what was estimated and could have a significant impact on the financial statements.

We have identified the following as our critical accounting estimates. We have discussed these critical accounting estimates with our audit committee.

U.S. Pension and Postretirement Benefit Costs — We maintain pension and postretirement plans throughout North America, with the most significant plans located in the U.S. Our defined-benefit pension and postretirement benefit costs are developed from actuarial valuations. These valuations are calculated using a number of assumptions, which represent management’s best estimate of the future. The assumptions that have the most significant impact on reported results are the discount rate, the estimated long-term return on plan assets and mortality rates. These assumptions are generally updated annually.

The discount rate is used to determine retirement plan liabilities and to determine the interest cost component of net periodic pension and postretirement cost. Management utilizes the Aon Hewitt AA only above median yield curve, which is a hypothetical AA yield curve comprised of a series of annualized individual discount rates, as the primary basis for determining the discount rate. As of December 31, 2017, we assumed discount rates of 3.75% for the U.S. defined-benefit pension plans. As of December 31, 2017, we assumed a discount rate of 3.60% for the U.S. postretirement plans. The effects of any change in discount rate will be amortized into earnings as described below. Absent any other changes, a one-quarter percentage point increase or decrease in the discount rates for the U.S. pension and postretirement plans would change 2018 operating income by approximately $1.3 million.

We manage two U.S. defined-benefit pension plans, a qualified funded plan and a nonqualified unfunded plan. For the qualified funded plan, the expected long-term return on plan assets represents a long-term view of the future estimated investment return on plan assets. This estimate is determined based on the target allocation of plan assets among asset classes and input from investment professionals on the expected performance of the asset classes over 20 years. Historical asset returns are monitored and considered when we develop our expected long-term return on plan assets. An incremental component is added for the expected return from active management based on historical information. These forecasted gross returns are reduced by estimated management fees and expenses. The actual gain on plan assets achieved for 2017 was 12.99%. The difference between the actual and expected rate of return on plan assets will be amortized into earnings as described below.

The expected long-term return on plan assets used in determining our 2017 U.S. pension cost was 6.10%. We have assumed a return on plan assets during 2018 of 5.85%. The 2018 expected return on assets was calculated in a manner consistent with 2017. A one-quarter percentage point increase or decrease in the 2018 assumption would increase or decrease 2018 operating income by approximately $1.0 million.

We use the Society of Actuaries RP-2014 Generational Mortality Table with MP-2017 generational projection scales.

Actual results that differ from our various pension and postretirement plan estimates are captured as actuarial gains/losses. When certain thresholds are met, the gains and losses are amortized into future earnings over the expected remaining service period of plan participants, which is approximately nine years for our U.S. pension plans and eleven years for our U.S. postretirement plans. Changes in assumptions could have significant effects on earnings in future years.

See Note 19 to the Consolidated Financial Statements for additional information.

Impairments of Intangible and Tangible Assets — Our indefinite-lived intangible assets are primarily trademarks and brand names, with our Bruce trademark representing the largest asset, all of which are integral to our corporate identity and expected to contribute indefinitely to our corporate cash flows. We conduct our annual impairment test for indefinite-lived intangible assets during the fourth quarter and we conduct interim impairment tests if indicators of potential impairment exist.

The method used to determine the fair value of our indefinite-lived intangible assets is the relief-from-royalty method. The principal assumptions used in our application of this method are revenue growth rate, discount rate and royalty rate. Revenue growth rates are derived from those used in our operating plan and strategic planning processes. The discount rate assumption is calculated based upon an estimated weighted average cost of capital, which we believe reflects the overall level of inherent risk and the rate of return a market participant would expect to achieve. The royalty rate assumption represents the estimated contribution of the intangible asset to overall profits. The method used for valuing our indefinite-lived intangible assets did not change from prior periods.

We review long-lived asset groups, which include long-lived intangible and tangible assets, for impairment when indicators of impairment exist, such as operating losses and/or negative cash flows. If an evaluation of the undiscounted future cash flows generated by the asset indicates impairment, the asset is written down to its estimated fair value, which is based on its discounted future cash flows. The principal assumption used in these impairment tests is future cash flows, which are derived from those used in our operating plan and strategic planning processes.

The revenue and cash flow estimates used in applying our impairment and recoverability tests are based on management’s analysis of information available at the time of the impairment test. Actual results lower than the estimate could lead to significant future impairments. If future testing indicates that fair values have declined below carrying value, our financial condition and results of operations would be affected.

During the third quarter of 2017, we conducted an interim impairment test for indefinite-lived intangible assets within our Wood Flooring segment due to our decision to cease operations at two Wood Flooring manufacturing plants in response to a decline in sales. As a result of this testing, we recorded an impairment charge of $12.5 million for our Bruce trademark during the third quarter of 2017. In addition, we tested the long-lived assets within our Wood Flooring asset group for recoverability and determined the carrying value to be recoverable, as the projected undiscounted cash flows exceeded the carrying value of the assets.

Absent any other changes, a one-quarter percentage point increase or decrease in the following assumptions would have changed the $12.5 million impairment charge by the amounts below:

(Dollars in millions)	Increase	Decrease
Revenue growth rate	$ 0.3	$ (0.3)
Discount rate	(0.5)	0.5
Royalty Rate	6.0	(6.1)

There were no impairment charges in 2016 or 2015.

We cannot predict the occurrence of certain events that might lead to material impairment charges in the future. Such events may include, but are not limited to, the impact of economic environments, particularly related to the commercial and residential construction industries, material adverse changes in relationships with significant customers, or strategic decisions made in response to economic and competitive conditions.

See Notes 3 and 16 to the Consolidated Financial Statements for additional information.

Income Taxes — For purposes of our Consolidated Financial Statements, for the periods prior to April 1, 2016, we recorded income tax expense and deferred tax balances as if we filed separate tax returns on a stand-alone basis apart from AWI, which we refer to as the “separate return method.” The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if we were a separate taxpayer and a stand-alone enterprise for the periods presented. The calculation of the provision for income taxes, deferred tax assets and liabilities, valuation allowances against deferred tax assets, and accruals for uncertain tax positions on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. As a stand-alone entity, our deferred taxes and effective tax rate may differ from those in the historical periods.

Our effective tax rate is primarily determined based on our pre-tax income and the statutory income tax rates in the jurisdictions in which we operate. The effective tax rate also reflects the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Some of these differences are permanent, such as expenses that are not deductible in our tax returns, and some differences are temporary, reversing over time, such as depreciation expense. These temporary differences create deferred income tax assets and liabilities. Deferred income tax assets are also recorded for net operating loss (“NOL”) carryforwards.

Deferred income tax assets and liabilities are recognized by applying enacted tax rates to temporary differences that exist as of the balance sheet date. We reduce the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. The need to establish valuation allowances for deferred tax assets is assessed quarterly.

In assessing the requirement for, and amount of, a valuation allowance in accordance with the more likely than not standard, we give appropriate consideration to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability and foreign source income (“FSI”), the duration of statutory carryforward periods, and our experience with operating loss and tax credit carryforward expirations. A history of cumulative losses is a significant piece of negative evidence used in our assessment. If a history of cumulative losses is incurred for a tax jurisdiction, forecasts of future profitability are not used as positive evidence related to the realization of the deferred tax assets in the assessment.

As further described in Note 9 to the Consolidated Financial Statements, our Consolidated Balance Sheet as of December 31, 2017 includes net deferred income tax assets of $41.3 million. Included in this amount are deferred federal income tax assets for postretirement and postemployment benefits of $20.7 million, foreign NOL deferred tax assets of $20.8 million, state NOL deferred income tax assets of $10.3 million, and federal NOL deferred income tax assets of $5.7 million. We have established valuation allowances in the amount of $41.1 million consisting of $23.5 million for foreign deferred tax assets, primarily foreign operating loss carryovers, $13.8 million for state deferred tax assets, and $3.8 million federal deferred tax assets. While we have considered future taxable income in assessing the need for the valuation allowances based on our best available projections, if these estimates and assumptions change in the future or if actual results differ from our projections, we may be required to adjust our valuation allowances accordingly. Such adjustments could be material to our Consolidated Financial Statements.

Inherent in determining our effective tax rate are judgments regarding business plans and expectations about future operations. These judgments include the amount and geographic mix of future taxable income, the amount of FSI, limitations on usage of NOL carryforwards, the impact of ongoing or potential tax audits, earnings repatriation plans, and other future tax consequences.

We estimate we will need to generate future U.S. taxable income of approximately $190.8 million for state income tax purposes during the respective realization periods (ranging from 2018 to 2037) in order to fully realize the net deferred income tax assets.

Our ability to utilize deferred tax assets may be impacted by certain future events, such as changes in tax legislation and insufficient future taxable income prior to expiration of certain deferred tax assets.

We recognize the tax benefits of an uncertain tax position if those benefits are more likely than not to be sustained based on existing tax law. Additionally, we establish a reserve for tax positions that are more likely than not to be sustained based on existing tax law, but uncertain in the ultimate benefit to be sustained upon examination by the relevant taxing authorities. Unrecognized tax benefits are subsequently recognized at the time the more likely than not recognition threshold is met, the tax matter is effectively settled or the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired, whichever is earlier.

See Note 9 to the Consolidated Financial Statements for additional information.

Stock-based Compensation — We issue stock-based compensation to certain employees and non-employee directors in different forms, including performance stock awards ("PSAs"), performance stock units ("PSUs"), and restricted stock units ("RSUs"). PSAs and PSUs are shares of restricted Company common stock that vest based on the achievement of certain performance conditions. The fair value of performance awards that are also indexed to the achievement of specified levels of absolute total shareholder return is measured using a Monte-Carlo simulation on the date of grant.

The following table summarizes the methods and inputs used to value the annual grants issued in 2017:

	PSAs	PSUs	RSUs
Method	Monte-Carlo simulation	Company stock price on grant date	Company stock price on grant date
Grant-date fair value [1]	$15.41	$18.80	$18.80
Assumptions			
Risk-free rate of return [2]	1.6%		
Expected volatility [3]	31.4%		
Expected term (in years) [4]	3.0		
Expected dividend yield [5]	—		

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(1) Based on either a Monte-Carlo simulation or the closing stock price on the valuation date.

(2) Based upon the yield of the zero-coupon U.S. Treasury bill with a remaining term of 3.06 years as of March 7, 2017.

(3) Based on peer volatility since, as of the valuation date, we did not have a sufficient number of trading days to rely on our own trading history.

(4) Based on the performance period on the underlying award.

(5) Based on our dividend policy at grant date.

Stock-based compensation is recognized only for those awards that are ultimately expected to vest, and we have applied an estimated forfeiture rate to nonvested awards for the purpose of calculating compensation cost. These estimates will be revised in future periods if actual forfeitures differ from the estimates. The use of performance conditions requires us to estimate three-year performance targets. Changes in forfeiture and performance estimates impact compensation cost in the period in which the change in estimate occurs. If actual results are not consistent with our estimates or assumptions, we may be exposed to changes in stock-based compensation expense that could be material.

See Note 6 to the Consolidated Financial Statements for additional information.

Accounting Pronouncements Effective in Future Periods

See Note 2 to the Consolidated Financial Statements for a description of recent accounting pronouncements including the dates, or expected dates, of adoption, and effects, or expected effects, on our disclosures, results of operations, and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

We are exposed to market risk from changes in foreign currency exchange rates that could impact our financial condition, results of operations and cash flows. We enter into derivative contracts, including contracts to hedge our foreign currency exchange rate exposures. Forward swap contracts are entered into for periods consistent with underlying exposure and do not constitute positions independent of those exposures. Derivative financial instruments are used as risk management tools and not for speculative trading purposes. In addition, derivative financial instruments are entered into with a diversified group of major financial institutions in order to manage exposure to potential nonperformance on such instruments. Developments in the capital markets are regularly monitored.

We are subject to interest rate market risk in connection with our ABL Facility. As of December 31, 2017, our ABL Facility provided variable rate borrowings of up to $222.0 million, net of $3.0 million of letters of credit. Our ABL Facility bears interest at a variable rate based on LIBOR or a base rate plus an applicable margin. An assumed 25 basis point change in interest rates would change interest expense on our ABL Facility by $0.6 million if fully drawn and outstanding for the entire year.

Counterparty Risk

We only enter into derivative transactions with established counterparties having a credit rating of BBB or better, and counterparty credit default swap levels and credit ratings are monitored on a regular basis in an effort to reduce the risk of counterparty default. All of our derivative transactions with counterparties are governed by master International Swap and Derivatives Association, Inc. agreements (“ISDAs”) with netting arrangements. These agreements can limit our exposure in situations where we have gain and loss positions outstanding with a single counterparty. We neither post nor receive cash collateral with any counterparty for our derivative transactions. As of December 31, 2017, we had no cash collateral posted or received for any of our derivative transactions. These ISDAs do not have credit contingent features; however, a default under our ABL Facility would trigger a default under these agreements.

Exchange Rate Sensitivity

We manufacture and sell our products in a number of countries and, as a result, we are exposed to movements in foreign currency exchange rates. To a large extent, our global manufacturing and sales provide a natural hedge of foreign currency exchange rate movement, as foreign currency expenses generally offset foreign currency revenues. AFI enters into foreign currency forward exchange contracts to reduce its remaining exposure. As of December 31, 2017, our major foreign currency exposures are to the Canadian Dollar, the Australian Dollar, and the Chinese Renminbi. A 10% strengthening of all currencies against the U.S. dollar compared to December 31, 2017 levels would increase our forecasted 2018 earnings before income taxes by approximately $2.3 million, including the impact of current foreign currency forward exchange contracts.

The table below details our outstanding currency instruments as of December 31, 2017:

(Dollars in millions)	**Maturing in 2018**	**Maturing in 2019**	**Total**
On Balance Sheet Foreign Exchange Related Derivatives			
Notional amounts	$ 52.1	$ 8.7	$ 60.8
Liabilities at fair value, net	(1.4)	(0.1)	(1.5)

Item 8. Financial Statements

The following consolidated financial statements are filed as part of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Armstrong Flooring, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Armstrong Flooring, Inc. and subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income (loss), stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule of valuation and qualifying reserves (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 6, 2018 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company’s auditor since 2015.

Philadelphia, Pennsylvania
March 6, 2018

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Armstrong Flooring, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Armstrong Flooring, Inc.'s and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule of valuation and qualifying reserves (collectively, the "consolidated financial statements"), and our report dated March 6, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management Report on Internal Control over Financial Reporting* within Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 6, 2018

Armstrong Flooring, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Dollars in millions, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Net sales	$ 1,133.7	$ 1,193.2	$ 1,188.7
Cost of goods sold	963.6	963.1	993.0
Gross profit	170.1	230.1	195.7
Selling, general and administrative expenses	204.6	211.2	209.7
Intangible asset impairment	12.5	—	—
Operating (loss) income	(47.0)	18.9	(14.0)
Interest expense	2.8	1.5	—
Other expense, net	0.2	5.8	3.6
(Loss) income from continuing operations before income taxes	(50.0)	11.6	(17.6)
Income tax (benefit) expense	(8.2)	4.1	(7.3)
(Loss) income from continuing operations	(41.8)	7.5	(10.3)
Gain on disposal of discontinued operations, net of tax	—	1.7	39.9
Net (loss) income	$ (41.8)	$ 9.2	$ 29.6
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	7.2	(8.2)	(12.1)
Derivatives (loss) gain	(1.5)	(1.6)	0.6
Pension and postretirement adjustments	1.6	2.2	(0.2)
Total other comprehensive income (loss)	7.3	(7.6)	(11.7)
Total comprehensive (loss) income	$ (34.5)	$ 1.6	$ 17.9
Basic (loss) earnings per share of common stock:			
Basic (loss) earnings per share of common stock from continuing operations	$ (1.54)	$ 0.27	$ (0.37)
Basic earnings per share of common stock from discontinued operations	—	0.06	1.44
Basic (loss) earnings per share of common stock	$ (1.54)	$ 0.33	$ 1.07
Diluted (loss) earnings per share of common stock:			
Diluted (loss) earnings per share of common stock from continuing operations	$ (1.54)	$ 0.27	$ (0.37)
Diluted earnings per share of common stock from discontinued operations	—	0.06	1.44
Diluted (loss) earnings per share of common stock	$ (1.54)	$ 0.33	$ 1.07

See accompanying notes to consolidated financial statements.

Armstrong Flooring, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in millions, except par value)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash	$ 39.0	$ 30.6
Accounts and notes receivable, net	79.7	76.0
Inventories, net	236.0	272.1
Income tax receivable	3.8	2.4
Prepaid expenses and other current assets	31.8	23.8
Total current assets	390.3	404.9
Property, plant and equipment, net	418.1	445.2
Intangible assets, net	60.4	42.6
Deferred income taxes	3.4	4.5
Other non-current assets	7.3	7.2
Total assets	$ 879.5	$ 904.4
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 150.2	$ 163.0
Income tax payable	0.8	0.4
Total current liabilities	151.0	163.4
Long-term debt	86.0	21.2
Postretirement benefit liabilities	72.7	75.5
Pension benefit liabilities	5.7	1.6
Other long-term liabilities	9.4	9.1
Noncurrent income taxes payable	0.3	1.7
Deferred income taxes	4.4	8.4
Total liabilities	329.5	280.9
Stockholders' equity:		
Common stock with par value $.0001 per share: 100,000,000 shares authorized; 28,183,218 issued and 25,734,222 outstanding shares as of December 31, 2017 and 27,895,671 issued and outstanding shares as of December 31, 2016	—	—
Preferred stock with par value $.0001 per share: 15,000,000 shares authorized; none issued	—	—
Treasury stock, at cost, 2,448,996 shares as of December 31, 2017	(39.9)	—
Additional paid-in capital	674.2	673.3
(Accumulated deficit) retained earnings	(31.8)	10.0
Accumulated other comprehensive (loss)	(52.5)	(59.8)
Total stockholders' equity	550.0	623.5
Total liabilities and stockholders' equity	$ 879.5	$ 904.4

See accompanying notes to consolidated financial statements.

Armstrong Flooring, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Dollars in millions)

	Common Stock		Treasury Stock		Net AWI Investment	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Equity
	Shares	Amount	Shares	Amount					
December 31, 2014	—	$ —	—	$ —	$ 587.3	$ —	$ 13.7	$ —	$601.0
Net income	—	—	—	—	29.6	—	—	—	29.6
Net transfers from Armstrong World Industries, Inc. ("AWI")	—	—	—	—	5.1	—	—	—	5.1
Other comprehensive (loss)	—	—	—	—	—	—	(11.7)	—	(11.7)
December 31, 2015	—	$ —	—	$ —	$ 622.0	$ —	$ 2.0	$ —	$624.0
Net (loss) income					(0.8)		—	10.0	9.2
Net transfers from (to) AWI	—	—	—	—	96.6	—	(54.2)	—	42.4
Cash distribution paid to AWI	—	—	—	—	(50.0)	—	—	—	(50.0)
Reclassification of net parent investment to additional paid-in capital	—	—	—	—	(667.8)	667.8	—	—	—
Issuance of common stock at separation	27,738,779	—	—	—	—	—	—	—	—
Stock-based employee compensation, net	156,892	—	—	—	—	5.5	—	—	5.5
Other comprehensive (loss)	—	—	—	—	—	—	(7.6)	—	(7.6)
December 31, 2016	27,895,671	$ —	—	$ —	$ —	$ 673.3	$ (59.8)	$ 10.0	$623.5
Net (loss)	—	—	—	—	—	—	—	(41.8)	(41.8)
Net transfers to AWI	—	—	—	—	(0.8)	—	—	—	(0.8)
Repurchase of common stock	(2,455,604)	—	2,455,604	(40.0)	—	—	—	—	(40.0)
Reclassification of net parent investment to additional paid-in capital	—	—	—	—	0.8	(0.8)	—	—	—
Stock-based employee compensation, net	294,155	—	(6,608)	0.1	—	1.7	—	—	1.8
Other comprehensive income	—	—	—	—	—	—	7.3	—	7.3
December 31, 2017	25,734,222	$ —	2,448,996	$ (39.9)	$ —	$ 674.2	$ (52.5)	$ (31.8)	$550.0

See accompanying notes to consolidated financial statements.

Armstrong Flooring, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in millions)

	Year Ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities:			
Net (loss) income	$ (41.8)	$ 9.2	$ 29.6
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	78.7	46.6	38.1
Loss on disposal of discontinued operations	—	—	0.2
Intangible asset impairment	12.5	—	—
Deferred income taxes	(3.0)	(5.2)	(56.0)
Stock-based compensation	2.2	5.7	—
U.S. pension expense	8.9	6.5	—
Other non-cash adjustments, net	(0.6)	6.0	(3.7)
Changes in operating assets and liabilities:			
Receivables	(2.5)	(3.2)	6.5
Inventories	30.4	(19.8)	12.1
Accounts payable and accrued expenses	(10.5)	9.9	23.4
Income taxes payable and receivable	(3.0)	(0.6)	5.5
Other assets and liabilities	(8.4)	(1.1)	(3.1)
Net cash provided by operating activities	62.9	54.0	52.6
Cash flows from investing activities:			
Purchases of property, plant and equipment	(44.8)	(37.6)	(61.6)
Cash paid for acquisition	(36.1)	—	—
Other investing activities	0.4	0.7	3.3
Net cash used for investing activities	(80.5)	(36.9)	(58.3)
Cash flows from financing activities:			
Proceeds from revolving credit facility	90.0	110.0	—
Payments on revolving credit facility	(25.0)	(90.0)	—
Financing costs	—	(1.4)	—
Payments of long-term debt	—	(10.0)	—
Payments on capital lease	(0.2)	—	—
Purchases of treasury stock	(40.0)	—	—
Cash distribution paid to AWI	—	(50.0)	—
Proceeds from exercised stock options	1.4	0.3	—
Value of shares withheld related to employee tax withholding	(1.8)	—	—
Proceeds from company owned life insurance loans, net	—	—	0.4
Net transfers from AWI	—	55.6	5.3
Net cash provided by financing activities	24.4	14.5	5.7
Effect of exchange rate changes on cash and cash equivalents	1.6	(1.0)	—
Net increase in cash and cash equivalents	8.4	30.6	—
Cash and cash equivalents at beginning of year	30.6	—	—
Cash and cash equivalents at end of year	$ 39.0	$ 30.6	$ —
Supplemental Cash Flow Disclosure:			
Amounts in accounts payable for capital expenditures	$ 7.8	$ 12.9	$ 3.7
Interest paid	2.8	1.5	—
Income taxes (refunded) paid, net	(2.8)	8.1	—
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Capital expenditures funded by capital lease borrowings	$ —	$ 1.2	$ —

See accompanying notes to consolidated financial statements.

NOTE 1. BUSINESS AND BASIS OF PRESENTATION

Background

Armstrong Flooring, Inc. ("AFI") is a leading global producer of flooring products for use primarily in the construction and renovation of residential, commercial and institutional buildings. AFI designs, manufactures, sources and sells resilient and wood flooring products in North America and the Pacific Rim. When we refer to "AFI," "the Company," "we," "our," and "us" in this report, we are referring to Armstrong Flooring, Inc., a Delaware corporation, and its consolidated subsidiaries.

On April 1, 2016, we became an independent company as a result of the separation by Armstrong World Industries, Inc. ("AWI"), a Pennsylvania corporation, of its Resilient Flooring and Wood Flooring segments from its Building Products segment (the "Separation"). The Separation was effected by allocating the assets and liabilities related primarily to the Resilient Flooring and Wood Flooring segments to AFI and then distributing the common stock of AFI to AWI's shareholders (the "Distribution"). The Separation and Distribution (together, the "Spin-off") resulted in AFI and AWI becoming two independent, publicly traded companies, with AFI owning and operating the Resilient Flooring and Wood Flooring segments and AWI continuing to own and operate a ceilings business.

Basis of Presentation

Prior to April 1, 2016, AFI operated as a part of AWI. The financial information for periods prior to April 1, 2016 was prepared on a combined basis from AWI's historical accounting records and is presented herein on a stand-alone basis as if the operations had been conducted independently of AWI. Beginning April 1, 2016, the financial information was prepared on a consolidated basis. The Consolidated Financial Statements of AFI presented are not indicative of our future performance, and, for periods prior to April 1, 2016, do not necessarily reflect what our historical financial condition, results of operations and cash flows would have been if we had operated as a separate, stand-alone entity during those periods.

For periods prior to April 1, 2016, AFI was comprised of certain stand-alone legal entities for which discrete financial information was available, as well as portions of legal entities for which discrete financial information was not available (the "Shared Entities"). For the Shared Entities for which discrete financial information was not available, such as shared utilities, taxes, and other shared costs, allocation methodologies were applied to allocate amounts to AFI. The Consolidated Statements of Operations and Comprehensive Income (Loss) for these periods include all revenues and costs attributable to AFI, including costs for facilities, functions and services used by AFI. The results of operations for those periods also include allocations of costs for administrative functions and services performed on behalf of AFI by centralized staff groups within AWI, AWI's general corporate expenses and certain pension and other retirement benefit costs for those periods. All of the allocations and estimates in the Consolidated Financial Statements are based on assumptions that AFI management believes are reasonable.

All charges and allocations of cost for facilities, functions and services performed by AWI prior to the Spin-off were deemed paid by AFI to AWI in cash, in the period in which the cost was recorded in the Consolidated Statements of Operations and Comprehensive Income (Loss). Prior to the Spin-off, transactions between AWI and AFI were accounted for through net AWI investment.

Prior to the Spin-off, AFI's portion of current income taxes payable was deemed to have been remitted to AWI in the period the related tax expense was recorded. AFI's portion of current income taxes receivable was deemed to have been remitted to AFI by AWI in the period to which the receivable applies only to the extent that a refund of such taxes could have been recognized by AFI on a stand-alone basis under the law of the relevant taxing jurisdiction.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy

The Consolidated Financial Statements and accompanying data in this report include the accounts of AFI and its subsidiaries. All significant intercompany transactions have been eliminated from the Consolidated Financial Statements.

Use of Estimates

We prepare our financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"), which requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. When preparing an estimate, management determines the amount based upon the consideration of relevant internal and external information. Actual results may differ from these estimates.

Reclassifications

Certain amounts in the prior year's Consolidated Financial Statements and related notes and schedule thereto have been recast to conform to the 2017 presentation.

Revenue Recognition

We recognize revenue from the sale of products when persuasive evidence of an arrangement exists, title and risk of loss transfers to the customers, prices are fixed and determinable, and it is reasonably assured the related accounts receivable is collectible. Our standard sales terms are primarily Free On Board ("FOB") shipping point. Our products are sold with normal and customary return provisions. Sales discounts are deducted immediately from the sales invoice. Provisions, which are recorded as a reduction of revenue, are made for the estimated cost of rebates, promotional programs and warranties. We defer recognizing revenue if special sales agreements, established at the time of sale, warrant this treatment.

Sales Incentives

Sales incentives to customers are reflected as a reduction of net sales.

Shipping and Handling Costs

Shipping and handling costs are reflected as a component of cost of goods sold.

Advertising Costs

We recognize advertising expenses as they are incurred.

Pension and Postretirement Benefits

We have benefit plans that provide for pension, medical and life insurance benefits to certain eligible employees when they retire from active service. The cost of plan amendments that provide for benefits already earned by plan participants is amortized over the expected future working lifetime or the life expectancy of plan participants. A market-related value of plan assets methodology is utilized in the calculation of expected return on assets. The methodology recognizes gains and losses on long duration bonds immediately, while gains and losses on other assets are recognized in the calculation over a five-year period. We use a December 31 measurement date for our pension and postretirement benefit plans.

Taxes

For the periods prior to April 1, 2016, operations of certain businesses included in our Consolidated Financial Statements are divisions of legal entities included in AWI's consolidated U.S. federal and state income tax returns, or tax returns of non-U.S. subsidiaries of AWI. The provision for income taxes and related balance sheet accounts of such entities have been prepared and presented in the Consolidated Financial Statements based on a separate return basis. Differences between our separate return income tax provision and cash flows attributable to income taxes for businesses that were divisions of legal entities have been recognized as capital contributions from, or dividends to, AWI within net AWI investment.

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes to reflect the expected future tax consequences of events recognized in the financial statements. Deferred income tax assets and liabilities are recognized by applying enacted tax rates to temporary differences that exist as of the balance sheet date which result from differences in the timing of reported taxable income between tax and financial reporting.

We reduce the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. The need to establish valuation allowances for deferred tax assets is assessed quarterly. In assessing the requirement for, and amount of, a valuation allowance in accordance with the more likely than not standard for all periods, we give appropriate consideration to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability and foreign source income, the duration of statutory carryforward periods, and our experience with operating loss and tax credit carryforward expirations. A history of cumulative losses is a significant piece of negative evidence used in our assessment. If a history of cumulative losses is incurred for a tax jurisdiction, forecasts of future profitability are not used as positive evidence related to the realization of the deferred tax assets in the assessment.

We recognize the tax benefits of an uncertain tax position only if those benefits are more likely than not to be sustained based on existing tax law. Additionally, we establish a reserve for tax positions that are more likely than not to be sustained based on existing tax law, but uncertain in the ultimate benefit to be sustained upon examination by the relevant taxing authorities. Unrecognized tax benefits are subsequently recognized at the time the more likely than not recognition threshold is met, the tax matter is effectively settled or the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired, whichever is earlier.

We account for all interest and penalties on uncertain income tax positions as income tax expense.

Taxes collected from customers and remitted to governmental authorities are reported on a net basis.

Earnings per Share

Basic earnings per share is computed by dividing the earnings attributable to common shares by the sum of the weighted average number of shares of common stock outstanding during the period and the weighted average number of stock-based awards that have vested but not yet been issued during the period . Diluted earnings per share reflects the potential dilution of securities that could share in the earnings.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments that have maturities of three months or less when purchased.

Receivables

We sell the vast majority of our products to select, pre-approved customers using customary trade terms that allow for payment in the future. Customer trade receivables and miscellaneous receivables, net of allowances for doubtful accounts, customer credits and warranties are reported in accounts and notes receivable on a net basis. Cash flows from the collection of receivables are classified as operating cash flows on the Consolidated Statements of Cash Flows.

We establish credit-worthiness prior to extending credit. We estimate the recoverability of receivables each period. This estimate is based upon new information in the period, which can include the review of available financial statements and forecasts, as well as discussions with legal counsel and the management of the debtor company. We provide allowances as events occur which impact the collectability of the receivable. Account balances are charged off against the allowance when the potential for recovery is considered remote. We do not have any off-balance-sheet credit exposure related to our customers.

Inventories

U.S. Resilient Flooring segment inventories are valued at the lower of cost or market, and cost is determined using the last-in, first-out ("LIFO") method of accounting. U.S. Wood Flooring segment inventories and all non-U.S. inventories are valued at the lower of cost and net realizable value, and cost is determined using the first-in, first-out ("FIFO") method of accounting.

Property Plant and Equipment

Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized on a straight-line basis over assets' estimated useful lives. Machinery and equipment includes manufacturing equipment (depreciated over 3 to 15 years), computer equipment (depreciated over 3 to 5 years) and office furniture and equipment (depreciated over 5 to 7 years). Within manufacturing equipment, assets that are subject to accelerated obsolescence or wear, such as tooling and engraving equipment, are depreciated over shorter periods (3 to 7 years). Heavy production equipment, such as conveyors, kilns and mixers, are depreciated over longer periods (10 to 15 years). Buildings are depreciated over 15 to 30 years, depending on factors such as type of construction and use. Computer software is amortized over 3 to 7 years.

Property, plant and equipment is tested for impairment when indicators of impairment exist, such as operating losses and/or negative cash flows. If an evaluation of the undiscounted future cash flows generated by the asset indicates impairment, the asset is written down to its estimated fair value, which is based on its discounted future cash flows. The principal assumption used in these impairment tests is future cash flows, which are derived from those used in our operating plan and strategic planning processes.

Intangible Assets

Our indefinite-lived intangible assets are primarily trademarks and brand names, with our Bruce trademark representing the largest asset, all of which are integral to our corporate identity and expected to contribute indefinitely to our corporate cash flows. We conduct our annual impairment test for indefinite-lived intangible assets during the fourth quarter and we conduct interim impairment tests if indicators of potential impairment exist.

The method used to determine the fair value of our indefinite-lived intangible assets is the relief-from-royalty method. The principal assumptions used in our application of this method are revenue growth rate, discount rate and royalty rate. Revenue growth rates are derived from those used in our operating plan and strategic planning processes. The discount rate assumption is calculated based upon an estimated weighted average cost of capital, which we believe reflects the overall level of inherent risk and the rate of return a market participant would expect to achieve. The royalty rate assumption represents the estimated contribution of the intangible asset to overall profits. The method used for valuing our indefinite-lived intangible assets did not change from prior periods.

Our long-lived intangible assets are primarily contractual arrangements (amortized over 5 to 50 years), which includes non-compete agreements and land use rights, and intellectual property (amortized over 2 to 15 years), which includes developed technology and patents. We review long-lived intangible assets for impairment if indicators of potential impairment exist, such as operating losses and/or negative cash flows. If an evaluation of the undiscounted future cash flows generated by the asset indicates impairment, the asset is written down to its estimated fair value, which is based on its discounted future cash flows. The principal assumption used in these impairment tests is future cash flows, which are derived from those used in our operating plan and strategic planning processes.

Foreign Currency Transactions

For our subsidiaries with non-U.S. dollar functional currency, assets and liabilities are translated at period-end exchange rates. Revenues and expenses are translated at exchange rates effective during each month. Foreign currency translation gains or losses are included as a component of accumulated other comprehensive income ("AOCI") within equity. Gains or losses on foreign currency transactions are recognized through net income (loss).

Product Warranties

A provision for estimated future product warranty cost is recorded when products are shipped to our customer and revenue is recognized. Our estimate of future costs to satisfy warranty obligations is primarily based on historical trends and, if believed to be significantly different from historical trends, estimates of future costs. Costs to satisfy customer accommodation repairs or replacements made at the sole discretion of AFI are recorded as a component of warranty expense when such customer accommodations are made.

Stock-Based Employee Compensation

We issue stock-based compensation to certain employees and non-employee directors in different forms, including performance stock awards ("PSAs"), performance stock units ("PSUs"), and restricted stock units ("RSUs"). We record stock-based compensation expense based on an estimated grant-date fair value. The expense is reflected as a component of selling, general and administrative (“SG&A”) expenses on our Consolidated Statements of Operations and Comprehensive Income (Loss). Stock-based compensation expense includes an estimate for forfeitures and anticipated achievement levels and is generally recognized on a straight-line basis over the vesting period for the entire award.

Net AWI Investment

The Consolidated Statements of Stockholders' Equity include net cash transfers and other property transfers between AWI and AFI. The net AWI investment balance included assets and liabilities incurred by AWI on behalf of AFI such as accrued liabilities related to corporate allocations including administrative expenses for legal, accounting, treasury, information technology, human resources and other services. Other assets and liabilities recorded by AWI, whose related income and expense had been allocated to AFI, were also included in net AWI investment.

All intercompany transactions effected through net AWI investment were considered cash receipts and payments and are reflected in financing activities in the accompanying Consolidated Statements of Cash Flows.

(Dollars in millions, except per share data)

The impact of the Spin-off on equity is reflected in net transfers from AWI and distribution paid to AWI on the Consolidated Statements of Stockholders' Equity and the Consolidated Statements of Cash Flows. The components on the Consolidated Statements of Stockholders' Equity and the Consolidated Statements of Cash Flows were as follows:

	Year ended December 31, 2016	
	Consolidated Statements of Stockholders' Equity	**Consolidated Statements of Cash Flows - Financing Activities**
Net transfers from AWI for the three months prior to Spin-off	$ 53.6	$ 53.6
Net transfers (to) from AWI upon Spin-off	(11.2)	9.0
Other activity concurrent with Spin-off	—	(7.0)
	42.4	55.6
Cash distribution paid to AWI upon Spin-off	(50.0)	(50.0)
Net transfers (to) from AWI	$ (7.6)	$ 5.6

Additionally, during 2017, we recorded adjustments primarily related to the tax attributes assumed upon the Spin-off in the amount of $0.7 million.

Recently Adopted Accounting Standards

In January 2017, we adopted Accounting Standards Update (“ASU”) 2015-11, "*Simplifying the Measurement of Inventory."* The guidance requires that inventory that is measured on a FIFO or average cost basis to be measured at lower of cost and net realizable value, as opposed to the lower of cost or market. For inventory that is measured under the LIFO basis or the retail recovery method, there is no change to current measurement requirements. We applied this guidance prospectively and there was no material impact on our financial condition, results of operations or cash flows as a result of adoption.

In April 2017, we adopted ASU 2017-01, “*Clarifying the Definition of a Business*,” which amends the guidance in Accounting Standards Codification ("ASC") Topic 805: Business Combinations. This guidance provides a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Adoption did not impact our financial condition, results of operations or cash flows.

Recently Issued Accounting Standards

Between May 2014 and December 2016, the Financial Accounting Standards Board (“FASB”) issued several ASUs, which have been codified within ASC Topic 606: Revenue from Contracts with Customers, and are effective for AFI on January 1, 2018. We have substantially completed our assessment of the new standard, and we expect the impact of the standard will be limited to our accounting for warranties and returns. We plan to adopt the standard using the modified retrospective transition method, and we expect the cumulative catch up adjustment to increase accumulated deficit by less than $5.0 million. Other than this impact to our financial condition, we do not expect the adoption of the standard to have a material impact on our ongoing results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, *"Recognition and Measurement of Financial Assets and Financial Liabilities."* The guidance addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most notably, this new guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. This new guidance is effective for annual reporting periods beginning after December 15, 2017. We do not believe adoption will have a material impact on our financial condition, results of operations and cash flows.

(Dollars in millions, except per share data)

In February 2016, the FASB issued ASU 2016-02, "*Leases.*" The guidance amends accounting for leases, most notably by requiring a lessee to recognize the assets and liabilities that arise from a lease agreement. Specifically, this new guidance will require lessees to recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, with limited exceptions. This new guidance is effective for annual reporting periods beginning after December 15, 2018 and must be adopted under a modified retrospective basis. We currently expect that most of our operating lease commitments will be subject to the new standard and recognized as right-of-use assets and operating lease liabilities upon our adoption of ASU 2016-02, which will increase our total assets and total liabilities that we report relative to such amounts prior to adoption.

In June 2016, the FASB issued ASU 2016-13, *"Measurement of Credit Losses on Financial Instruments."* The guidance requires immediate recognition of estimated credit losses that are expected to occur over the remaining life of many financial assets. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2019, but early adoption is permitted for annual and interim periods in fiscal years beginning after December 15, 2018. We are currently evaluating the impact the adoption of this standard would have on our financial condition, results of operations and cash flows.

In October 2016, the FASB issued ASU 2016-16, *"Intra-Entity Transfers of Assets Other Than Inventory."* The guidance requires entities to recognize income tax consequences of many intercompany asset transfers other than inventory, at the transaction date. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted but only at the beginning of an annual period. We do not believe adoption of this standard will have a material impact on our financial condition, results of operations, or cash flows.

In March 2017, the FASB issued ASU 2017-07, *"Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost."* The guidance requires the service cost component of net periodic benefit cost to be presented in the income statement line items with compensation cost and all other components of net periodic benefit cost to be presented outside operating income. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2017 and must be adopted retrospectively. Early adoption is permitted but only at the beginning of an annual period. We currently record all components of net periodic benefit cost within cost of goods sold and SG&A. The table below presents the expected impact of adoption on our results of operations:

	Year Ended December 31,					
	2017			2016		
	As Reported	Impact of Adoption	Upon Adoption	As Reported	Impact of Adoption	Upon Adoption
Operating (loss) income	$ (47.0)	$ 4.5	$ (42.5)	$ 18.9	$ 1.8	$ 20.7
Other expense, net	0.2	4.5	4.7	5.8	1.8	7.6

ASU 2017-07 does not impact our financial condition or cash flows.

In August 2017, the FASB issued ASU 2017-12, *"Targeted Improvements to Accounting for Hedging Activities."* The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and it requires the presentation of all items that affect earnings in the same income statement line as the hedged item. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2018. Early adoption is permitted in annual and interim periods. We have elected to adopt this standard early, effective January 1, 2018, and do not expect this standard to have a material impact on our financial condition, results of operations or cash flows.

In December 2017, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for tax effects of the U.S. Tax Cuts and Jobs Act (the "Tax Reform Act"). SAB 118 addresses how a company recognizes provisional amounts when a company does not have the necessary information available, prepared or analyzed in reasonable detail to complete its accounting for the effect of the changes in the Tax Reform Act. The measurement period ends when a company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year. As of December 31, 2017, we determined the provisional effects of the Tax Reform Act and recorded the remeasurement of the deferred income tax assets and liabilities resulting in $0.8 million of tax expense, which decreased the 2017 effective tax rate by 1.6%. We will continue to evaluate the impact of the Tax Reform Act.

In February 2018, the FASB issued ASU 2018-02, *"Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income."* The guidance permits entities to reclassify tax effects stranded in AOCI as a result of tax reform to retained earnings. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2018. Early adoption is permitted in annual and interim periods and can be applied retrospectively or in the period of adoption. We expect to reclassify $13.4 million into accumulated deficit upon adoption. There will be no impact on results of operations or cash flows.

Subsequent Events

We have evaluated subsequent events for potential recognition and disclosure through the date the Consolidated Financial Statements included in the Form 10-K were issued.

NOTE 3. NATURE OF OPERATIONS

Resilient Flooring — Our Resilient Flooring segment designs, manufactures, sources and sells a broad range of floor coverings primarily for homes and commercial buildings under various brands, including the Armstrong brand. Manufactured products in this segment include luxury vinyl tile ("LVT"), vinyl sheet, and vinyl tile flooring. In addition, our Resilient Flooring segment sources and sells LVT products, vinyl sheet products, and laminate products, as well as installation and maintenance materials and accessories. Resilient Flooring products are offered in a wide variety of designs, colors and installation options. We sell these products to independent wholesale flooring distributors, large home centers, retailers, flooring contractors and to the manufactured homes industry, and through secured specifications for these products through architects, designers and end-users. When market conditions and available capacity warrant, we also provide products on an original equipment manufacturer ("OEM") basis to other flooring companies.

Wood Flooring — Our Wood Flooring segment designs, manufactures, sources and sells branded hardwood flooring products, including the Armstrong and Bruce brands, for use in residential construction and renovation, with some commercial applications in stores, restaurants and high-end offices. The product offering includes pre-finished solid and engineered wood floors in various wood species and dimensions, as well as related accessories. Our Wood Flooring products are generally sold to independent wholesale flooring distributors, large home centers, retailers and flooring contractors, and through secured specifications with regional and national builders. When market conditions and available capacity warrant, we may also provide products on an OEM basis to other flooring companies.

(Dollars in millions, except per share data)

The table below presents segment information. Total assets for 2017 and 2016 will differ from the totals on our Consolidated Balance Sheets due to unallocated assets, which primarily consist of cash and deferred income taxes.

	Resilient Flooring	Wood Flooring	Total
2017			
Net sales to external customers	$ 700.9	$ 432.8	$ 1,133.7
Segment operating income (loss)	9.0	(56.0)	(47.0)
Segment assets	547.6	286.3	833.9
Depreciation and amortization	38.7	40.0	78.7
Asset impairment	—	12.5	12.5
Cash used for purchases of property, plant and equipment	32.5	12.3	44.8
2016			
Net sales to external customers	$ 707.1	$ 486.1	$ 1,193.2
Segment operating income	15.1	3.8	18.9
Segment assets	514.3	354.7	869.0
Depreciation and amortization	32.5	14.1	46.6
Cash used for purchases of property, plant and equipment	25.7	11.9	37.6
2015			
Net sales to external customers	$ 713.3	$ 475.4	$ 1,188.7
Segment operating income (loss)	11.2	(25.2)	(14.0)
Segment assets	539.5	331.1	870.6
Depreciation and amortization	26.1	12.0	38.1
Cash used for purchases of property, plant and equipment	40.8	20.8	61.6

Segment operating income (loss) is the measure of segment profit reviewed by our Chief Executive Officer who is our Chief Operating Decision Maker. The sum of the segments' operating (loss) income equals the total combined operating (loss) income as reported on our Consolidated Statements of Operations and Comprehensive Income (Loss). The following reconciles our total operating (loss) income to (loss) income from continuing operations before income taxes, which are only measured and managed on a combined basis:

	Year Ended December 31,		
	2017	2016	2015
Operating (loss) income	$ (47.0)	$ 18.9	$ (14.0)
Interest expense	2.8	1.5	—
Other expense, net	0.2	5.8	3.6
(Loss) income from continuing operations before income taxes	$ (50.0)	$ 11.6	$ (17.6)

(Dollars in millions, except per share data)

Geographic Areas

The sales in the table below are allocated to geographic areas based upon the location of the customer.

	Year Ended December 31,		
	2017	2016	2015
Net trade sales			
United States	$ 956.4	$ 1,015.9	$ 1,017.9
Other	177.3	177.3	170.8
Total	$ 1,133.7	$ 1,193.2	$ 1,188.7

The long-lived assets in the table below include property, plant and equipment, net. Long-lived assets by geographic area are reported by location of the operations to which the asset is attributed.

	December 31, 2017	December 31, 2016
United States	$ 318.2	$ 347.4
China	86.9	85.6
Other	13.0	12.2
Total	$ 418.1	$ 445.2

Information about Major Customers

In 2017, net sales to two customers exceeded 10% of our total net sales. Total revenues from these customers were $128.4 million and $126.0 million in 2017. We monitor the creditworthiness of our customers and generally do not require collateral.

NOTE 4. PLANT CLOSURE EXPENSES

In the third quarter of 2017, our board of directors approved the closure of two Wood Flooring segment manufacturing facilities, including a solid wood plant in Jackson, Tennessee and an engineered wood plant in Vicksburg, Mississippi (the "Wood Plant Closures"), in response to a decline in sales. The Wood Plant Closures were completed in the fourth quarter of 2017 and resulted in the separation of approximately 300 employees.

As part of these activities, we incurred expenses consisting of employee separations and other direct exit costs, accelerated depreciation and other incremental costs. The Wood Plant Closures resulted in $29.6 million of pre-tax expenses during the second half of 2017, reflected in cost of goods sold. We expect to incur up to $2.0 million of additional pre-tax cash expenses in 2018 related to continued decommissioning costs.

(Dollars in millions, except per share data)

The following table details expenses related to the Wood Plant Closures:

	Year Ended December 31, 2017
Cash expenses	
Severance and employee benefit costs	$ 1.2
Decommissioning costs	2.4
Contract termination costs	0.6
Total cash expenses	4.2
Non-cash expenses	
Accelerated depreciation	22.8
Asset write-downs and other non-cash exit costs	2.6
Total non-cash expenses	25.4
Total	$ 29.6

As a result of the Wood Plant Closures, we tested the long-lived assets within our Wood Flooring segment for recoverability during the third quarter of 2017 and determined the carrying value to be recoverable, as the projected undiscounted cash flows exceeded the carrying value of the assets.

NOTE 5. OTHER SEVERANCE EXPENSE

In 2017, we announced the combination of our commercial and residential go-to-market structures and related organization. The new structure was designed to provide enhanced support and responsiveness to retailers and contractors and to foster greater alignment with distributors, which cover both commercial and residential markets. As a result of this reorganization, approximately 40 positions were eliminated, and the impacted employees received severance benefits. We recognized charges of $4.6 million in SG&A expense as a result of this reorganization, of which $2.7 million and $1.9 million was recognized in the Resilient Flooring segment and Wood Flooring segment, respectively.

In 2016, we reorganized certain administrative functions, resulting in the elimination of six positions, including the Chief Operating Officer position. We recognized charges of $1.7 million in SG&A expense as a result of this reorganization, of which $1.0 million and $0.7 million was recognized in the Resilient Flooring segment and Wood Flooring segment, respectively.

NOTE 6. STOCK-BASED COMPENSATION

Prior to the Spin-off, AWI issued stock-based compensation awards to employees and directors that became employees or directors of AFI. These awards included employee stock options, employee and director RSUs, and employee PSUs. Stock-based compensation expense in 2015 and until the Spin-off in 2016 was allocated to AFI based on direct expenses for AFI employees and a proportional allocation for employees that were providing services to both companies prior to the Spin-off.

In April 2016, AFI adopted the Armstrong Flooring, Inc. 2016 Long-Term Incentive Plan (the "2016 LTIP") and the Armstrong Flooring, Inc. 2016 Directors' Stock Unit Plan (the "2016 Directors' Plan"), which collectively comprised a new compensation program that allows for the grant to certain employees and non-employee directors of AFI different forms of benefits, including PSAs, PSUs, and RSUs. On June 2, 2017, our stockholders approved an amendment and restatement of the 2016 LTIP. Under the 2016 LTIP, our board of directors initially authorized up to 5,500,000 shares of common stock for issuance and the amendment authorized an additional 2,100,000 shares of common stock of issuance, for a total of 7,600,000 shares, which includes all shares that have been issued under the 2016 LTIP. Our board of directors authorized up to 600,000 shares of common stock that may be issued pursuant to the 2016 Directors' Plan. As of December 31, 2017, 3,313,537 shares and 312,651 shares were available for future grants under the 2016 LTIP and the 2016 Directors' Plan, respectively.

(Dollars in millions, except per share data)

New Awards

The Management Development and Compensation Committee of the Board of Directors granted the following awards under the 2016 LTIP Plan and the 2016 Directors' Plan:

PSAs and PSUs — PSAs and PSUs were granted to key executive employees and certain management employees of AFI. The PSAs and PSUs are units of restricted Company common stock that vest based on the achievement of certain performance conditions. The performance condition for 75.0% of the awards is based on earnings before interest, taxes, depreciation and amortization ("EBITDA"). The performance condition for the remaining 25.0% of the awards is based on cumulative free cash flow, defined as cash flow from operations, less cash used in investing activities. Performance awards issued to key executive employees are also indexed to the achievement of specified levels of absolute total shareholder return, and the fair value was measured using a Monte-Carlo simulation on the date of grant. For performance awards that are not indexed to the achievement of specified levels of absolute total shareholder return, the fair value was measured using our stock price on the date of grant. If the performance conditions are met, the awards vest at the conclusion of the performance period, which is generally at the end of the third fiscal year following the date of grant.

The following table summarizes the assumptions used to measure the fair value of the annual grant of performance awards that are also indexed to the achievement of specified levels of absolute total shareholder return:

	2017	2016
Weighted-average grant-date fair value	$15.41	$12.44
Assumptions		
Risk-free rate of return	1.6%	0.8%
Expected volatility	31.4%	36.2%
Expected term (in years)	3.0	2.8
Expected dividend yield	—	—

The risk free rate of return was determined based on the implied yield available on zero-coupon U.S. Treasury bills at the time of grant with a remaining term equal to the expected term of the award. The expected volatility was based on peer volatility since, as of the valuation date, we did not have a sufficient number of trading days to rely on our own trading history. The expected life represented the performance period on the underlying award. The expected dividend yield was assumed to be zero because, at the time of each grant, we had no plans to declare a dividend.

RSUs — RSUs were granted to certain management employees of AFI. The RSUs are units representing shares of Company common stock which are converted to shares of Company common stock at the end of the service period. There are no performance conditions associated with these awards. Vesting occurs with one third of the awards vesting at the end of one, two and three years from the date of grant. The fair value of RSUs was measured using our stock price on the date of grant.

Director Awards — RSUs were granted to our non-employee directors under the 2016 Directors' Plan. These awards generally have a vesting period of one year, and any dividends paid prior to vesting are forfeitable if the award does not vest. The awards are generally payable six months following the director’s separation from service on the board.

The fair value of non-employee director RSUs was measured using our stock price on the date of grant. The following table summarizes activity related to the non-employee director RSUs.

	2017	2016
Vested and not yet delivered as of December 31,	140,146	93,428
Granted	48,722	76,511
Outstanding as of December 31,	188,868	163,040

Modified Awards

In connection with the Spin-off, in accordance with the Employee Matters Agreement between AFI and AWI, certain executives, employees and non-employee directors were entitled to receive equity compensation awards of AFI in replacement of previously outstanding awards granted prior to the Spin-off under various AWI stock incentive plans. These awards included stock options, RSUs, and PSUs. In connection with the Spin-off, these awards were converted into new AFI equity awards using a formula designed to preserve the intrinsic value of the awards immediately prior to the Spin-off on April 1, 2016. The modification did not result in a change to the value of the awards. Therefore, no additional compensation expense related to the award modification was recorded. The terms and conditions of the AWI awards were replicated and, as necessary, adjusted to ensure that the vesting schedule and economic value of the awards was unchanged by the conversion.

The modified PSUs were initially issued with performance conditions based on AWI's results. At modification, two of the three years of performance had occurred. For the third year, which occurred after the Spin-off, award payout was at the target level.

The following table summarizes information about AFI's modified stock options:

	Number of Shares (in thousands)	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2016	639.1	$ 12.87		
Exercised	(105.5)	13.41		
Outstanding December 31, 2017	533.6	12.77	4.7	$ 2.2
Options exercisable	533.6	12.77	4.7	2.2

The options expire between 2021 and 2024. When options are exercised, we may issue new shares, use treasury shares (if available), acquire shares held by investors, or a combination of these alternatives in order to satisfy the option exercises.

The following table presents information related to stock option exercises:

	Year Ended December 31,	
	2017	2016
Total intrinsic value of stock options exercised	$ 0.5	$ 0.2
Cash proceeds received from stock options exercised	1.4	0.3

Total Awards

The table below summarizes activity related to the PSAs, PSUs, and RSUs. The non-employee director activity is not reflected in the RSU activity below.

	PSAs and PSUs		RSUs	
	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value (per share)	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value (per share)
Non-vested as of December 31, 2016	801.9	$ 12.88	362.8	$ 14.56
Granted	317.8	16.54	121.0	17.21
Vested	(50.3)	14.63	(213.6)	14.68
Forfeited	(176.7)	13.62	(38.6)	14.98
Non-vested as of December 31, 2017	892.7	13.93	231.6	15.77

The table above contains 5,228 and 3,369 PSUs as of December 31, 2017 and 2016, respectively, which are accounted for as liability awards as they may be settled in cash. The table above contains 5,676 and 7,646 RSUs as of December 31, 2017 and 2016, respectively, which are accounted for as liability awards as they may be settled in cash.

In 2016, the weighted-average grant-date fair value of performance-based awards and RSUs granted was $12.73 and$13.73, respectively. The grant-date fair value of RSUs that vested in 2016 was $1.2 million. No performance-based awards vested in 2016.

Stock-based compensation expense is generally recognized on a straight-line basis over the vesting period and is recorded within the Resilient Flooring and Wood Flooring segments as components of SG&A. Total stock-based compensation expense included in the Consolidated Statements of Operations and Comprehensive Income (Loss) and the related tax effects are presented in the table below:

	Year Ended December 31,		
	2017	2016	2015
Stock-based compensation expense	$ 2.3	$ 6.7	$ 6.1
Income tax benefit	0.8	2.5	2.1

To the extent the vesting-date fair value is greater than the grant-date fair value, the excess tax benefit is recorded as an income tax benefit in the Consolidated Statements of Operations and Comprehensive Income (Loss). For the years ended December 31, 2017 and 2016, the benefits of tax deductions in excess of grant-date fair value from the exercise of stock options and vesting of stock-based awards were $0.5 million and $0.3 million, respectively.

As of December 31, 2017, $2.9 million of total unrecognized compensation expense related to non-vested stock-based compensation arrangements is expected to be recognized over a weighted-average period of 1.6 years.

NOTE 7. OPERATING LEASES

We rent certain real estate and equipment. Several leases include options for renewal or purchase, and contain clauses for payment of real estate taxes and insurance. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Total rent expense was $12.3 million, $10.4 million and $5.8 million in 2017, 2016, and 2015, respectively.

(Dollars in millions, except per share data)

Future minimum payments at December 31, 2017 by year and in the aggregate, having non-cancelable lease terms in excess of one year are as follows:

	Total Minimum Lease Payments
2018	$ 9.7
2019	8.8
2020	7.8
2021	2.9
2022	0.7
Thereafter	1.2
Total	$ 31.1

NOTE 8. RELATIONSHIP WITH AWI

Allocation of general corporate and other expenses

These Consolidated Financial Statements include expense allocations for certain functions provided by AWI, including, but not limited to finance, legal, information technology, and human resources, as well as pension expenses for periods prior to the Spin-off. In 2015, these expenses were allocated on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue, headcount, or other measures. Beginning in the first quarter of 2016, such expenses were incurred directly by our segments. No expenses were allocated to us after the Spin-off.

The presentation of these costs allocated to us by AWI in our Consolidated Statements of Operations and Comprehensive Income (Loss) is as follows:

	Year Ended December 31,	
	2016	2015
Cost of goods sold	$ —	$ 10.0
Selling, general and administrative expenses	0.5	34.3
Other expense, net	0.3	3.5
Total	$ 0.8	$ 47.8

On April 1, 2016, in connection with the completion of the Spin-off, we entered into several agreements with AWI that provided for the separation and allocation between AFI and AWI of the assets, employees, liabilities and obligations of AWI and its subsidiaries attributable to periods prior to, at and after the Spin-off. These agreements also govern the relationship between AFI and AWI subsequent to the completion of the Spin-off.

These agreements included a Transition Services Agreement, a Tax Matters Agreement, an Employee Matters Agreement, a Trademark License Agreement, a Transition Trademark Agreement and a Campus Lease Agreement.

Under the Transition Services Agreement, AFI and AWI provided various services to each other, including information technology, accounts payable, payroll, and other financial functions and administrative services through December 31, 2017.

The Tax Matters Agreement generally governs AFI's and AWI's respective rights, responsibilities and obligations after the Spin-off with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings, and other matters regarding taxes for any tax period ending on or before the distribution date, as well as tax periods beginning after the distribution date. In addition, the Tax Matters Agreement provides that AFI is liable for taxes incurred by AWI that may arise if AFI takes, or fails to take, certain actions that may result in the separation, the distribution or certain related transactions failing to qualify as tax-free for U.S. federal income tax purposes. AWI received an opinion from its tax counsel that the Spin-off qualified as a tax-free transaction for AWI and its shareholders.

The Employee Matters Agreement governs certain compensation and employee benefit obligations with respect to the current and former employees and non-employee directors of AFI and AWI. Pursuant to this agreement and in connection with the Distribution, AWI transferred assets and liabilities from the Shared Plans sponsored by AWI to AFI that relate to active AFI employees and certain former AFI employees to mirror plans established by AFI.

Pursuant to the Trademark License Agreement, AWI provided AFI with a perpetual, royalty-free license to use the "Armstrong" trade name and logo.

Pursuant to the Transition Trademark License agreement, AFI provided AWI with a five-year, royalty-free license to use the "Inspiring Great Spaces" tagline, logo and related color scheme.

Under the Campus Lease Agreement, AFI leased certain portions of AWI's campus for use as AFI's corporate headquarters. The Campus Lease Agreement provides for an initial term of five years from April 1, 2016.

NOTE 9. INCOME TAXES

Historically, AFI was included with the AWI and affiliated entities in filing a consolidated U.S. federal income tax return, and as part of a unitary or combined group in some states. Income taxes are computed and reported herein under the separate return method as if AFI were a separate taxpayer for periods prior to and on March 31, 2016. Use of the separate return method requires significant judgment and may result in differences when the sum of the amounts allocated to stand-alone tax provisions are compared with amounts presented in Consolidated Financial Statements. In that event, the related deferred tax assets and liabilities could be significantly different from those presented herein.

U.S. Tax Reform

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a territorial system, and provides for a one-time deemed repatriation on certain foreign earnings.

We are required to record the effects of a tax law change in the period of enactment; however, shortly after the enactment of the Tax Reform Act, the SEC staff issued SAB 118, which allows a company to record a provisional amount when it does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for the change in the tax law. The measurement period ends when the company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year.

We have calculated our best estimate of the impact of the Tax Reform Act in our year end income tax provision in accordance with our understanding of the Tax Reform Act and guidance available as of the date of this filing and as a result, we have recorded additional income tax expense of $0.8 million in the fourth quarter of 2017 related to the remeasurement of certain deferred tax assets and liabilities. Given our historical geographic mix of income and losses, the deemed repatriation is estimated to have no impact.

(Dollars in millions, except per share data)

The effects of the Tax Reform Act recorded as of December 31, 2017, are provisional and adjustments may be made as a result of future changes in interpretation, information available, assumptions made by the Company, issuance of additional guidance and the completion of our 2017 tax return filings. We currently anticipate finalizing and recording any resulting adjustments by December 31, 2018.

The following table presents (loss) income from continuing operations before income taxes for U.S. and international operations based on the location of the entity to which such earnings are attributable:

	Year Ended December 31,		
	2017	2016	2015
Domestic	$ (50.9)	$ 14.3	$ (41.6)
Foreign	0.9	(2.7)	24.0
Total	$ (50.0)	$ 11.6	$ (17.6)

The following table presents the components of the income tax (benefit) expense:

	Year Ended December 31,		
	2017	2016	2015
Current			
Federal	$ (4.6)	$ 6.2	$ 5.0
Foreign	0.8	0.4	1.6
State and local	—	1.2	1.1
Subtotal	(3.8)	7.8	7.7
Deferred			
Federal	(7.2)	(3.8)	(14.5)
Foreign	(0.3)	0.5	0.6
State and local	3.1	(0.4)	(1.1)
Subtotal	(4.4)	(3.7)	(15.0)
Total	$ (8.2)	$ 4.1	$ (7.3)

As of December 31, 2017, we reviewed our position with regard to foreign unremitted earnings and determined that unremitted earnings would continue to be permanently reinvested. Accordingly, we have not recorded foreign withholding taxes on approximately $8.7 million of undistributed earnings of foreign subsidiaries that could be subject to taxation if remitted to the U.S. because we currently plan to keep these amounts permanently invested overseas. It is not practicable to calculate the residual income tax that would result if these basis differences reversed due to the complexities of the tax law and the hypothetical nature of the calculations.

(Dollars in millions, except per share data)

The following table presents the differences between our income tax (benefit) expense at the U.S. federal statutory income tax rate and our effective income tax rate:

	Year Ended December 31,		
	2017	2016	2015
Continuing operations tax at statutory rate	$ (17.5)	$ 4.0	$ (6.2)
Increase in valuation allowances on deferred state income tax assets	7.9	0.1	—
Increase in valuation allowances on deferred federal income tax assets	3.8	—	—
State income tax (benefit) expense, net of federal benefit	(3.7)	0.3	(0.9)
Increase in valuation allowances on deferred foreign income tax assets	2.3	2.4	3.4
Tax on foreign and foreign-source income	(1.4)	(1.9)	(3.6)
State law changes, net of federal benefit	(1.1)	—	—
Impact of Tax Reform Act	0.8	—	—
Research and development credits	(0.7)	(0.8)	(0.9)
Permanent book/tax differences	0.7	0.5	0.9
Domestic production activities	—	(0.4)	—
Other	0.7	(0.1)	—
Total	$ (8.2)	$ 4.1	$ (7.3)

(Dollars in millions, except per share data)

The tax effects of principal temporary differences between the carrying amounts of assets and liabilities and their tax bases are summarized in the following table. Management believes it is more likely than not that the results of future operations will generate sufficient taxable income in the appropriate jurisdiction and foreign source income to realize deferred tax assets, net of valuation allowances. In arriving at this conclusion, we considered the profit before tax generated for the years 2015 through 2017, as well as future reversals of existing taxable temporary differences and projections of future profit before tax and foreign source income.

	December 31, 2017	December 31, 2016
Deferred income tax assets (liabilities)		
Postretirement and postemployment benefits	$ 20.7	$ 33.0
Net operating losses	36.8	26.9
Accrued expenses	9.7	12.1
Deferred compensation	2.4	7.8
Customer claims reserves	3.6	5.0
Goodwill	2.6	2.7
Pension benefit liabilities	1.2	0.4
Tax credit carryforwards	3.7	0.4
Other	1.7	2.6
Total deferred income tax assets	82.4	90.9
Valuation allowances	(41.1)	(28.2)
Net deferred income tax assets	41.3	62.7
Accumulated depreciation	(29.3)	(43.5)
Inventories	(9.6)	(12.2)
Intangibles	(3.0)	(10.2)
Other	(0.4)	(0.7)
Total deferred income tax liabilities	(42.3)	(66.6)
Net deferred income tax (liabilities)	$ (1.0)	$ (3.9)
Deferred income taxes have been classified in the Consolidated Balance Sheet as:		
Deferred income tax assets—noncurrent	$ 3.4	$ 4.5
Deferred income tax liabilities—noncurrent	(4.4)	(8.4)
Net deferred income tax (liabilities)	$ (1.0)	$ (3.9)

We reduce the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. The need to establish valuation allowances for deferred tax assets is assessed quarterly. In assessing the requirement for, and amount of, a valuation allowance in accordance with the more likely than not standard for all periods, we give appropriate consideration to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability and foreign source income, the duration of statutory carryforward periods, and our experience with operating loss and tax credit carryforward expirations. A history of cumulative losses is a significant piece of negative evidence used in our assessment. If a history of cumulative losses is incurred for a tax jurisdiction, forecasts of future profitability are not used as positive evidence related to the realization of the deferred tax assets in the assessment.

Concluding that a valuation allowance is not required is difficult when there is significant negative evidence that is objective and verifiable, such as cumulative losses in recent years. We use the current year and prior two years as a measure of our cumulative losses in recent years. We then adjust those historical results to remove certain unusual items and charges. In the United States, our analysis indicates that we entered into a cumulative three year historical loss on an adjusted basis as of December 31, 2017. Based on the considerations described above, we recorded a charge of $11.7 million during the fourth quarter of 2017 related to establishing valuation allowances against net deferred income tax assets in the United States. If and when our operating performance improves on a sustained basis, our conclusion regarding the need for full valuation allowances could change, resulting in the reversal of some or all of the valuation allowances in the future.

(Dollars in millions, except per share data)

The following table presents the components of our valuation allowance against deferred income tax assets:

	Year Ended December 31,	
	2017	**2016**
Foreign	$ 23.5	$ 23.3
State	13.8	4.9
Federal	3.8	—
Total	$ 41.1	$ 28.2

The valuation allowances offset federal, state and foreign deferred tax assets, credits, and operating loss carryforwards.

The following is a summary of our net operating loss ("NOL") carryforwards:

	Year Ended December 31,	
	2017	**2016**
State	$ 176.5	$ 152.0
Foreign	83.2	79.9
Federal	30.5	—

As of December 31, 2017, federal NOL carryforwards expire between 2018 and 2037, state NOL carryforwards expire between 2018 and 2037, and foreign NOL carryforwards expire between 2018 and 2022.

We estimate we will need to generate future taxable income of approximately $190.8 million for state income tax purposes during the respective realization periods (ranging from 2018 to 2037) in order to fully realize the net deferred income tax assets discussed above.

We have $4.8 million of unrecognized tax benefits ("UTBs") as of December 31, 2017. Of this amount, $0.3 million ($0.2 million, net of federal benefit), if recognized in future periods, would impact the reported effective tax rate.

It is reasonably possible that certain UTBs may increase or decrease within the next twelve months due to tax examination changes, settlement activities, expirations of statute of limitations, or the impact on recognition and measurement considerations related to the results of published tax cases or other similar activities. Over the next twelve months, we estimate no changes to UTBs.

(Dollars in millions, except per share data)

The following table presents a reconciliation of the total amounts of UTBs, excluding interest and penalties:

	2017	2016	2015
Unrecognized tax benefits as of January 1,	$ 5.0	$ 81.9	$ 76.1
Gross change for current year positions	0.4	1.3	5.7
(Decreases) increases for prior period positions	(0.6)	(78.2)	0.1
Unrecognized tax benefits balance as of December 31,	$ 4.8	$ 5.0	$ 81.9

The 2017 decrease related to prior period positions includes $0.5 million that resulted from the reduction of the U.S. income tax rate from 35% to 21% since these positions represent a reduction of U.S. net operating losses. The $78.2 million decrease for prior period positions in 2016 were UTBs allocated to AFI as a result of the separate return method, which remained with AWI upon Spin-off.

We conduct business globally, and as a result, we file income tax returns in the U.S., various states and international jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world in such major jurisdictions as Australia, Canada, China and the U.S. Generally, we have open tax years subject to tax audit on average of between three years and six years. With few exceptions, the statute of limitations is no longer open for state or non-U.S. income tax examinations for the years before 2012. We have not significantly extended any open statutes of limitation for any major jurisdiction and have reviewed and accrued for, where necessary, tax liabilities for open periods. The tax years 2012 through 2017 are subject to future potential tax adjustments.

The following table details amounts related to certain other taxes:

	Year Ended December 31,		
	2017	2016	2015
Payroll taxes	$ 17.3	$ 18.9	$ 19.2
Property and franchise taxes	4.7	4.8	4.9

NOTE 10. DISCONTINUED OPERATIONS

European Resilient Flooring

On December 4, 2014, AWI's Board of Directors approved the cessation of funding to its DLW subsidiary, which at the time was our European flooring business. As a result, DLW management filed for insolvency in Germany on December 11, 2014.

The DLW insolvency filing in 2014 resulted in presenting DLW for all historical periods prior to the Spin-off as a discontinued operation. The insolvency filing did not meet the U.S. tax criteria to be considered disposed of until the first quarter of 2015. In determining the U.S. tax impact of the disposition, the liabilities, including an unfunded pension liability of approximately $115.0 million, were considered proceeds. Accordingly, a non-cash income tax benefit of $43.4 million was recorded in 2015 within discontinued operations for the tax benefit of the future pension deductions. As AWI is solely responsible for any shortfall, and the beneficiary of any excess, at the closure of the DLW insolvency proceedings, DLW is excluded from our financial position, results of operations and cash flows after the Spin-off.

(Dollars in millions, except per share data)

The following is a summary of the operating results of DLW, which are reflected in these Consolidated Financial Statements for periods prior to the Spin-off.

	Year Ended December 31,	
	2016	2015
(Loss) on disposal of discontinued operations before income tax	$ (0.1)	$ (1.5)
Income tax benefit	1.8	41.1
Gain on disposal of discontinued operations, net of tax	$ 1.7	$ 39.6

Cabinets

In 2012, AWI sold its cabinets business, formerly managed as a component of our operations. The sale was completed in October 2012.

The following table summarizes the results related to the cabinets business, which are reflected in these Consolidated Financial Statements for periods prior to the Spin-off:

	Year Ended December 31,
	2015
Gain on disposal of discontinued operations before income tax	$ 0.5
Income tax (expense)	(0.2)
Gain on disposal of discontinued operations, net of tax	$ 0.3

The Consolidated Statement of Cash Flows does not separately report the cash flows of the discontinued operations.

Pursuant to the separation agreements between us and AWI, future claims related to DLW and AWI’s former cabinets business will remain the financial responsibility of AWI.

(Dollars in millions, except per share data)

NOTE 11. EARNINGS PER SHARE OF COMMON STOCK

The table below shows a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations for the periods indicated.

	Year Ended December 31,		
	2017	**2016**	**2015**
Numerator			
(Loss) income from continuing operations	$ (41.8)	$ 7.5	$ (10.3)
Gain on disposal of discontinued operations, net of tax	—	1.7	39.9
Net (loss) income	$ (41.8)	$ 9.2	$ 29.6
Denominator			
Weighted average number of common shares outstanding	26,977,475	27,773,434	27,738,779
Weighted average number of vested shares not yet issued	136,504	91,903	—
Weighted average number of common shares outstanding - Basic	27,113,979	27,865,337	27,738,779
Dilutive stock-based compensation awards outstanding	—	212,147	—
Weighted average number of common shares outstanding - Diluted	27,113,979	28,077,484	27,738,779

On April 1, 2016, AWI distributed 27,738,779 shares of AFI's common stock to AWI’s shareholders.

For the year ended December 31, 2017, the diluted loss per share was calculated using basic common shares outstanding, as inclusion of potentially dilutive common shares would be anti-dilutive. For the year ended December 31, 2016, the diluted earnings per share was calculated using the diluted weighted average number of common shares outstanding during the period, determined using the treasury stock method. Basic and diluted earnings per common share for the year ended December 31, 2015 was calculated using the shares distributed on April 1, 2016.

Performance-based employee compensation awards are considered potentially dilutive in the initial period in which the performance conditions are met.

The following awards were excluded from the computation of diluted (loss) earnings per share:

	Year Ended December 31,		
	2017	**2016**	**2015**
Potentially dilutive common shares excluded from diluted computation as inclusion would be anti-dilutive	743,678	201,994	—
Performance awards excluded from diluted computation, as performance conditions not met	849,483	646,698	—

(Dollars in millions, except per share data)

NOTE 12. ACCOUNTS AND NOTES RECEIVABLE

The following table presents accounts and notes receivables, net of allowances:

	December 31, 2017	December 31, 2016
Customer receivables	$ 90.8	$ 84.3
Miscellaneous receivables	4.0	5.5
Less: allowance for product warranties, discounts and losses	(15.1)	(13.8)
Total	$ 79.7	$ 76.0

Generally, we sell our products to select, pre-approved customers whose businesses are affected by changes in economic and market conditions. We consider these factors and the financial condition of each customer when establishing our allowance for losses from doubtful accounts.

Allowance for product warranties represents expected reimbursements for cost associated with warranty repairs, the majority of which is provided to our independent distributors through a credit against accounts receivable from the distributor to AFI.

The following table summarizes the activity for the allowance for product warranties:

	Year Ended December 31,	
	2017	2016
Balance as of January 1,	$ (7.5)	$ (7.3)
Reductions for payments	12.8	11.6
Current year warranty accruals	(13.0)	(11.8)
Balance as of December 31,	$ (7.7)	$ (7.5)

NOTE 13. INVENTORIES

The following table presents details related to our inventories, net:

	December 31, 2017	December 31, 2016
Finished goods	$ 145.3	$ 159.9
Goods in process	14.2	18.1
Raw materials and supplies	76.5	94.1
Total	$ 236.0	$ 272.1
Inventories valued on a FIFO basis	$ 144.8	$ 163.8
Inventories valued on a LIFO basis	$ 91.2	$ 108.3

The distinction between the use of different methods of inventory valuation is primarily based on product category, legal entity and geographic location of the manufacturing facility.

Inventory values were lower than would have been reported on a total FIFO basis by $0.3 million and higher by $0.4 million as of December 31, 2017 and 2016, respectively.

(Dollars in millions, except per share data)

NOTE 14. PREPAID EXPENSES AND OTHER CURRENT ASSETS

The following table presents details related to our prepaid expenses and other current assets:

	December 31, 2017	December 31, 2016
Prepaid expenses	$ 15.4	$ 12.9
Merchandising materials	14.4	7.7
Fair value of derivative assets	—	1.6
Other	2.0	1.6
Total	$ 31.8	$ 23.8

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

The following table presents details related to our property, plant and equipment, net:

	December 31, 2017	December 31, 2016
Land	$ 34.1	$ 33.7
Buildings	141.0	133.9
Machinery and equipment	593.8	567.3
Computer software	17.5	11.4
Construction in progress	31.0	35.7
Less accumulated depreciation and amortization	(399.3)	(336.8)
Total	$ 418.1	$ 445.2

In 2017, we revised the estimated useful lives of certain idle equipment, primarily at our Wood Flooring manufacturing plants, and as a result, we recorded $3.7 million of accelerated depreciation, reflected in cost of goods sold.

NOTE 16. INTANGIBLE ASSETS

The following table details amounts related to our intangible assets:

		December 31, 2017		December 31, 2016	
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Long-lived intangible assets					
Contractual arrangements	5-50 years	$ 38.8	$ 4.6	$ 5.1	$ 0.7
Intellectual property	2-15 years	6.5	1.8	5.8	1.6
Subtotal		45.3	$ 6.4	10.9	$ 2.3
Indefinite-lived intangible assets					
Trademarks and brand names	Indefinite	21.5		34.0	
Total		$ 66.8		$ 44.9	

(Dollars in millions, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Amortization expense	$ 4.2	$ 0.4	$ 0.5

During the second quarter of 2017, we acquired vinyl composition tile ("VCT") assets for $36.1 million, consisting of equipment and trademarks of Mannington Mills, Inc. ("Mannington Mills") under an agreement that included non-compete provisions. We allocated $33.6 million of the purchase price to intangible assets and the remainder to inventories and equipment. The assigned intangible asset classes were contractual arrangements, $33.3 million, with an estimated useful life of five years, and intellectual property, $0.3 million, with an estimated useful life of two years.

In addition, Mannington Mills is eligible for contingent consideration of up to $9.0 million based on sales of our VCT flooring products for the twelve month periods ending June 30, 2019 and June 30, 2020 (“measurement periods”) compared to a base period of combined AFI and Mannington Mills sales for the 12 month period ended June 30, 2017. The contingent consideration is tiered for each of the separate twelve month measurement periods ranging from consideration of zero to a maximum of $4.5 million in each measurement period. No contingent liability has been recognized as we concluded that such liability is not probable. Any contingent liability recognized will be recorded as an adjustment to the value of the acquired assets.

We conduct our annual impairment test for indefinite-lived intangible assets during the fourth quarter. However, during the third quarter of 2017, we conducted an interim impairment test for indefinite-lived intangible assets within our Wood Flooring segment due to our decision to cease operations at two Wood Flooring manufacturing plants in response to a decline in sales. As a result of this testing, we recorded an impairment charge of $12.5 million for our Bruce trademark during the third quarter of 2017. The fourth quarter 2017, 2016 and 2015 impairment tests concluded that no impairment charges were necessary.

	2018	2019	2020	2021	2022
Expected annual amortization expense	$ 6.9	$ 6.9	$ 6.8	$ 6.8	$ 3.5

NOTE 17. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table details amounts related to our accounts payable and accrued expenses:

	December 31, 2017	December 31, 2016
Payables, trade and other	$ 115.8	$ 123.4
Employment costs	16.5	23.3
Other accrued expenses	17.9	16.3
Total	$ 150.2	$ 163.0

NOTE 18. LONG-TERM DEBT

The following table presents details related to our long-term debt:

	December 31, 2017	December 31, 2016
ABL Facility	$ 85.0	$ 20.0
Capital lease	1.0	1.2
Total	$ 86.0	$ 21.2

On April 1, 2016, AFI entered into a $225.0 million asset-based revolving credit facility with a five-year maturity (“ABL Facility”). Concurrent with entering into the ABL Facility, AFI borrowed $100.0 million and used $50.0 million of the proceeds to fund a cash distribution to AWI. Financing and other related costs incurred in connection with the ABL Facility of $1.4 million were reflected in other non-current assets in the Consolidated Balance Sheets and are amortized over the term of the ABL Facility. As of December 31, 2017, the debt outstanding under the ABL Facility was $85.0 million and outstanding letters of credit were $3.0 million.

Due to its stated five-year maturity, this obligation is presented as a long-term obligation in our Consolidated Balance Sheets. However, AFI may repay this obligation at any time without penalty.

Obligations under the ABL Facility are secured by qualifying accounts receivable, inventories, and select machinery and equipment of AFI’s wholly-owned domestic subsidiaries. The ABL Facility includes a $50.0 million sublimit for the issuance of standby letters of credit. Borrowings under the ABL Facility bear interest at a rate equal to an adjusted base rate or the London Interbank Offered Rate (“LIBOR”) plus an applicable margin, which varies according to average excess credit availability, and was 1.50% as of December 31, 2017. The total interest rate was 3.07% as of December 31, 2017. We are required to pay a commitment fee on the average daily unused amount of the ABL Facility, which is payable quarterly in arrears. The fee rate varies according to utilization and was 0.25% as of December 31, 2017. Outstanding letters of credit issued under the ABL Facility are subject to fees, which are due quarterly in arrears based on an adjusted base rate. The adjusted base rate was 1.625% as of December 31, 2017.

Under the terms of the ABL Facility, if our availability under the agreement falls below a certain threshold, we are required to maintain a fixed charge coverage ratio of at least 1.0. As of December 31, 2017, availability under the ABL Facility exceeded the required threshold and, as a result, this covenant was not applicable. In addition, the ABL Facility contains customary negative covenants, including those that restrict our ability to allow certain liens to attach to assets, make certain acquisitions and investments, incur certain additional indebtedness, pay dividends on our capital stock or redeem, repurchase or retire our capital stock or indebtedness, make certain fundamental changes to our structure, make certain dispositions, change the nature of our business, and enter into certain other transactions or agreements.

NOTE 19. PENSION AND OTHER POSTRETIREMENT BENEFIT PROGRAMS

For periods prior to April 1, 2016, certain of our North American employees participated in defined-benefit pension and postretirement plans (the “Shared Plans”) sponsored by AWI. The related net benefit plan obligations of the Shared Plans were not included in our Consolidated Balance Sheets as we did not sponsor the Shared Plans and had no rights or obligations related to the Shared Plans’ assets or liabilities. Our Consolidated Statements of Operations and Comprehensive Income (Loss) include Shared Plan expenses for our active and retired employees as well as an allocation of Shared Plan expenses. The Shared Plan expenses presented in our Consolidated Financial Statements represent the allocation of plan costs to AFI and do not represent cash payments to AWI or to the Shared Plans. In addition to the Shared Plans', prior to April 1, 2016, certain of our U.S. employees participated in a postretirement medical benefit plan sponsored by us (the “AFI Postretirement Plan”).

Effective April 1, 2016, upon separation from AWI, AFI created defined-benefit pension and postretirement plans, which provide North American employees and retirees who previously participated in the Shared Plans the same defined-benefit pension and postretirement benefits that had been previously been provided by AWI. As a result of the Separation, and based on an analysis provided by our actuaries, AFI assumed defined-benefit pension plan assets of $381.4 million, defined-benefit pension benefit obligations of $385.4 million, defined-benefit postretirement benefit obligations of $82.9 million and accumulated other comprehensive loss of $101.8 million. AFI also retained the AFI Postretirement Plan described above. Our U.S. defined-benefit pension plans were amended to freeze accruals for remaining salaried non-production employees, effective December 31, 2017.

Benefits from defined-benefit pension plans are based primarily on an employee’s compensation and years of service. We fund our pension plans when appropriate. We fund postretirement benefits on a pay-as-you-go basis, with the retiree paying a portion of the cost for health care benefits by means of deductibles and contributions. We also have defined-contribution pension plans for eligible employees.

(Dollars in millions, except per share data)

Defined-Benefit Pension Plans

The following tables summarize the balance sheet impact of the pension benefit plans, as well as the related benefit obligations, assets, funded status and rate assumptions. The pension benefits disclosures include both the qualified, funded Retirement Income Plan ("RIP") and the Retirement Benefit Equity Plan, which is a nonqualified, unfunded plan designed to provide pension benefits in excess of the limits defined under Sections 415 and 401(a)(17) of the Internal Revenue Code. The disclosures also include our two Canadian pension plans.

	U.S. Pension Plans		Canadian Pension Plans	
	2017	2016	2017	2016
Change in benefit obligation:				
Projected benefit obligations as of January 1,	$ 364.4	$ —	$ 16.7	$ —
Liabilities assumed from Separation	—	365.2	—	20.2
Service cost	5.4	4.3	—	—
Interest cost	15.4	11.7	0.6	0.5
Foreign currency translation adjustment	—	—	1.2	(0.8)
Actuarial loss (gain)	28.4	(6.2)	1.1	(0.5)
Benefits paid	(17.8)	(10.6)	(1.8)	(2.7)
Projected benefit obligations as of December 31,	395.8	364.4	17.8	16.7
Change in plan assets:				
Fair value of plan assets as of January 1,	363.2	—	16.5	—
Assets received from Separation	—	362.2	—	19.2
Actual return on plan assets	45.3	11.6	1.2	0.8
Employer contribution	0.1	—	—	—
Foreign currency translation adjustment	—	—	1.2	(0.8)
Benefits paid	(17.8)	(10.6)	(1.8)	(2.7)
Fair value of plan assets as of December 31,	390.8	363.2	17.1	16.5
Funded status of the plans	$ (5.0)	$ (1.2)	$ (0.7)	$ (0.2)
Accumulated benefit obligation as of December 31,	$ 394.5	$ 362.2	$ 17.8	$ 16.7

(Dollars in millions, except per share data)

The table below presents the weighted-average assumptions used in computing the benefit obligations and net periodic benefit cost for the defined-benefit pension plans:

	U.S. Pension Plans		Canadian Pension Plans	
	2017	2016	2017	2016
Weighted average assumptions used to determine benefit obligations as of December 31,				
Discount rate	3.75%	4.30%	3.30%	3.80%
Rate of compensation increase	3.25%	3.10%	n/a	n/a
Weighted average assumptions used to determine net periodic benefit cost for the period:				
Discount rate	4.30%	4.40%	3.80%	3.50%
Expected return on plan assets	6.10%	6.75%	5.40%	5.40%
Rate of compensation increase	3.10%	3.10%	n/a	n/a

Basis of Rate-of-Return Assumption

Long-term asset class return assumptions are determined based on the expected performance of the asset classes over 20 years. For the U.S. plans, these forecasted gross returns were reduced by estimated management fees and expenses, yielding a long-term return forecast of 6.10% and 6.75% for the years ended December 31, 2017 and 2016, respectively. For our Canadian plans, these forecasted gross returns were reduced by estimated management fees and expenses, yielding a long-term return forecast of 5.40% for the years ended December 31, 2017 and 2016.

Defined-benefit pension plans with benefit obligations in excess of plan assets were as follows:

	U.S. Pension Plans		Canadian Pension Plans	
	2017	2016	2017	2016
Projected benefit obligation, December 31	$ 395.8	$ 1.4	$ 17.3	$ 16.1
Accumulated benefit obligation, December 31	394.5	1.3	17.3	16.1
Fair value of plan assets, December 31	390.8	—	16.5	15.9

The components of net periodic pension cost for the U.S. defined-benefit pension plans were as follows:

	Year Ended December 31,		
	2017	2016	2015
Service cost of benefits earned during the period	$ 5.4	$ 4.3	$ —
Interest cost on projected benefit obligation	15.4	11.7	—
Expected return on plan assets	(22.7)	(17.4)	—
Amortization of prior service cost	0.4	0.3	—
Recognized net actuarial loss	10.5	7.7	—
Allocated benefit cost from Shared Plans	—	2.2	14.8
Net periodic pension cost	$ 9.0	$ 8.8	$ 14.8

(Dollars in millions, except per share data)

The components of net periodic pension (credit) cost for the Canadian defined-benefit pension plans were as follows:

	Year Ended December 31,		
	2017	**2016**	**2015**
Interest cost on projected benefit obligation	$ 0.6	$ 0.5	$ —
Expected return on plan assets	(0.9)	(0.8)	—
Amortization of net actuarial loss	0.2	0.2	—
Allocated benefit cost from Shared Plans	—	0.1	0.3
Net periodic pension (credit) cost	$ (0.1)	$ —	$ 0.3

Excluded from net periodic pension (credit) costs in the Canadian defined-benefit pension table above were $0.3 million of settlement charges recorded in 2016.

Investment Policies

Our primary investment objective is to maintain the funded status of the plans such that the likelihood that we will be required to make significant contributions to the plan is limited. This objective is expected to be achieved by:

- Investing a substantial portion of the plan assets in high quality corporate and treasury bonds whose duration is at least equal to that of the plan's liabilities such that there is a relatively high correlation between the movements of the plan's liability and asset values.
- Investing in publicly traded equities in order to increase the ratio of plan assets to liabilities over time.
- Limiting investment return volatility by diversifying among additional asset classes with differing expected rates of return and return correlations.

Each asset class used has a defined asset allocation target and allowable range. The tables below show the asset allocation targets and the December 31, 2017 and 2016 positions for each asset class:

	Target Weight at December 31, 2017	**Position at December 31,**	
		2017	**2016**
U.S. Asset Class			
Fixed income securities	60%	56%	60%
Equities	40%	44%	40%

	Target Weight at December 31, 2017	**Position at December 31,**	
		2017	**2016**
Canadian Asset Class			
Fixed income securities	50%	49%	49%
Equities	48%	49%	48%
Other	2%	2%	3%

(Dollars in millions, except per share data)

Pension plan assets are required to be reported and disclosed at fair value in the financial statements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Three levels of inputs may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level within the fair value hierarchy a summary of the U.S. and Canadian defined-benefit pension plan assets, net of payables for administrative expenses, measured at fair value on a recurring basis:

	Value at December 31, 2017			
	Level 1	Level 2	Level 3	Total
U.S. Plans				
Fixed income securities	$ —	$ 219.2	$ —	$ 219.2
Equities	—	172.1	—	172.1
Other	(0.5)	—	—	(0.5)
Net assets measured at fair value	$ (0.5)	$ 391.3	$ —	$ 390.8

	Value at December 31, 2016			
	Level 1	Level 2	Level 3	Total
U.S. Plans				
Fixed income securities	$ —	$ 219.1	$ —	$ 219.1
Equities	—	144.1	—	144.1
Net assets measured at fair value	$ —	$ 363.2	$ —	$ 363.2

	Value at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Canadian Plans				
Fixed income securities	$ —	$ 8.4	$ —	$ 8.4
Equities	—	8.3	—	8.3
Other	0.4	—	—	0.4
Net assets measured at fair value	$ 0.4	$ 16.7	$ —	$ 17.1

(Dollars in millions, except per share data)

	Value at December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Canadian Plans				
Fixed income securities	$ —	$ 8.1	$ —	$ 8.1
Equities	—	7.9	—	7.9
Other	0.5	—	—	0.5
Net assets measured at fair value	$ 0.5	$ 16.0	$ —	$ 16.5

Following is a description of the valuation methodologies used for assets.

Fixed income securities — Consists of registered investment funds, common and collective trust funds, and segregated funds investing in fixed income securities tailored to institutional investors. The fair values of the investments in this class are based on the underlying securities in each fund's portfolio, which is the amount the fund would receive for the security upon a current sale.

Equities — Consists of investments in funds investing in equities tailored to institutional investors. The fair value of each fund is based on the underlying securities in each fund's portfolio, which is the amount the fund would receive for the security upon a current sale.

Other — Consists of cash and cash equivalents and other payables and receivables (net). The carrying amounts of cash and cash equivalents approximate fair value due to the short-term maturity of these instruments. The carrying amounts of payables and receivables approximate fair value due to the short-term nature of these instruments.

(Dollars in millions, except per share data)

Defined-Benefit Postretirement Benefit Plans

The following tables summarize the balance sheet impact of the postretirement benefit plans, as well as the related benefit obligations, assets, funded status and rate assumptions.

	2017	2016
Change in benefit obligation:		
Projected benefit obligations as January 1,	$ 83.6	$ 3.5
Liabilities assumed from Separation	—	82.9
Service cost	0.4	0.1
Interest cost	3.3	2.7
Plan participants' contributions	1.7	1.6
Actuarial loss	0.2	1.1
Benefits paid	(9.8)	(8.3)
Projected benefit obligation as of December 31,	79.4	83.6
Change in plan assets:		
Fair value of plan assets as January 1,	—	—
Employer contribution	8.1	6.7
Plan participants' contribution	1.7	1.6
Benefits paid	(9.8)	(8.3)
Fair value of plan assets as of December 31,	—	—
Funded status of the plans	$ (79.4)	$ (83.6)

The table below presents the weighted-average assumptions used in computing the benefit obligations and net periodic benefit cost for the U.S. defined-benefit postretirement benefit plans:

	2017	2016
Weighted average discount rate used to determine benefit obligations as of December 31,	3.60%	4.05%
Weighted average discount rate used to determine net periodic benefit cost	4.05%	4.25%

The components of net periodic postretirement benefit cost (credit) were as follows:

	Year Ended December 31,		
	2017	2016	2015
Service cost of benefits earned during the period	$ 0.4	$ 0.1	$ —
Interest cost on accumulated postretirement benefit obligations	3.3	2.7	0.1
Amortization of prior service (credit)	—	(0.2)	—
Amortization of net actuarial (gain)	(2.3)	(3.2)	—
Allocated benefit (credit) cost from Shared Plans	—	(0.3)	0.7
Net periodic postretirement benefit cost (credit)	$ 1.4	$ (0.9)	$ 0.8

For measurement purposes, an average rate of annual increase in the per capita cost of covered health care benefits of 7.9% for pre-65 retirees and 5.7% to 10.7% for post-65 retirees (depending on plan type) was assumed for 2018, decreasing ratably to an ultimate rate of 4.5% by 2026. Assumed health care cost trend rates can have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the defined-benefit postretirement benefit plans for 2018:

(Dollars in millions, except per share data)

	One percentage point	
	Increase	Decrease
(Decrease) increase on total service and interest cost components	$ —	$ —
(Decrease) increase on postretirement benefit obligation	(1.8)	1.6

Financial Statement Impacts

Amounts recognized in assets and (liabilities) on the consolidated balance sheets at year end consist of:

	U.S. Pension Benefits		Canadian Pension Benefits	
	2017	2016	2017	2016
Prepaid pension costs	$ —	$ 0.1	$ —	$ 0.1
Pension benefit liabilities	(5.0)	(1.3)	(0.7)	(0.3)
Net amount recognized	$ (5.0)	$ (1.2)	$ (0.7)	$ (0.2)

	Postretirement Benefits	
	2017	2016
Accounts payable and accrued expenses	$ (6.7)	$ (8.1)
Postretirement benefit liabilities	(72.7)	(75.5)
Net amount recognized	$ (79.4)	$ (83.6)

Pre-tax amounts recognized in AOCI at year end for our pension and postretirement benefit plans consist of:

	U.S. Pension Benefits		Canadian Pension Benefits	
	2017	2016	2017	2016
Net actuarial (loss)	$ (127.4)	$ (132.2)	$ (3.8)	$ (2.9)
Prior service (cost)	—	(0.5)	—	—
Accumulated other comprehensive (loss)	$ (127.4)	$ (132.7)	$ (3.8)	$ (2.9)

	Postretirement Benefits	
	2017	2016
Net actuarial gain	$ 34.8	$ 37.0

We expect to amortize $10.6 million and $0.3 million of previously unrecognized net actuarial losses into U.S. and Canadian plan pension cost, respectively, in 2018. We expect to amortize $2.4 million of previously unrecognized net actuarial gains into postretirement benefit cost in 2018.

We expect to contribute $0.1 million each to our U.S. and Canadian defined-benefit pension plans and $6.7 million to our U.S. postretirement benefit plans in 2018.

(Dollars in millions, except per share data)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten years for our U.S. and Canadian plans:

	U.S. Pension Benefits	Canadian Pension Benefits	Postretirement Benefits
2018	$ 15.8	$ 1.5	$ 6.7
2019	16.7	1.4	6.5
2020	17.7	1.4	6.4
2021	18.8	1.3	6.3
2022	19.9	1.3	6.1
2023-2027	113.0	6.2	25.4

These estimated benefit payments are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

Costs for defined-contribution pension plans were $8.0 million in 2017 and $7.3 million in 2016.

NOTE 20. DERIVATIVE FINANCIAL INSTRUMENTS

We are exposed to market risk from changes in foreign exchange rates that could impact our financial condition, results of operations and cash flows. We enter into derivative contracts, including contracts to hedge our foreign currency exchange rate exposures. Exposure to individual counterparties is controlled and derivative financial instruments are entered into with a diversified group of major financial institutions. Forward swap contracts are entered into for periods consistent with underlying exposure and do not constitute positions independent of those exposures. At inception, hedges designated as hedging instruments are formally documented as either (1) a hedge of a forecasted transaction or “cash flow” hedge, or (2) a hedge of the fair value of a recognized liability or asset or “fair value” hedge. Derivatives are formally assessed both at inception and at least quarterly thereafter, to ensure that derivatives used in hedging transactions are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer probable of occurring, hedge accounting is discontinued, and any future mark-to-market adjustments are recognized in earnings. We use derivative financial instruments as risk management tools and not for speculative trading purposes.

Counterparty Risk

We only enter into derivative transactions with established counterparties having a credit rating of BBB or better. Counterparty credit default swap levels and credit ratings are monitored on a regular basis in an effort to reduce the risk of counterparty default. All of our derivative transactions with counterparties are governed by master International Swap and Derivatives Association agreements (“ISDAs”) with netting arrangements. These agreements can limit exposure in situations where gain and loss positions are outstanding with a single counterparty. We neither post nor receive cash collateral with any counterparty for our derivative transactions. These ISDAs do not have credit contingent features; however, a default under our ABL Facility would trigger a default under these agreements.

(Dollars in millions, except per share data)

Currency Rate Risk – Sales and Purchases

We manufacture and sell our products in a number of countries and, as a result, we are exposed to movements in foreign currency exchange rates. To a large extent, our global manufacturing and sales provide a natural hedge of foreign currency exchange rate movement, as foreign currency expenses generally offset foreign currency revenues. We manage our cash flow exposures on a net basis and use derivatives to hedge the majority of our unmatched foreign currency cash inflows and outflows. Before considering the impacts of any hedging, our major foreign currency exposures as of December 31, 2017, based on operating profits by currency, are from the Canadian Dollar, the Australian Dollar, and the Chinese Renminbi.

We use foreign currency forward exchange contracts to reduce our exposure to the risk that the eventual net cash inflows and outflows resulting from the sale of products to foreign customers and purchases from foreign suppliers will be adversely affected by changes in exchange rates. These derivative instruments are used for forecasted transactions and are classified as cash flow hedges. These cash flow hedges are executed quarterly, generally up to 15 months forward. The notional amount of these hedges was $40.8 million and $33.2 million as of December 31, 2017 and 2016, respectively. Gains and losses on these instruments are recorded in other comprehensive income (loss), to the extent effective, until the underlying transaction is recognized in earnings. The mark-to-market gains or losses on ineffective portions of hedges are recognized in SG&A expense.

Currency Rate Risk - Intercompany Loans and Dividends

We may use foreign currency forward exchange contracts to hedge exposures created by cross-currency intercompany loans and dividends. The translation adjustments related to these loans are recorded in other expense, net. The offsetting gains and losses on the related derivative contracts are also recorded in other expense, net. These contracts are decreased or increased as repayments are made or additional intercompany loans are extended or adjusted for intercompany dividend activity as necessary. The notional amount of these hedges was $20.0 million and $22.2 million as of December 31, 2017 and 2016, respectively.

Financial Statement Impacts

The following table presents the classification of derivative assets and liabilities within the Consolidated Balance Sheets. The foreign exchange contracts outstanding are presented gross as we have not netted derivative assets with derivative liabilities:

	December 31, 2017		December 31, 2016	
	Assets [(1)]	Liabilities [(2)]	Assets [(1)]	Liabilities [(2)]
Derivatives designated as cash flow hedging instruments				
Foreign exchange contracts	$ —	$ 1.2	$ 0.8	$ —
Derivatives not designated as hedging instruments				
Foreign exchange contracts	—	0.3	0.8	—
Total	$ —	$ 1.5	$ 1.6	$ —

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(1) Derivative assets are classified within prepaid expenses and other current assets as well as other non-current assets.
(2) Derivative liabilities are classified within accounts payable and accrued expenses as well as other long-term liabilities.

(Dollars in millions, except per share data)

The following tables summarize the impact of the effective portion of derivative instruments on the Consolidated Statements of Operations and Comprehensive Income (Loss):

	(Losses) gains recognized in other comprehensive income ("OCI") [3]			(Losses) gains reclassified from AOCI [3]		
	Years Ended December 31,			Years Ended December 31,		
	2017	2016	2015	2017	2016	2015
Cash flow hedges						
Foreign exchange contracts	$ (2.6)	$ (0.5)	$ 4.4	$ (0.6)	$ 1.5	$ 3.8

	(Losses) gains recognized in income [3]		
	Years Ended December 31,		
	2017	2016	2015
Non-designated hedges			
Foreign exchange contracts	$ (2.0)	$ 0.8	$ —

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[3] (Losses) gains were included in net sales and cost of goods sold.

As of December 31, 2017, the amount of existing losses in AOCI expected to be recognized in earnings over the next twelve months is $1.1 million.

NOTE 21. FINANCIAL INSTRUMENTS

The estimated fair values of our financial instruments are as follows:

	December 31, 2017		December 31, 2016	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Total debt	$ (86.0)	$ (86.0)	$ (21.2)	$ (21.2)
Foreign exchange contracts, net	(1.5)	(1.5)	1.6	1.6

Total debt as of December 31, 2017 and 2016 consisted primarily of the outstanding borrowings under the ABL Facility. Borrowings under the ABL Facility are at variable market interest rates (Level 2 inputs) and accordingly, the carrying amount approximates fair value. The fair values of our net foreign currency contracts were estimated from market quotes, which are considered to be Level 1 inputs. We do not have any assets or liabilities that are valued using Level 3 unobservable inputs.

NOTE 22. STOCKHOLDERS' EQUITY

Common Stock Repurchase Plan

On March 6, 2017, we announced that our board of directors had approved a share repurchase program pursuant to which we are authorized to repurchase up to $50.0 million of our outstanding shares of common stock (the “Program”). Repurchases under the Program may be made through open market and block transactions, including Rule 10b5-1 plans, at such times and in such amounts as management deems appropriate, subject to market and business conditions, regulatory requirements and other factors. The Program does not obligate us to repurchase any particular amount of common stock and may be suspended or discontinued at any time without notice. For the year ended December 31, 2017 and since inception of the Program, we repurchased approximately 2.5 million shares under the Program for a total cost of $40.0 million, with an average price of $16.29 per share.

(Dollars in millions, except per share data)

Accumulated Other Comprehensive (Loss) Income

The amounts and related tax effects allocated to each component of OCI in 2017, 2016 and 2015 are presented in the table below.

	Pre-tax Amount	Tax Impact	After-tax Amount
2017			
Foreign currency translation adjustments	$ 7.2	$ —	$ 7.2
Derivative adjustments	(2.0)	0.5	(1.5)
Pension and postretirement adjustments	2.2	(0.6)	1.6
Total other comprehensive income	$ 7.4	$ (0.1)	$ 7.3
2016			
Foreign currency translation adjustments	$ (8.2)	$ —	$ (8.2)
Derivative adjustments	(2.0)	0.4	(1.6)
Pension and postretirement adjustments	3.3	(1.1)	2.2
Total other comprehensive (loss)	$ (6.9)	$ (0.7)	$ (7.6)
2015			
Foreign currency translation adjustments	$ (12.1)	$ —	$ (12.1)
Derivative adjustments	0.6	—	0.6
Postretirement adjustments	(0.2)	—	(0.2)
Total other comprehensive (loss)	$ (11.7)	$ —	$ (11.7)

(Dollars in millions, except per share data)

The following table summarizes the activity, by component, related to the change in AOCI for December 31, 2017 and 2016:

	Foreign Currency Translation Adjustments	Derivative Adjustments	Pension and Postretirement Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2015	$ 0.1	$ 2.3	$ (0.4)	$ 2.0
Net transfer from AWI	8.6	(0.2)	(62.6)	(54.2)
Other comprehensive (loss) before reclassifications, net of tax impact of $ — , $(0.1), $0.5 and $0.4	(8.2)	(0.6)	(0.9)	(9.7)
Amounts reclassified from accumulated other comprehensive income	—	(1.0)	3.1	2.1
Net current period other comprehensive (loss) income	(8.2)	(1.6)	2.2	(7.6)
Balance, December 31, 2016	$ 0.5	$ 0.5	$ (60.8)	$ (59.8)
Other comprehensive income (loss) before reclassifications, net of tax impact of $ — , $0.7, $1.2 and $1.9	7.2	(1.9)	(5.4)	(0.1)
Amounts reclassified from accumulated other comprehensive income	—	0.4	7.0	7.4
Net current period other comprehensive income (loss)	7.2	(1.5)	1.6	7.3
Balance, December 31, 2017	$ 7.7	$ (1.0)	$ (59.2)	$ (52.5)

(Dollars in millions, except per share data)

The amounts reclassified from AOCI and the affected line item of the Consolidated Statements of Operations and Comprehensive Income (Loss) are presented in the table below.

	Year Ended December 31,			
	2017	2016	2015	Affected Line Item
Derivative adjustments				
Foreign exchange contracts - purchases	$ —	$ 0.3	$ 0.7	Cost of goods sold
Foreign exchange contracts - sales	0.6	(1.8)	(4.5)	Net sales
Total expense/(income) before tax	0.6	(1.5)	(3.8)	
Tax impact	(0.2)	0.5	—	Income tax expense
Total expense (income), net of tax	0.4	(1.0)	(3.8)	
Pension and postretirement adjustments				
Prior service cost amortization	0.2	—	—	Cost of goods sold
Prior service cost amortization	0.2	0.1	—	Selling, general and administrative expense
Amortization of net actuarial loss	4.6	2.0	—	Cost of goods sold
Amortization of net actuarial loss	3.8	2.7	—	Selling, general and administrative expense
Total expense before tax	8.8	4.8	—	
Tax impact	(1.8)	(1.7)	—	Income tax expense
Total expense, net of tax	7.0	3.1	—	
Total reclassifications for the period	$ 7.4	$ 2.1	$ (3.8)	

NOTE 23. LITIGATION AND RELATED MATTERS

Environmental Matters

Environmental Compliance

Our manufacturing and research facilities are affected by various federal, state and local requirements relating to the discharge of materials and the protection of the environment. We make expenditures necessary for compliance with applicable environmental requirements at each of our operating facilities. These regulatory requirements continually change, therefore we cannot predict with certainty future expenditures associated with compliance with environmental requirements.

Environmental Sites

In connection with our current or legacy manufacturing operations, or those of former owners, we may from time to time become involved in the investigation, closure and/or remediation of existing or potential environmental contamination under the Comprehensive Environmental Response, Compensation and Liability Act, and state or international Superfund and similar type environmental laws. For those matters, we may have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies, however, we cannot predict with certainty the future identification of or expenditure for any investigation, closure or remediation of any environmental site.

Summary of Financial Position

There were no material liabilities recorded as of December 31, 2017 and December 31, 2016 for potential environmental liabilities that we consider probable and for which a reasonable estimate of the probable liability could be made.

Antidumping and Countervailing Duty Cases

In October 2010, a coalition of U.S. producers of multilayered wood flooring (not including AWI and its subsidiaries) filed petitions seeking antidumping duties ("AD") and countervailing duties ("CVD") with the United States Department of Commerce ("DOC") and the United States International Trade Commission against imports of multilayered wood flooring from China. The AD and CVD petitions ultimately resulted in DOC issuing AD and CVD orders (the "Orders") against multilayered wood flooring imported into the U.S. from China. These Orders and the associated additional duties they have imposed have been the subject of extensive litigation, both at DOC and in the U.S. courts.

We produce multilayered wood flooring domestically and import multilayered wood flooring from third party suppliers in China. Until October 2014, AWI also operated a plant in Kunshan, China ("Armstrong Kunshan") that manufactured multilayered wood flooring for export to the U.S. As a result, we have been directly involved in the multilayered wood flooring-related litigation at DOC and in the U.S. courts. Our consistent view through the course of this matter has been, and remains, that our imports are neither dumped nor subsidized. In 2013, in the sole DOC investigation of AWI and its subsidiaries (as a mandatory respondent in connection with the first annual administrative review), Armstrong Kunshan received a final CVD rate of 0.98% and a final AD rate of 0.00%.

Litigation regarding this matter has continued in the U.S. courts. Armstrong Kunshan as well as other respondents have appealed the DOC's original decision to apply an AD rate to AWI and its subsidiaries and other "separate rate" respondents in the original investigation (for which we received a final initial AD rate of 3.31%) to the Court of Appeals for the Federal Circuit ("CAFC"). The CAFC, on February 15, 2017, found that DOC did not make the requisite factual findings necessary to support its original investigation determination. The CAFC vacated and remanded the Court of International Trade decision for further proceedings. Success in the subsequent remand proceedings (and any further appeals) could result in a revocation of the AD order with respect to us and other separate rate respondents.

DOC also continues to conduct annual administrative reviews of the AD and CVD final duty rates under the Orders. Armstrong Kunshan was not selected as a mandatory respondent for the second, third and fourth reviews and, therefore, was not subject to individual review, but we are subject to the rates applicable to importers that were not individually reviewed (the "separate rate" or "all other" respondents).

The second administrative review period covered imports of multilayered wood flooring made between December 1, 2012 and November 30, 2013 (AD) and between January 1, 2012 and December 31, 2012 (CVD). In July 2015, the DOC issued a final "all others" CVD rate of 0.99% and a 13.74% AD rate. The AD rate was determined solely on the basis of the AD duty rate assigned to the only mandatory respondent that did not receive a de minimis rate. DOC assigned these rates to all separate rate respondents that were not individually investigated, including Armstrong Kunshan. We, along with other respondents, have filed complaints against DOC challenging the rate in the U.S. Court of International Trade. If such rates are ultimately upheld after any court appeals are exhausted, the estimated additional liability to us for the relevant period is approximately $4.8 million, which is recorded in accounts payable and accrued expenses. The court granted the preliminary injunction requested by plaintiffs on August 13, 2015, and enjoined the U.S. Government agencies from causing or permitting liquidation of unliquidated entries of multilayered wood flooring from China, pending final decision on the case.

The third administrative review period covered all multilayered wood flooring imports made between December 1, 2013 and November 30, 2014 (AD) and between January 1, 2013 and December 31, 2013 (CVD). On May 16, 2016 the DOC issued a final "all others" CVD rate of 1.38% and on July 13, 2016, DOC imposed a 17.37% "all others" AD rate. The AD rate was determined again solely on the basis of the AD duty rate assigned to the only mandatory respondent that did not receive a de minimis rate. DOC assigned these rates to all separate rate respondents that were not individually investigated, including Armstrong Kunshan. We continue to defend our import practices by pursuing our available legal rights and remedies, including litigation at DOC and in the U.S. courts. If such rates are ultimately upheld after any potential court appeals are exhausted, the estimated additional liability to us for the relevant period is approximately $6.0 million, which is recorded in accounts payable and accrued expenses. We successfully filed an injunction request. The court granted the preliminary injunction on January 4, 2017 and enjoined the U.S. Government agencies from causing or permitting liquidation of unliquidated entries of multilayered wood flooring from China, pending final decision on the case. The preliminary injunction also ensures that our entries made during the 2013-14 review period will ultimately be liquidated in accordance with the final decision by the courts.

The fourth administrative review period covered all multilayered wood flooring imports made between December 1, 2014 and November 30, 2015 (AD) and between January 1, 2014 and December 31, 2014 (CVD). On May 15, 2017, the DOC published a final "all others" CVD rate of 1.06% and on June 5, 2017, DOC imposed a de minimus "all others" AD rate which will apply to our multilayered wood flooring imports during this period. We have begun receiving refunds for our multilayered wood flooring imports during this time period as our deposit rate exceeded this de minimus rate. The petitioners initially appealed this decision, but withdrew their appeal on October 17, 2017. We will accrue and make cash deposits for duties when we are the importer of record at the rates established by the DOC based on the fourth administrative review process. Administrative reviews for the fifth review period (December 1, 2015-November 30, 2016 for AD and January 1, 2015-December 31, 2015 for CVD) have been initiated and are currently pending. We are not subject to review for this period; however, we will be liable for other manufacturers' applicable rates to the extent we were importer of record of products covered by the AD/CVD orders during this period. The preliminary "all others" rate for this period is 0.89% for CVD and 0.00% for AD. The final rate is expected in the second quarter of 2018.

The U.S. International Trade Commission completed a sunset review of the original Orders in the fourth quarter of 2017 and determined to continue the Orders for an additional five year period.

Other Claims

We are involved in various lawsuits, claims, investigations and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, relationships with suppliers, distributors and competitors, employees and other matters. For example, we are currently a party to various litigation matters that involve product liability, tort liability and other claims under a wide range of allegations, including illness due to exposure to certain chemicals used in the workplace, or medical conditions arising from exposure to product ingredients or the presence of trace contaminants. In some cases, these allegations involve multiple defendants and relate to legacy products that we and other defendants purportedly manufactured or sold. We believe these claims and allegations to be without merit and intend to defend them vigorously. For these matters, we also may have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies.

While complete assurance cannot be given to the outcome of these proceedings, we do not believe that any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

NOTE 24. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	2017 Quarter Ended			
	March 31	June 30	September 30	December 31
Net sales	$ 265.2	$ 297.3	$ 308.5	$ 262.7
Gross profit	47.1	57.1	31.7	34.2
(Loss) income from continuing operations	(7.8)	5.4	(18.7)	(20.7)
Per share of common stock:				
Basic	$ (0.28)	$ 0.20	$ (0.70)	$ (0.80)
Diluted	(0.28)	0.20	(0.70)	(0.80)

	2016 Quarter Ended			
	March 31	June 30	September 30	December 31
Net sales	$ 284.4	$ 323.7	$ 313.4	$ 271.7
Gross profit	49.9	65.2	70.0	45.0
(Loss) income from continuing operations	(2.5)	7.0	9.3	(6.3)
Per share of common stock:				
Basic	$ (0.08)	$ 0.25	$ 0.33	$ (0.23)
Diluted	(0.08)	0.25	0.33	(0.23)

The net sales and gross profit amounts above are reported on a continuing operations basis. The sum of the quarterly earnings per share data may not equal the total year amounts due to changes in the average shares outstanding and, for diluted data, the exclusion of the anti-dilutive effect in certain quarters.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures to give reasonable assurance that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of December 31, 2017, the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), together with management, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures are effective at the reasonable assurance level described above.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP").

Management assessed our internal control over financial reporting as of December 31, 2017, the end of our fiscal year. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with GAAP. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, KPMG LLP, independently assessed the effectiveness of the company's internal control over financial reporting, as stated in the firm's attestation report, which is included within Part II, Item 8 of this Form 10-K and incorporated by reference into this Item 9A.

Changes in Internal Controls over Financial Reporting

No change in our internal control over financial reporting occurred during the fiscal quarter ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Effective December 1, 2017, Messrs. Maier, Ford, Bassett, Bondi, Flaharty, Hess, Parisi and Rice entered into Amended and Restated Change in Control Severance Agreements (the "Amended CICs") with Armstrong Flooring, Inc. (the "Company"). The Amended CICs were approved by our board of directors following its review of the restrictive covenants set forth in Section 8 of the prior form of Change in Control Severance Agreements (the "Prior CICs"). The Amended CICs include strengthened protections for the Company relative to non-competition and non-solicitation, including: (i) broadened prohibition on solicitation of employees through removal of a provision in the Prior CICs, which limited the prohibition to solicitation to a Company competitor; (ii) extended duration of non-competition and non-solicitation provisions from twelve (12) to twenty-four (24) months in the case of Mr. Maier, and from twelve (12) to eighteen (18) months in the cases of Messrs. Ford, Bassett, Bondi, Flaharty, Hess, Parisi and Rice; and (iii) additional provisions in the case of Mr. Flaharty, a resident of California. The term of each Amended CIC was extended by one (1) year. Other than as described above, there were no substantive amendments to the Prior CICs.

The forms of Amended CICs are filed herewith as Exhibits 10.30 (Mr. Maier), 10.31 (Messrs. Ford, Bassett, Hess, Parisi, and Rice), and 10.32 (Mr. Flaharty).

As reported on the Company's Current Report on Form 8-K dated February 5, 2018, Mr. Bondi resigned from his position as Senior Vice President and Chief Product Officer, effective February 1, 2018. Mr. Bondi's Amended CIC was terminated per the terms of the Separation and Release he entered into with the Company, a copy of which is filed herewith as Exhibit 10.35.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers of the Company (as of March 6, 2018):

Name; Company Position	Age	Other Business Experience During the Last Five Years*
Donald R. Maier, President and CEO Director (since March 30, 2016)	53	*Armstrong World Industries, Inc.* EVP & CEO, Flooring Products (2014 to 2016) SVP, Global Operations Excellence (2010 to 2014)
Ronald D. Ford, SVP, Chief Financial Officer (since September 2017)	56	*Silgan Containers* SVP and Chief Financial Officer (2010 - September 2017)
John C. Bassett, SVP, Human Resources (since March 30, 2016)	55	*Armstrong World Industries, Inc.* VP, Flooring Products, Human Resources (2014 to 2016) General Manager, Flooring Products, Hardwood Manufacturing (2012 to 2014) VP, Human Resources, Global Operating & Supply Chain (2010 to 2012)
Brent A. Flaharty, SVP, North American Sales (since March 2017)	45	*Armstrong Flooring, Inc.* VP, Residential Sales (December 2016 - March 2017) *Mag Instrument, Inc.* Chief Revenue Officer (2016) *Exemplis Corporation* Chief Marketing Officer (2015 - 2016) *Masonite International Corporation* Vice President and Business Leader, North America (2012 - 2015)
Christopher S. Parisi, SVP, General Counsel, Secretary & Chief Compliance Officer (since March 30, 2016)	47	*Armstrong World Industries, Inc.* VP, Associate General Counsel and Secretary (2014 to 2016) VP, Corporate Governance (2011 to 2014)
Dominic C. Rice, Chief Product Officer & SVP, Global Operations (since February 2018)	57	*Armstrong Flooring, Inc.* SVP, Global Operations & Manufacturing (March 2017 - February 2018) SVP, North America Commercial (March 2016 - March 2017) *Armstrong World Industries, Inc.* VP, Flooring Products, Commercial (2010 to 2016)
Kimberly Z. Boscan, VP & Controller	52	*Armstrong Flooring, Inc.* Interim CFO (May 8, 2017 to September 1, 2017) *Armstrong World Industries, Inc.* VP & Controller, Flooring Products (2015 to 2016) *Zeiser Boscan Enterprises, LLC & Vaco Indianapolis, LLC* Management Consultant (2012 to 2015) *Mead Johnson Nutrition* Assistant Controller (2008 to 2012)

All executive officers are elected by our board of directors to serve in their respective capacities until their successors are elected and qualified or until their earlier resignation or removal.

Code of Ethics

We have adopted a Code of Business Conduct that applies to all employees, executives and directors, specifically including our CEO, our CFO and our Controller. We have also adopted a Code of Ethics for Financial Professionals (together with the Code of Business Conduct, the “Codes of Ethics”) that applies to all professionals in our finance and accounting functions worldwide, including our Chief Financial Officer and our Controller.

The Codes of Ethics are intended to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable public disclosures;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of violations of the Codes of Ethics; and,
- accountability for compliance with the Codes of Ethics.

The Codes of Ethics are available at https://www.armstrongflooring.com/corporate/codes-policies.html and in print free of charge. Any waiver of the Company’s Code of Business Conduct, particularly its conflicts-of-interest provisions, which may be proposed to apply to any director or executive officer also must be reviewed in advance by the Nominating and Governance Committee of the Board of Directors, which would be responsible for making a recommendation to the board of directors for approval or disapproval. The board of directors’ decision on any such matter would be disclosed publicly in compliance with applicable legal standards and the rules of the New York Stock Exchange. We intend to satisfy these requirements by making disclosures concerning such matters available on the “For Investors” page of our website. There were no waivers or exemptions from the Code of Business Conduct in 2016 applicable to any director or executive officer.

Other information required by Item 10 is incorporated by reference to the sections entitled “Election of Directors,” “Corporate Governance,” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s proxy statement for its 2017 annual meeting of stockholders to be filed no later than April 30, 2018.

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference to the sections entitled “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Summary Compensation Table,” “Grants of Plan-Based Awards,” “Outstanding Equity Awards at Fiscal Year-End,” “Option Exercises and Stock Vested,” “Pension Benefits,” “Nonqualified Deferred Compensation,” “Potential Payments Upon Termination or Change in Control,” “Board of Directors - Board’s Role in Risk Management Oversight,” “Compensation Committee Interlocks and Insider Participation” and “Compensation of Directors” in the Company’s proxy statement for its 2018 annual meeting of stockholders to be filed no later than April 30, 2018.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is incorporated by reference to the sections entitled “Security Ownership of Certain Beneficial Owners,” “Security Ownership of Management,” and “Equity Compensation Plan Information” in the Company’s proxy statement for its 2018 annual meeting of stockholders to be filed no later than April 30, 2018.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated by reference to the sections entitled “Certain Relationships and Related Transactions” and “Director Independence” in the Company’s proxy statement for its 2018 annual meeting of stockholders to be filed no later than April 30, 2018.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is incorporated by reference to the sections entitled “Audit Committee Report” and “Relationship with Independent Auditors” in the Company’s proxy statement for its 2018 annual meeting of stockholders to be filed no later than April 30, 2018.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) - Financial Statements are included in Part II, Item 8 of the Annual Report on Form 10-K.

(a)(2) - Schedule II - Valuation and Qualifying Accounts is submitted as a separate section of this report. Schedules I, III, IV and V are not applicable to the Company and, therefore, have been omitted.

(a)(3) - Listing of Exhibits

Exhibit Number	Description
2.1	Separation and Distribution Agreement by and between Armstrong Flooring, Inc., and AFI Intermediate Co. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
3.1	Amended and Restated Certificate of Incorporation of Armstrong Flooring, Inc. dated March 30, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
3.2	Amended and Restated Bylaws of Armstrong Flooring, Inc. dated March 30, 2016 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
10.1	Transition Services Agreement, dated as of April 1, 2016, by and between Armstrong World Industries, Inc. and Armstrong Flooring, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange commission on April 4, 2016).
10.2	Tax Matters Agreement, dated as of April 1, 2016, by and between Armstrong World Industries, Inc. and Armstrong Flooring, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange commission on April 4, 2016).
10.3	Employee Matters Agreement, dated as of April 1, 2016, by and between Armstrong World Industries, Inc. and Armstrong Flooring, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
10.4	Trademark License Agreement, dated as of April 1, 2016, by and between Armstrong World Industries, Inc. and Armstrong Flooring, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
10.5	Transition Trademark License Agreement, dated as of April 1, 2016, by and between Armstrong World Industries, Inc. and Armstrong Flooring, Inc. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
10.6	Campus Lease Agreement, dated as of April 1, 2016, by and between Armstrong World Industries, Inc. and Armstrong Flooring, Inc. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).

10.7	Credit Agreement, dated as of April 1, 2016, among Armstrong Flooring, Inc. and Armstrong Hardwood Flooring Company, as Borrowers, certain subsidiaries of Armstrong Flooring, Inc. identified therein, as the Guarantors, Bank of America, N.A., as Administrative Agent and Collateral Agent, the other lenders party thereto, JPMorgan Chase Bank, N.A. and SunTrust Robinson Humphrey, Inc., as Co-Syndication Agents, and Bank of America, N.A., JPMorgan Chase Bank, N.A. and SunTrust Robinson Humphrey, Inc. as Joint Lead Arrangers and Joint Book Managers (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
10.8	Amended and Restated Armstrong Flooring, Inc. 2016 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 4.3 to the Registration Statement on Form S-8 filed by Armstrong Flooring, Inc. with the SEC on August 7, 2017).*
10.9	Form of 2016 Long-Term Performance - Based Restricted Stock Grant - Tier 1 Executive - Free Cash Flow (incorporated by reference to Exhibit 10.9 to the Company’s Quarterly Report on Form 10-Q filed with the U.S. Securities and Exchange Commission on August 12, 2016).*
10.10	Form of 2016 Long-Term Performance - Based Restricted Stock Grant - Tier 1 Executive - EBITDA (incorporated by reference to Exhibit 10.10 to the Company’s Quarterly Report on Form 10-Q filed with the U.S. Securities and Exchange Commission on August 12, 2016).*
10.11	Form of 2016 Long-Term Performance - Based Restricted Stock Grant - Free Cash Flow (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q, as filed with the U.S Securities and Exchange Commission on May 9, 2016). *
10.12	Form of 2016 Long-Term Performance - Based Restricted Stock Grant - EBITDA (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q, as filed with the U.S Securities and Exchange Commission on May 9, 2016). *
10.13	Form of 2016 Long-Term Performance - Based Restricted Stock Grant - Non U.S. (China) - Free Cash Flow - Payable in Cash. (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q, as filed with the U.S Securities and Exchange Commission on May 9, 2016). *
10.14	Form of 2016 Long-Term Performance - Based Restricted Stock Grant - Non U.S. (China) - EBITDA - Payable in Cash (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q, as filed with the U.S Securities and Exchange Commission on May 9, 2016). *
10.15	Form of 2016 Long-Term Time - Based Restricted Stock Grant - U.S. and Non-U.S. (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q, as filed with the U.S Securities and Exchange Commission on May 9, 2016). *
10.16	Form of 2016 Long-Term Time - Based Restricted Stock Grant - Non-U.S. (China) - Payable in Cash(incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q, as filed with the U.S Securities and Exchange Commission on May 9, 2016). *
10.17	Form of 2017 Long-Term Performance - Based Restricted Stock Grant - Tier 1 Executive - Free Cash Flow. (incorporated by reference to Exhibit 10.1 to the Company’s Amended Quarterly Report on Form 10-Q/A filed with the U.S. Securities and Exchange Commission on May 9, 2017).*

10.18	Form of 2017 Long-Term Performance - Based Restricted Stock Grant - Tier 1 Executive - EBITDA. (incorporated by reference to Exhibit 10.2 to the Company’s Amended Quarterly Report on Form 10-Q/A filed with the U.S. Securities and Exchange Commission on May 9, 2017).*
10.19	Form of 2017 Long-Term Performance - Based Restricted Stock Grant - Tier 2 Executive - Free Cash Flow. (incorporated by reference to Exhibit 10.3 to the Company’s Amended Quarterly Report on Form 10-Q/A filed with the U.S. Securities and Exchange Commission on May 9, 2017).*
10.20	Form of 2017 Long-Term Performance - Based Restricted Stock Grant - Tier 2 Executive - EBITDA. (incorporated by reference to Exhibit 10.4 to the Company’s Amended Quarterly Report on Form 10-Q/A filed with the U.S. Securities and Exchange Commission on May 9, 2017).*
10.21	Form of 2017 Long-Term Performance - Based Restricted Stock Grant - Non U.S. (China) - Free Cash Flow - Payable in Cash. (incorporated by reference to Exhibit 10.5 to the Company’s Amended Quarterly Report on Form 10-Q/A filed with the U.S. Securities and Exchange Commission on May 9, 2017).*
10.22	Form of 2017 Long-Term Performance - Based Restricted Stock Grant - Non U.S. (China) - EBITDA - Payable in Cash. (incorporated by reference to Exhibit 10.6 to the Company’s Amended Quarterly Report on Form 10-Q/A filed with the U.S. Securities and Exchange Commission on May 9, 2017).*
10.23	Form of 2017 Long-Term Performance - Based Restricted Stock Grant - U.S. and non- U.S. (incorporated by reference to Exhibit 10.7 to the Company’s Quarterly Report on Form 10-Q filed with the U.S. Securities and Exchange Commission on May 8, 2017).*
10.24	Form of 2017 Long-Term Performance - Based Restricted Stock Grant - Non U.S. (China) - Payable in Cash. (incorporated by reference to Exhibit 10.8 to the Company’s Quarterly Report on Form 10-Q filed with the U.S. Securities and Exchange Commission on May 8, 2017).*
10.25	Armstrong Flooring, Inc. 2016 Directors Stock Unit Plan (incorporated herein by reference to Exhibit 4.4 to the Registration Statement on Form S-8 filed by Armstrong Flooring, Inc. with the SEC on April 4, 2016).*
10.26	Form of Director Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q, as filed with the U.S Securities and Exchange Commission on May 9, 2016).*
10.27	Armstrong Flooring, Inc. Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).*
10.28	Retirement Benefit Equity Plan of Armstrong Flooring, Inc. (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).*
10.29	Form of Indemnification Agreement with Directors and Officers (incorporated by reference to Exhibit 10.23 to the Company’s Quarterly Report on Form 10-Q filed with the U.S. Securities and Exchange Commission on August 12, 2016).*

10.30	Amended and Restated Change in Control Severance Agreement with Mr. Maier dated December 1, 2017.*†
10.31	Form of Amended and Restated Change in Control Severance Agreement with Messrs. Bassett, Ford, Hess, Parisi, and Rice dated December 1, 2017.*†
10.32	Amended and Restated Change in Control Severance Agreement with Mr. Flaharty dated December 1, 2017.*†
10.33	Severance Pay Plan for Executive Employees of Armstrong Flooring, Inc. (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on September 2, 2016).*
10.34	Form of Severance Agreement between David S. Schulz and Armstrong World Industries, Inc. (incorporated by reference to Exhibit 10.3 to Armstrong World Industries, Inc.'s Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on March 10, 2015).*
10.35	Separation and Release Agreement with Mr. Bondi dated February 1, 2018.*†
21.1	Subsidiaries of Armstrong Flooring, Inc. †
23.1	Consent of Independent Registered Public Accounting Firm.†
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†
101.INS	XBRL Instance Document†
101.SCH	XBRL Taxonomy Extension Schema Document†
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document†
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document†
101.LAB	XBRL Taxonomy Extension Label Linkbase Document†

101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document†

* Management Contract or Compensatory Plan.

† Filed herewith.

Item 16. Form 10-K Summary

None.

SCHEDULE II
Armstrong Flooring, Inc.
Valuation and Qualifying Reserves
(*Dollars in millions*)

	Balance at beginning of year	Additions charged to earnings	Deductions	Balance at end of year
2015				
Provision for bad debts	$ 0.7	$ 0.3	$ (0.1)	$ 0.9
Provision for discounts	8.6	86.6	(85.6)	9.6
Provision for warranties	7.7	9.9	(10.3)	7.3
Reserve for inventories	1.2	1.4	(1.4)	1.2
2016				
Provision for bad debts	$ 0.9	$ 0.1	$ (0.4)	$ 0.6
Provision for discounts	9.6	81.5	(85.4)	5.7
Provision for warranties	7.3	11.8	(11.6)	7.5
Reserve for inventories	1.2	1.2	(1.0)	1.4
2017				
Provision for bad debts	$ 0.6	$ 0.1	$ (0.1)	$ 0.6
Provision for discounts	5.7	68.6	(67.5)	6.8
Provision for warranties	7.5	13.0	(12.8)	7.7
Reserve for inventories	1.4	0.6	(0.2)	1.8

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Armstrong Flooring, Inc.
(Registrant)

Date: March 6, 2018

By: /s/ Donald R. Maier

Donald R. Maier
Director, President and Chief Executive Officer
(As Duly Authorized Officer and Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Directors and Principal Officers of the registrant AFI:

/s/ Donald R. Maier Donald R. Maier	Director, President and Chief Executive Officer (Principal Executive Officer)	March 6, 2018
/s/ Ronald D. Ford Ronald D. Ford	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 6, 2018
/s/ Kimberly Z. Boscan Kimberly Z. Boscan	Vice President and Controller (Principal Accounting Officer)	March 6, 2018
/s/ Michael F. Johnston Michael F. Johnston	Director	March 6, 2018
/s/ Kathleen S. Lane Kathleen S. Lane	Director	March 6, 2018
/s/ Jeffrey Liaw Jeffrey Liaw	Director	March 6, 2018
/s/ Michael W. Malone Michael W. Malone	Director	March 6, 2018
/s/ Larry S. McWilliams Larry S. McWilliams	Director	March 6, 2018
/s/ James C. Melville James C. Melville	Director	March 6, 2018
/s/ James J. O'Connor James J. O'Connor	Director	March 6, 2018
/s/ Jacob H. Welch Jacob H. Welch	Director	March 6, 2018

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Section 2: EX-10.30 (EXHIBIT 10.30)

Exhibit 10.30

AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT, effective December 1, 2017, is made by and between Armstrong Flooring, Inc., a Delaware corporation (the "Company"), and Donald R. Maier (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continued employment of key management personnel; and

WHEREAS, the Board recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through August 31, 2020; provided, however, that commencing on September 1, 2019 and each September 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than the preceding May 30, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire twenty four (24) months following the date on which such Change in Control occurred.

3. Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's covenants set forth in Section 4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. No Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive's employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six (6) months from the date of such Potential Change in Control, (ii) the date of a Change in Control, or (iii) the date of termination of the Executive's employment for any reason.

5. Compensation Other Than Severance Payments.

5.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period (other than any disability plan), until the Executive experiences a separation from service from the Company by reason of the Executive's Disability.

5.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

5.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 Subject to Section 6.2 hereof, if (i) the Executive's employment is terminated following a Change in Control and during the Term, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments"), in addition to any payments and benefits to which the Executive is entitled under Section 5 hereof; provided, however, that, in the case of clauses (A), (B), (C), (D) and (F) below, Executive shall have executed a release of claims substantially in the form attached as Exhibit A hereto and such release shall become effective within sixty (60) days following the Date of Termination (or the date of the Change in Control in the case of such a termination of employment described in the next sentence). For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment).

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to two and one-half (2.5) times the sum of (i) the Executive's base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, and (ii) the Executive's target annual bonus under the Annual Incentive Plan or any other annual incentive compensation plan adopted by the Company in which the Executive participates in respect of the fiscal year in which occurs the Date of Termination or, if higher, such target annual bonus in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

(B) For the twenty four (24) month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater after-tax cost to the Executive than the after-tax cost to the Executive immediately prior to such date or occurrence; provided, however, that (i) the Executive's and his qualified dependents' COBRA eligibility period shall include the period during which the Company is providing benefits under this subsection (B); (ii) unless the Executive consents to a different method (or elects COBRA coverage at applicable COBRA rates), such health insurance benefits shall be provided through a third-party insurer; and (iii) the Executive shall be responsible for the payment of premiums for such benefits in the same amount as active employees of the Company. Benefits otherwise receivable by the Executive pursuant to this Section 6.1(B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the twenty four (24) month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the after tax cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason. Notwithstanding the foregoing, in the event that the Executive's employment is terminated under circumstances described in the second sentence of Section 6.1, on the sixtieth (60th) day following the Change in Control the Company shall pay or reimburse the Executive for any amounts or benefits it would have been required to pay or provide to the Executive under this Section 6.1(C) during the period prior to the Change in Control, determined as if the Change in Control occurred on the Date of Termination.

(C) Notwithstanding any provision of any annual incentive plan to the contrary, the Company shall pay to the Executive an amount, in cash, equal to the sum of (i) any unpaid incentive compensation which has been allocated or awarded to the Executive for a completed fiscal year preceding the Date of Termination under any such plan and which, as of the Date of Termination, is contingent only upon the continued employment of the Executive to a subsequent date, and (ii) a pro rata portion to the Date of Termination of Executive's target bonus for the year in which the Date of Termination occurs (or the target in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason), calculated by multiplying such target bonus by the fraction obtained by dividing the number of full months and any fractional portion of a month during such year through the Date of Termination by twelve (12).

(D) If the Executive would have become entitled to benefits under the Company's post-retirement health care or life insurance plans (as in effect immediately prior to the Date of Termination (or, if more favorable to the Executive, such plans as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason)) had the Executive's employment terminated at any time during the period of twenty four (24) months after the Date of Termination, the Company shall provide such post-retirement health care or life insurance benefits to the Executive (subject to any employee contributions required under the terms of such plans in the same amounts as active employees of the Company) commencing on the later of (i) the date that such coverage would have first become available or (ii) the date that benefits described in subsection (B) of this Section 6.1 terminate.

(E) The Company shall pay the Executive, no later than thirty (30) days following the Date of Termination, at a daily salary rate based upon the Executive's annual base salary in effect immediately prior to the Date of Termination (or immediately prior to any reduction resulting in a termination for Good Reason, if applicable), a lump sum amount equal to all earned but unused vacation days through the Date of Termination.

(F) The Company shall pay, no later than the last day of the calendar year in which they are incurred, the reasonable fees and expenses of a full service nationally recognized executive outplacement firm until the earlier of the date the Executive secures new employment or the date which is twenty four (24) months following the Executive's Date of Termination; provided that in no event shall the aggregate amount of such payments exceed $30,000.

(G) All unvested equity awards held by the Executive on the Date of Termination (or the date of the Change in Control in the event of the Executive's termination under circumstances described in the second sentence of Section 6.1) shall immediately vest, all restrictions thereon shall lapse, and any performance-based awards shall be deemed to have been earned at the target level set forth in the applicable award agreement for any performance period not then completed and all earned but unvested performance-based awards, including those deemed to be earned pursuant to this sentence, shall immediately vest. All such equity awards other than options (addressed in the immediately following sentence) shall be settled and paid to the Executive within five (5) days following the Executive's Date of Termination. Any option, including those that become vested and exercisable pursuant to this Section 6.1(G), held by the Executive shall remain exercisable for a period ending on the later of (x) the fifth anniversary of the Date of Termination (or the fifth anniversary of the Change in Control in the event of the Executive's termination under circumstances described in the second sentence of Section 6.1) or (y) the last date that such option otherwise would be exercisable under the terms of the option agreement or the plan pursuant to which such option was granted; provided, that in no event shall any option be exercisable after the expiration of the original term of such option. If any of the Executive's equity awards were forfeited prior to a Change in Control following the Executive's termination under circumstances described in the second sentence of Section 6.1 but prior to the date of a Change in Control, the Company shall, within thirty (30) days following the date of the Change in Control, make a lump sum cash payment to the Executive in respect of such Executive's equity awards that have not previously vested in an amount equal to (A) in the case of restricted shares, performance restricted shares, restricted stock units or performance restricted stock units, the aggregate Fair Market Value of the shares of Company stock underlying the applicable award and (B) in the case of an option, the excess of the Fair Market Value of a share of the Company's stock over the exercise price of such option, in each case determined as of the date of the Change in Control without taking into account any restrictions thereon. Notwithstanding the foregoing, to the extent any equity awards constitute "non-qualified deferred compensation" within the meaning of Section 409A of the Code, such awards shall be settled on the earliest date that would be permitted under Section 409A of the Code without incurring penalty or accelerated taxes thereunder.

6.2 (A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive (including any payment or benefit received in connection with a Change in Control or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the Severance Payments, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the Excise Tax, then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement, the portion of the Total Payments that does not constitute deferred compensation within the meaning of section 409A of the Code shall first be reduced and the portion of the Total Payments that does constitute deferred compensation within the meaning of section 409A of the Code shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (B) the net amount of such Total

Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(B) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to the Change in Control, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the Base Amount allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement). If the Executive objects to the Company's calculations, the Company shall pay to the Executive such portion of the Severance Payments (up to 100% thereof) as the Executive determines is necessary to result in the proper application of subsection A of this Section 6.2.

6.3 Subject to the provisions of Section 17 hereof, the payments provided for in subsections (A) and (C) of Section 6.1 hereof shall be made on the sixtieth (60th) day following the Date of Termination; and in the event the Executive becomes entitled to Severance Payments due to a termination described in the second sentence of Section 6.1, such payments shall be made on the sixtieth (60th) day following the Change in Control. Notwithstanding the above, to the extent the Executive is terminated (i) following a Change in Control but prior to a change in ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company (within the meaning of section 409A of the Code) or (ii) prior to a Change in Control in a manner described in the second sentence of Section 6.1, to the extent required to avoid accelerated taxation and/or tax penalties under section 409A of the Code, amounts payable to the Executive hereunder, to the extent not in excess of the amount that the Executive would have received under any other pre-Change in Control severance plan or arrangement with the Company had such plan or arrangement been applicable, shall be paid at the time and in the manner provided by such plan or arrangement and the remainder shall be paid to the Executive in accordance with the provisions of this Section 6.3.

6.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require; provided that in no event will payment be made for requests that are submitted later than December 15th of the year following the year in which the expense is incurred.

7. Termination Procedures and Compensation During Dispute.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

8. Restrictive Covenants

8.1 During the Executive's employment with the Company and for a period of twenty-four (24) months thereafter:

(A) the Executive shall not, directly for the Executive or any third party, except on behalf of the Company or its affiliates, become engaged in any business or activity which is directly in competition with any services or products sold by, or any business or activity engaged in by, the Company or any of its affiliates; provided, however, that this provision shall not restrict the Executive from owning or investing in publicly traded securities, so long as the Executive's aggregate holdings in such company do not exceed 2% of the outstanding equity of such company and such investment is passive;

(B) the Executive shall not, directly for the Executive or any third party, except on behalf of the Company or its affiliates, (i) (A) solicit business from any person who was a customer of the Company or any of its affiliates during the period of the Executive's employment hereunder or who was within the 6 month period prior to such solicitation, or (B) solicit potential customers who are or were identified through leads developed during the course of the Executive's employment with the Company, in each case, with whom the Executive was involved as part of the Executive's job responsibilities during the Executive's employment with the Company, or regarding whom the Executive learned confidential information during the Executive's employment with the Company, or (ii) otherwise divert or attempt to divert any existing business of the Company or any of its affiliates; and

(C) the Executive shall not, directly for the Executive or any third party, except on behalf of the Company or its affiliates, (i) solicit, induce, recruit or cause another person in the employment of the Company or any of its affiliates to terminate such employee's employment, or (ii) hire or retain any person who is, or within the 6 month period prior to such hiring or retention was, an employee of the Company or any of its affiliates.

8.2 The Executive agrees that he will not, while employed with the Company or at any time thereafter for any reason, in any fashion, form or manner, either directly or indirectly, divulge, disclose or communicate to any person, firm, corporation or other business entity, in any manner whatsoever, any confidential information or trade secrets concerning the business of the Company, including, without limiting the generality of the foregoing, any customer lists or other customer identifying information, the techniques, methods or systems of the Company's operation or management, any information regarding its financial matters, or any other material information concerning the business of the Company, its manner of operation, its plans or other material data. The provisions of this Section 8.2 shall not apply to (i) information that is public knowledge other than as a result of disclosure by the Executive in breach of this Section 8.2; (ii) information disseminated by the Company to third parties in the ordinary course of business; (iii) information lawfully received by the Executive from a third party who, based upon inquiry by the Executive, is not bound by a confidential relationship to the Company, or (iv) information disclosed under a requirement of law or as directed by applicable legal authority having jurisdiction over the Executive.

8.3 The Executive agrees that he will not, while employed with the Company or at any time thereafter for any reason, in any fashion, form or manner, either directly or indirectly, disparage or criticize the Company, or otherwise speak of the Company, in any negative or unflattering way to anyone with regard to any matters relating to the Executive's employment by the Company or the business or employment practices of the Company. The Company agrees that it will not, in any fashion, form or manner, either directly or indirectly, disparage or criticize the Executive or otherwise speak of the Executive in any negative or unflattering way to anyone with regard to any matters relating to the Executive's employment with the Company.

8.4 Pursuant to 18 U.S.C. § 1833(b), the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to the Executive's attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the trade secret to the Executive's attorney and use the trade secret information in the court proceeding if the Executive (x) files any document containing the trade secret under seal, and (y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement, or any other agreement that the Executive has with the Company, (I) is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section, or (II) prohibits (A) statements reasonably necessary to be made in any judicial, administrative or arbitral proceeding, (B) internal communications between and among the employees of the Company with a job-related need to know about this Agreement or matters related to the administration of this Agreement, or (C) voluntary communications by employees or former employees with the Securities and Exchange Commission or other authorities regarding possible violations of law or from recovering a Commission whistleblower award as provided under Section 21F of the Securities Exchange Act of 1934.

8.5 The Executive understands that in the event of a violation of any provision of this Section 8, the Company shall have the right to (i) seek injunctive relief, in addition to any other existing rights provided in this Agreement or by operation of law, without the requirement of posting bond and (ii) stop making any future payments or providing benefits under this Agreement. The remedies provided in this Section 8.5 shall be in addition to any legal or equitable remedies existing at law or provided for in any other agreement between the Executive and the Company or any of its affiliates, and shall not be construed as a limitation upon, or as an alternative or in lieu of, any such remedies. If any provisions of Section 8 shall be determined by a court of competent jurisdiction to be unenforceable in part by reason of it being too great a period of time or covering too great a geographical area, it shall be in full force and effect as to that period of time or geographical area determined to be reasonable by the court.

8.6 The Executive acknowledges that the provisions of Section 8 shall extend to any business that becomes an affiliate of or successor to the Company or any of its affiliates on account of a Change in Control or otherwise.

9. Requirement of Release. Notwithstanding anything in this Agreement to the contrary, the Executive's entitlement to any payments other than the Executive's accrued but unpaid base compensation and any accrued but unpaid or otherwise vested benefits under any benefit or incentive plan determined at the time of the

Executive's termination of employment shall be contingent upon the Executive having executed a release substantially in the form attached as Exhibit A hereto and such release becoming effective within sixty (60) days after the Date of Termination (or the date of the Change in Control in the event of a termination described in the second sentence of Section 6.1). If such release does not become effective within the time period prescribed above, the Company's obligations under Section 6.1 (other than Section 6.1(E)) shall cease immediately.

10. No Mitigation. The Company agrees that the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof. Further, except as specifically provided in Section 6.1 (B) hereof, no payment or benefit provided for in this Agreement shall be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

11. Successors; Binding Agreement.

11.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

11.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

12. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the most recent address shown in the personnel records of the Company and, if to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company: Armstrong Flooring, Inc.
2500 Columbia Avenue
Lancaster, Pennsylvania 17604
Attention: General Counsel

13. Miscellaneous; Amendment of Related Agreements.

13.1 No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that, following a Change in Control, the Executive's employment with the Company is terminated by the

Company other than for Cause or by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Pennsylvania. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 hereof) shall survive such expiration.

14. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. Settlement of Disputes; Arbitration.

16.1 All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied. Notwithstanding the above, in the event of any dispute, any decision by the Board hereunder shall be subject to a de novo review by the arbitrator.

16.2 Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Lancaster County, Pennsylvania in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

17. Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with section 409A of the Code to the extent subject thereto or be exempt therefrom, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid the application of an accelerated or additional tax under section 409A of the Code, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement until such time as the Executive is considered to have incurred a "separation from service" from the Company within the meaning of section 409A of the Code. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separately identified payment for purposes of section 409A of the Code, and any payments that are due within the "short term deferral period" as defined in section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. To the extent required to avoid the application of an accelerated or additional tax under section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following the Executive's termination of employment shall instead be paid on the first business day after the date that is six months following the Executive's termination of employment (or upon the Executive's death, if earlier). The Company is entitled to determine whether any amounts under this Agreement are to be suspended or delayed pursuant to the foregoing sentence, and the Company shall have no liability to the Executive for any such determination or any errors made by the Company in identifying the Executive as a specified employee. Any amounts so suspended shall earn interest thereon, if applicable, calculated based upon the then prevailing monthly short-term applicable federal rate. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to the Executive that would not be required to be delayed if the premiums therefor were paid by the Executive, the Executive shall pay the full cost of premiums for such welfare benefits during the six-month period and the Company shall pay the Executive an amount equal to the amount of such premiums paid

by the Executive during such six-month period on the first business day of the month following the expiration of the six-month period referred to above. To the extent required to avoid an accelerated or additional tax under section 409A of the Code, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during any one year may not effect amounts reimbursable or provided in any subsequent year.

18. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Auditor" shall have the meaning set forth in Section 6.2 hereof.

(C) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(D) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Cause" for termination by the Company of the Executive's employment shall mean (i) the deliberate and continued failure by the Executive to devote substantially all the Executive's business time and best efforts to the performance of the Executive's duties (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 7.1 hereof) after a demand for substantial performance is delivered to the Executive by the Board which demand specifically identifies the manner in which the Board believes the Executive has not substantially performed such duties; (ii) the deliberate engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; or (iii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a felony or any criminal charge involving moral turpitude. For the purposes of this Agreement, no act, or failure to act, on the part of the Executive shall be considered "deliberate" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that such action or omission was in the best interests of the Company.

(G) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or;

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the Company, the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities; or

(IV) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or any parent thereof.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Company" shall mean Armstrong Flooring, Inc. and, except in determining under Section 18(G) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(J) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(K) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(L) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(M) "Excise Tax" shall mean any excise tax imposed under section 4999 of the Code.

(N) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(O) "Fair Market Value" shall have the meaning ascribed to such term in the Company's 2011 Long-Term Incentive Plan or its successor plan.

(P) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent which specifically references this Agreement) after any Change in Control, or prior to a Change in Control under the circumstances described in the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) a material diminution in the Executive's authority, duties, or responsibilities or the assignment to the Executive of duties or responsibilities that are materially inconsistent with those in effect immediately prior to the Change in Control; including, without limitation, if the Executive was, immediately prior to the Change in Control, an executive officer of a public company, any such alteration attributable to the Executive ceasing to be an executive officer of a public company;

(II) a reduction of ten percent (10%) or more by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executive officers of the Company;

(III) the relocation of the Executive's principal place of employment to a location more than fifty (50) miles from the Executive's principal place of employment immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable in terms of compensation opportunity ("materially less favorable" shall be a reduction of ten percent (10%) or more in the compensation opportunity), as existed immediately prior to the Change in Control except for across-the-board compensation plan reductions similarly affecting all senior executive officers of the Company;

(V) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's retirement, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits (a "material reduction" shall be a reduction of ten percent (10%) or more in the value of the aggregate benefits), or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control except for (i) across-the-board benefit reductions similarly affecting all senior executive officers of the Company or (ii) reduction or elimination of Executive's annual comprehensive "executive" physical examinations, financial planning or other perquisites;

(VI) a material breach by the Company of its obligations under this Agreement; or

(VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective; or

(VIII) failure of the Company to obtain assumption and agreement by a successor of the Company to perform this Agreement as provided in Section 11.1

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. In no event will the Executive have Good Reason to terminate employment unless such act or failure to act results in a material negative change to the Executive's employment that has not been cured within 30 days after a Notice of Termination is delivered by the Executive to the Company. The Executive must also provide notice to the Company of the Good Reason condition within ninety (90) days of the initial existence of such condition.

(Q) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(R) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14 (d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(S) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(III) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 30% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates); or

(IV) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(T) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(U) "Tax Counsel" shall have the meaning set forth in Section 6.2 hereof.

(V) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(W) "Total Payments" shall mean those payments so described in Section 6.2 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ARMSTRONG FLOORING, INC.

By: /s/ John C. Bassett
Name: John C. Bassett
Title: Senior Vice President, Human Resources

/s/ Donald R. Maier
Donald R. Maier
EXECUTIVE

EXHIBIT A

FORM OF RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the “Release”) is made as of this ________ day of ___________, ________, by and between Donald R. Maier (“Executive”) and Armstrong Flooring, Inc. (the “Company”).

1. FOR AND IN CONSIDERATION of the payments and benefits provided in the Amended and Restated Change in Control Severance Agreement between Executive and the Company dated as of December 1, 2017 (the “Change in Control Agreement”), Executive, for himself or herself, his or her successors and assigns, executors and administrators, now and forever hereby releases and discharges the Company, together with all of its past and present parents, subsidiaries, and affiliates, together with each of their officers, directors, stockholders, partners, employees, agents, representatives and attorneys, and each of their subsidiaries, affiliates, estates, predecessors, successors, and assigns (hereinafter collectively referred to as the “Releasees”) from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, obligations, damages, demands or liabilities of every kind whatsoever, in law or in equity, whether known or unknown, suspected or unsuspected, which Executive or Executive’s executors, administrators, successors or assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever; arising from the beginning of time up to the date of the Release: (i) relating in any way to Executive’s employment relationship with the Company or any of the Releasees, or the termination of Executive’s employment relationship with the Company or any of the Releasees; (ii) arising under or relating to the Change in Control Agreement; (iii) arising under any federal, local or state statute or regulation, including, without limitation, the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, and/or the applicable state law against discrimination, each as amended; (iv) relating to wrongful employment termination or breach of contract; or (v) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and any of the Releasees and Executive; provided, however, that notwithstanding the foregoing, nothing contained in the Release shall in any way diminish or impair: (i) the Executive’s ability to enforce the provisions of Sections 6.1(B), (D) and (F) of the Change in Control Agreement, (ii) any direct or indirect holdings of equity in Armstrong Flooring, Inc. or any vested awards (or awards which may vest) which Executive has under any equity, equity-based, stock option or similar plan, agreement or program, which equity and awards shall be subject to all the terms and conditions of such documents; (iii) any claims for accrued and vested benefits under any of the Company’s employee retirement and welfare benefit plans; and (iv) any rights or claims Executive may have that cannot be waived under applicable law; (collectively, the “Excluded Claims”). Executive further acknowledges and agrees that, except with respect to Excluded Claims, the Company and the Releasees have fully satisfied any and all obligations whatsoever owed to Executive arising out of Executive’s employment with the Company or any of the Releasees, and that no further payments or benefits are owed to Executive by the Company or any of the Releasees.

2. Executive understands and agrees that, except for the Excluded Claims, Executive has knowingly relinquished, waived and forever released any and all rights to any personal recovery in any action or proceeding that may be commenced on Executive’s behalf arising out of the aforesaid employment relationship or the termination thereof, including, without limitation, claims for back pay, front pay, liquidated damages, compensatory damages, general damages, special damages, punitive damages, exemplary damages, costs, expenses and attorneys’ fees.

3. Executive acknowledges and agrees that Executive has been advised to consult with an attorney of Executive’s choosing prior to signing the Release. Executive understands and agrees that Executive has the right and has been given the opportunity to review the Release with an attorney of Executive’s choice should Executive so desire. Executive also agrees that Executive has entered into the Release freely and voluntarily. Executive further acknowledges and agrees that Executive has had at least forty-five (45) calendar days to consider the

Release, although Executive may sign it sooner if Executive wishes. In addition, once Executive has signed the Release, Executive shall have seven (7) additional days from the date of execution to revoke Executive's consent and may do so only by writing to: Armstrong Flooring, Inc., 2500 Columbia Avenue, Lancaster, Pennsylvania 17604, Attention: General Counsel. The Release shall not be effective until the eighth (8th) day after Executive shall have executed the Release and returned it to the Company, assuming that Executive had not revoked Executive's consent to the Release prior to such date. No payments shall be due under Section 6 of the Change in Control Agreement unless this Release has become effective, and no such amounts shall be paid until the times set forth therein.

4. It is understood and agreed by Executive that the payment made to Executive is not to be construed as an admission of any liability whatsoever on the part of the Company or any of the other Releasees, by whom liability is expressly denied.

5. The Release is executed by Executive voluntarily and is not based upon any representations or statements of any kind made by the Company or any of the other Releasees as to the merits, legal liabilities or value of Executive's claims. Executive further acknowledges that Executive has had a full and reasonable opportunity to consider the Release and that Executive has not been pressured or in any way coerced into executing the Release.

6. The exclusive venue for any disputes arising hereunder shall be the state or federal courts located in the Commonwealth of Pennsylvania, and each of the parties hereto irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Each of the parties hereto also agrees that any final and unappealable judgment against a party hereto in connection with any action, suit or other proceeding may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment shall be conclusive evidence of the fact and amount of such award or judgment.

7. The Release and the rights and obligations of the parties hereto shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania If any provision hereof is unenforceable or is held to be unenforceable, such provision shall be fully severable, and this document and its terms shall be construed and enforced as if such unenforceable provision had never comprised a part hereof, the remaining provisions hereof shall remain in full force and effect, and the court construing the provisions shall add as a part hereof a provision as similar in terms and effect to such unenforceable provision as may be enforceable, in lieu of the unenforceable provision.

8. The Release shall inure to the benefit of and be binding upon the Company and its successors and assigns.

IN WITNESS WHEREOF, Executive and the Company have executed the Release as of the date and year first written above.

ARMSTRONG FLOORING, INC.

By: ________________________
Name: ______________________
Title: _______________________

____
Donald R. Maier
EXECUTIVE

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Section 3: EX-10.31 (EXHIBIT 10.31)

Exhibit 10.31

FORM OF AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT, effective December 1, 2017, is made by and between Armstrong Flooring, Inc., a Delaware corporation (the “Company”), and ____________________ (the “Executive”).

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continued employment of key management personnel; and

WHEREAS, the Board recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company’s management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through August 31, 2020; provided, however, that commencing on September 1, 2019 and each September 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than the preceding May 30, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire twenty four (24) months following the date on which such Change in Control occurred.

3. Company’s Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive’s covenants set forth in Section 4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. No Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive’s employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive’s Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six (6) months from the date of such Potential Change in Control, (ii) the date of a Change in Control, or (iii) the date of termination of the Executive’s employment for any reason.

5. Compensation Other Than Severance Payments.

5.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period (other than any disability plan), until the Executive experiences a separation from service from the Company by reason of the Executive's Disability.

5.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

5.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 Subject to Section 6.2 hereof, if (i) the Executive's employment is terminated following a Change in Control and during the Term, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments"), in addition to any payments and benefits to which the Executive is entitled under Section 5 hereof; provided, however, that, in the case of clauses (A), (B), (C), (D) and (F) below, Executive shall have executed a release of claims substantially in the form attached as Exhibit A hereto and such release shall become effective within sixty (60) days following the Date of Termination (or the date of the Change in Control in the case of such a termination of employment described in the next sentence). For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment).

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to two (2) times the sum of (i) the Executive's base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, and (ii) the Executive's target annual bonus under the Annual Incentive Plan or any other annual incentive compensation plan adopted by the Company in which the Executive participates in respect of the fiscal year in which occurs the Date of Termination or, if higher, such target annual bonus in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

(B) For the twenty four (24) month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater after-tax cost to the Executive than the after-tax cost to the Executive immediately prior to such date or occurrence; provided, however, that (i) the Executive's and his qualified dependents' COBRA eligibility period shall include the period during which the Company is providing benefits under this subsection (B); (ii) unless the Executive consents to a different method (or elects COBRA coverage at applicable COBRA rates), such health insurance benefits shall be provided through a third-party insurer; and (iii) the Executive shall be responsible for the payment of premiums for such benefits in the same amount as active employees of the Company. Benefits otherwise receivable by the Executive pursuant to this Section 6.1(B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the twenty four (24) month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the after tax cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason. Notwithstanding the foregoing, in the event that the Executive's employment is terminated under circumstances described in the second sentence of Section 6.1, on the sixtieth (60th) day following the Change in Control the Company shall pay or reimburse the Executive for any amounts or benefits it would have been required to pay or provide to the Executive under this Section 6.1(C) during the period prior to the Change in Control, determined as if the Change in Control occurred on the Date of Termination.

(C) Notwithstanding any provision of any annual incentive plan to the contrary, the Company shall pay to the Executive an amount, in cash, equal to the sum of (i) any unpaid incentive compensation which has been allocated or awarded to the Executive for a completed fiscal year preceding the Date of Termination under any such plan and which, as of the Date of Termination, is contingent only upon the continued employment of the Executive to a subsequent date, and (ii) a pro rata portion to the Date of Termination of Executive's target bonus for the year in which the Date of Termination occurs (or the target in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason), calculated by multiplying such target bonus by the fraction obtained by dividing the number of full months and any fractional portion of a month during such year through the Date of Termination by twelve (12).

(D) If the Executive would have become entitled to benefits under the Company's post-retirement health care or life insurance plans (as in effect immediately prior to the Date of Termination (or, if more favorable to the Executive, such plans as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason)) had the Executive's employment terminated at any time during the period of twenty four (24) months after the Date of Termination, the Company shall provide such post-retirement health care or life insurance benefits to the Executive (subject to any employee contributions required under the terms of such plans in the same amounts as active employees of the Company) commencing on the later of (i) the date that such coverage would have first become available or (ii) the date that benefits described in subsection (B) of this Section 6.1 terminate.

(E) The Company shall pay the Executive, no later than thirty (30) days following the Date of Termination, at a daily salary rate based upon the Executive's annual base salary in effect immediately prior to the Date of Termination (or immediately prior to any reduction resulting in a termination for Good Reason, if applicable), a lump sum amount equal to all earned but unused vacation days through the Date of Termination.

(F) The Company shall pay, no later than the last day of the calendar year in which they are incurred, the reasonable fees and expenses of a full service nationally recognized executive outplacement firm until the earlier of the date the Executive secures new employment or the date which is twenty four (24) months following the Executive's Date of Termination; provided that in no event shall the aggregate amount of such payments exceed $30,000.

(G) All unvested equity awards held by the Executive on the Date of Termination (or the date of the Change in Control in the event of the Executive's termination under circumstances described in the second sentence of Section 6.1) shall immediately vest, all restrictions thereon shall lapse, and any performance-based awards shall be deemed to have been earned at the target level set forth in the applicable award agreement for any performance period not then completed and all earned but unvested performance-based awards, including those deemed to be earned pursuant to this sentence, shall immediately vest. All such equity awards other than options (addressed in the immediately following sentence) shall be settled and paid to the Executive within five (5) days following the Executive's Date of Termination. Any option, including those that become vested and exercisable pursuant to this Section 6.1(G), held by the Executive shall remain exercisable for a period ending on the later of (x) the fifth anniversary of the Date of Termination (or the fifth anniversary of the Change in Control in the event of the Executive's termination under circumstances described in the second sentence of Section 6.1) or (y) the last date that such option otherwise would be exercisable under the terms of the option agreement or the plan pursuant to which such option was granted; provided, that in no event shall any option be exercisable after the expiration of the original term of such option. If any of the Executive's equity awards were forfeited prior to a Change in Control following the Executive's termination under circumstances described in the second sentence of Section 6.1 but prior to the date of a Change in Control, the Company shall, within thirty (30) days following the date of the Change in Control, make a lump sum cash payment to the Executive in respect of such Executive's equity awards that have not previously vested in an amount equal to (A) in the case of restricted shares, performance restricted shares, restricted stock units or performance restricted stock units, the aggregate Fair Market Value of the shares of Company stock underlying the applicable award and (B) in the case of an option, the excess of the Fair Market Value of a share of the Company's stock over the exercise price of such option, in each case determined as of the date of the Change in Control without taking into account any restrictions thereon. Notwithstanding the foregoing, to the extent any equity awards constitute "non-qualified deferred compensation" within the meaning of Section 409A of the Code, such awards shall be settled on the earliest date that would be permitted under Section 409A of the Code without incurring penalty or accelerated taxes thereunder.

6.2 (A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive (including any payment or benefit received in connection with a Change in Control or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the Severance Payments, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the Excise Tax, then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement, the portion of the Total Payments that does not constitute deferred compensation within the meaning of section 409A of the Code shall first be reduced and the portion of the Total Payments that does constitute deferred compensation within the meaning of section 409A of the Code shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (B) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(B) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to the Change in Control, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the Base Amount allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement). If the Executive objects to the Company's calculations, the Company shall pay to the Executive such portion of the Severance Payments (up to 100% thereof) as the Executive determines is necessary to result in the proper application of subsection A of this Section 6.2.

6.3 Subject to the provisions of Section 17 hereof, the payments provided for in subsections (A) and (C) of Section 6.1 hereof shall be made on the sixtieth (60th) day following the Date of Termination; and in the event the Executive becomes entitled to Severance Payments due to a termination described in the second sentence of Section 6.1, such payments shall be made on the sixtieth (60th) day following the Change in Control. Notwithstanding the above, to the extent the Executive is terminated (i) following a Change in Control but prior to a change in ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company (within the meaning of section 409A of the Code) or (ii) prior to a Change in Control in a manner described in the second sentence of Section 6.1, to the extent required to avoid accelerated taxation and/or tax penalties under section 409A of the Code, amounts payable to the Executive hereunder, to the extent not in excess of the amount that the Executive would have received under any other pre-Change in Control severance plan or arrangement with the Company had such plan or arrangement been applicable, shall be paid at the time and in the manner provided by such plan or arrangement and the remainder shall be paid to the Executive in accordance with the provisions of this Section 6.3.

6.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require; provided that in no event will payment be made for requests that are submitted later than December 15^{th} of the year following the year in which the expense is incurred.

7. <u>Termination Procedures and Compensation During Dispute</u>.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

8. Restrictive Covenants

8.1 During the Executive's employment with the Company and for a period of eighteen (18) months thereafter:

(A) the Executive shall not, directly for the Executive or any third party, except on behalf of the Company or its affiliates, become engaged in any business or activity which is directly in competition with any services or products sold by, or any business or activity engaged in by, the Company or any of its affiliates; provided, however, that this provision shall not restrict the Executive from owning or investing in publicly traded securities, so long as the Executive's aggregate holdings in such company do not exceed 2% of the outstanding equity of such company and such investment is passive;

(B) the Executive shall not, directly for the Executive or any third party, except on behalf of the Company or its affiliates, (i) (A) solicit business from any person who was a customer of the Company or any of its affiliates during the period of the Executive's employment hereunder or who was within the 6 month period prior to such solicitation, or (B) solicit potential customers who are or were identified through leads developed during the course of the Executive's employment with the Company, in each case, with whom the Executive was involved as part of the Executive's job responsibilities during the Executive's employment with the Company, or regarding whom the Executive learned confidential information during the Executive's employment with the Company, or (ii) otherwise divert or attempt to divert any existing business of the Company or any of its affiliates; and

(C) the Executive shall not, directly for the Executive or any third party, except on behalf of the Company or its affiliates, (i) solicit, induce, recruit or cause another person in the employment of the Company or any of its affiliates to terminate such employee's employment, or (ii) hire or retain any person who is, or within the 6 month period prior to such hiring or retention was, an employee of the Company or any of its affiliates.

8.2 The Executive agrees that he will not, while employed with the Company or at any time thereafter for any reason, in any fashion, form or manner, either directly or indirectly, divulge, disclose or communicate to any person, firm, corporation or other business entity, in any manner whatsoever, any confidential information or trade secrets concerning the business of the Company, including, without limiting the generality of the foregoing, any customer lists or other customer identifying information, the techniques, methods or systems of the Company's operation or management, any information regarding its financial matters, or any other material information concerning the business of the Company, its manner of operation, its plans or other material data. The provisions of this Section 8.2 shall not apply to (i) information that is public knowledge other than as a result of disclosure by the Executive in breach of this Section 8.2; (ii) information disseminated by the Company to third parties in the ordinary course of business; (iii) information lawfully received by the Executive from a third party who, based upon inquiry by the Executive, is not bound by a confidential relationship to the Company, or (iv) information disclosed under a requirement of law or as directed by applicable legal authority having jurisdiction over the Executive.

8.3 The Executive agrees that he will not, while employed with the Company or at any time thereafter for any reason, in any fashion, form or manner, either directly or indirectly, disparage or criticize the Company, or otherwise speak of the Company, in any negative or unflattering way to anyone with regard to any matters relating to the Executive's employment by the Company or the business or employment practices of the Company. The Company agrees that it will not, in any fashion, form or manner, either directly or indirectly, disparage or criticize the Executive or otherwise speak of the Executive in any negative or unflattering way to anyone with regard to any matters relating to the Executive's employment with the Company.

8.4 Pursuant to 18 U.S.C. § 1833(b), the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to the Executive's attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the trade secret to the Executive's attorney and use the trade secret information in the court proceeding if the Executive (x) files any document containing the trade secret under seal, and (y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement, or any other agreement that the Executive has with the Company, (I) is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section, or (II) prohibits (A) statements reasonably necessary to be made in any judicial, administrative or arbitral proceeding, (B) internal communications between and among the employees of the Company with a job-related need to know about this Agreement or matters related to the administration of this Agreement, or (C) voluntary communications by employees or former employees with the Securities and Exchange Commission or other authorities regarding possible violations of law or from recovering a Commission whistleblower award as provided under Section 21F of the Securities Exchange Act of 1934.

8.5 The Executive understands that in the event of a violation of any provision of this Section 8, the Company shall have the right to (i) seek injunctive relief, in addition to any other existing rights provided in this Agreement or by operation of law, without the requirement of posting bond and (ii) stop making any future payments or providing benefits under this Agreement. The remedies provided in this Section 8.5 shall be in addition to any legal or equitable remedies existing at law or provided for in any other agreement between the Executive and the Company or any of its affiliates, and shall not be construed as a limitation upon, or as an alternative or in lieu of, any such remedies. If any provisions of Section 8 shall be determined by a court of competent jurisdiction to be unenforceable in part by reason of it being too great a period of time or covering too great a geographical area, it shall be in full force and effect as to that period of time or geographical area determined to be reasonable by the court.

8.6 The Executive acknowledges that the provisions of Section 8 shall extend to any business that becomes an affiliate of or successor to the Company or any of its affiliates on account of a Change in Control or otherwise.

9. Requirement of Release. Notwithstanding anything in this Agreement to the contrary, the Executive's entitlement to any payments other than the Executive's accrued but unpaid base compensation and any accrued but unpaid or otherwise vested benefits under any benefit or incentive plan determined at the time of the Executive's termination of employment shall be contingent upon the Executive having executed a release substantially

in the form attached as Exhibit A hereto and such release becoming effective within sixty (60) days after the Date of Termination (or the date of the Change in Control in the event of a termination described in the second sentence of Section 6.1). If such release does not become effective within the time period prescribed above, the Company's obligations under Section 6.1 (other than Section 6.1(E)) shall cease immediately.

10. No Mitigation. The Company agrees that the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof. Further, except as specifically provided in Section 6.1 (B) hereof, no payment or benefit provided for in this Agreement shall be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

11. Successors; Binding Agreement.

11.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

11.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

12. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the most recent address shown in the personnel records of the Company and, if to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company: Armstrong Flooring, Inc.
2500 Columbia Avenue
Lancaster, Pennsylvania 17604
Attention: General Counsel

13. Miscellaneous; Amendment of Related Agreements.

13.1 No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that, following a Change in Control, the Executive's employment with the Company is terminated by the Company other than for Cause or by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Pennsylvania. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 hereof) shall survive such expiration.

14. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. Settlement of Disputes; Arbitration.

16.1 All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied. Notwithstanding the above, in the event of any dispute, any decision by the Board hereunder shall be subject to a de novo review by the arbitrator.

16.2 Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Lancaster County, Pennsylvania in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

17. Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with section 409A of the Code to the extent subject thereto or be exempt therefrom, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid the application of an accelerated or additional tax under section 409A of the Code, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement until such time as the Executive is considered to have incurred a "separation from service" from the Company within the meaning of section 409A of the Code. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separately identified payment for purposes of section 409A of the Code, and any payments that are due within the "short term deferral period" as defined in section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. To the extent required to avoid the application of an accelerated or additional tax under section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following the Executive's termination of employment shall instead be paid on the first business day after the date that is six months following the Executive's termination of employment (or upon the Executive's death, if earlier). The Company is entitled to determine whether any amounts under this Agreement are to be suspended or delayed pursuant to the foregoing sentence, and the Company shall have no liability to the Executive for any such determination or any errors made by the Company in identifying the Executive as a specified employee. Any amounts so suspended shall earn interest thereon, if applicable, calculated based upon the then prevailing monthly short-term applicable federal rate. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to the Executive that would not be required to be delayed if the premiums therefor were paid by the Executive, the Executive shall pay the full cost of premiums for such welfare benefits during the six-month period and the Company shall pay the Executive an amount equal to the amount of such premiums paid by the Executive during such six-month period on the first business day of the month following the expiration of the

six-month period referred to above. To the extent required to avoid an accelerated or additional tax under section 409A of the Code, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during any one year may not effect amounts reimbursable or provided in any subsequent year.

18. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Auditor" shall have the meaning set forth in Section 6.2 hereof.

(C) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(D) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Cause" for termination by the Company of the Executive's employment shall mean (i) the deliberate and continued failure by the Executive to devote substantially all the Executive's business time and best efforts to the performance of the Executive's duties (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 7.1 hereof) after a demand for substantial performance is delivered to the Executive by the Board which demand specifically identifies the manner in which the Board believes the Executive has not substantially performed such duties; (ii) the deliberate engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; or (iii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a felony or any criminal charge involving moral turpitude. For the purposes of this Agreement, no act, or failure to act, on the part of the Executive shall be considered "deliberate" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that such action or omission was in the best interests of the Company.

(G) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or;

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the Company, the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities; or

(IV) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or any parent thereof.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Company" shall mean Armstrong Flooring, Inc. and, except in determining under Section 18(G) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(J) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(K) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(L) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(M) "Excise Tax" shall mean any excise tax imposed under section 4999 of the Code.

(N) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(O) "Fair Market Value" shall have the meaning ascribed to such term in the Company's 2011 Long-Term Incentive Plan or its successor plan.

(P) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent which specifically references this Agreement) after any Change in Control, or prior to a Change in Control under the circumstances described in the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) a material diminution in the Executive's authority, duties, or responsibilities or the assignment to the Executive of duties or responsibilities that are materially inconsistent with those in effect immediately prior to the Change in Control; including, without limitation, if the Executive was, immediately prior to the Change in Control, an executive officer of a public company, any such alteration attributable to the Executive ceasing to be an executive officer of a public company;

(II) a reduction of ten percent (10%) or more by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executive officers of the Company;

(III) the relocation of the Executive's principal place of employment to a location more than fifty (50) miles from the Executive's principal place of employment immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable in terms of compensation opportunity ("materially less favorable" shall be a reduction of ten percent (10%) or more in the compensation opportunity), as existed immediately prior to the Change in Control except for across-the-board compensation plan reductions similarly affecting all senior executive officers of the Company;

(V) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's retirement, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits (a "material reduction" shall be a reduction of ten percent (10%) or more in the value of the aggregate benefits), or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control except for (i) across-the-board benefit reductions similarly affecting all senior executive officers of the Company or (ii) reduction or elimination of Executive's annual comprehensive "executive" physical examinations, financial planning or other perquisites;

(VI) a material breach by the Company of its obligations under this Agreement; or

(VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective; or

(VIII) failure of the Company to obtain assumption and agreement by a successor of the Company to perform this Agreement as provided in Section 11.1

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. In no event will the Executive have Good Reason to terminate employment unless such act or failure to act results in a material negative change to the Executive's employment that has not been cured within 30 days after a Notice of Termination is delivered by the Executive to the Company. The Executive must also provide notice to the Company of the Good Reason condition within ninety (90) days of the initial existence of such condition.

(Q) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(R) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14 (d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(S) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(III) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 30% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates); or

(IV) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(T) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(U) "Tax Counsel" shall have the meaning set forth in Section 6.2 hereof.

(V) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(W) "Total Payments" shall mean those payments so described in Section 6.2 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ARMSTRONG FLOORING, INC.

By:________________________________
Name: Donald R. Maier
Title: President and Chief Executive Officer

____
____
EXECUTIVE

EXHIBIT A

FORM OF RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Release") is made as of this ________ day of ___________, ________, by and between _______________ ("Executive") and Armstrong Flooring, Inc. (the "Company").

1. FOR AND IN CONSIDERATION of the payments and benefits provided in the Amended and Restated Change in Control Severance Agreement between Executive and the Company dated as of December 1, 2017 (the "Change in Control Agreement"), Executive, for himself or herself, his or her successors and assigns, executors and administrators, now and forever hereby releases and discharges the Company, together with all of its past and present parents, subsidiaries, and affiliates, together with each of their officers, directors, stockholders, partners, employees, agents, representatives and attorneys, and each of their subsidiaries, affiliates, estates, predecessors, successors, and assigns (hereinafter collectively referred to as the "Releasees") from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, obligations, damages, demands or liabilities of every kind whatsoever, in law or in equity, whether known or unknown, suspected or unsuspected, which Executive or Executive's executors, administrators, successors or assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever; arising from the beginning of time up to the date of the Release: (i) relating in any way to Executive's employment relationship with the Company or any of the Releasees, or the termination of Executive's employment relationship with the Company or any of the Releasees; (ii) arising under or relating to the Change in Control Agreement; (iii) arising under any federal, local or state statute or regulation, including, without limitation, the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, and/or the applicable state law against discrimination, each as amended; (iv) relating to wrongful employment termination or breach of contract; or (v) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and any of the Releasees and Executive; provided, however, that notwithstanding the foregoing, nothing contained in the Release shall in any way diminish or impair: (i) the Executive's ability to enforce the provisions of Sections 6.1(B), (D) and (F) of the Change in Control Agreement, (ii) any direct or indirect holdings of equity in Armstrong Flooring, Inc. or any vested awards (or awards which may vest) which Executive has under any equity, equity-based, stock option or similar plan, agreement or program, which equity and awards shall be subject to all the terms and conditions of such documents; (iii) any claims for accrued and vested benefits under any of the Company's employee retirement and welfare benefit plans; and (iv) any rights or claims Executive may have that cannot be waived under applicable law; (collectively, the "Excluded Claims"). Executive further acknowledges and agrees that, except with respect to Excluded Claims, the Company and the Releasees have fully satisfied any and all obligations whatsoever owed to Executive arising out of Executive's employment with the Company or any of the Releasees, and that no further payments or benefits are owed to Executive by the Company or any of the Releasees.

2. Executive understands and agrees that, except for the Excluded Claims, Executive has knowingly relinquished, waived and forever released any and all rights to any personal recovery in any action or proceeding that may be commenced on Executive's behalf arising out of the aforesaid employment relationship or the termination thereof, including, without limitation, claims for back pay, front pay, liquidated damages, compensatory damages, general damages, special damages, punitive damages, exemplary damages, costs, expenses and attorneys' fees.

3. Executive acknowledges and agrees that Executive has been advised to consult with an attorney of Executive's choosing prior to signing the Release. Executive understands and agrees that Executive has the right and has been given the opportunity to review the Release with an attorney of Executive's choice should Executive so desire. Executive also agrees that Executive has entered into the Release freely and voluntarily. Executive further acknowledges and agrees that Executive has had at least forty-five (45) calendar days to consider the Release, although Executive may sign it sooner if Executive wishes. In addition, once Executive has signed

the Release, Executive shall have seven (7) additional days from the date of execution to revoke Executive's consent and may do so only by writing to: Armstrong Flooring, Inc., 2500 Columbia Avenue, Lancaster, Pennsylvania 17604, Attention: General Counsel. The Release shall not be effective until the eighth (8th) day after Executive shall have executed the Release and returned it to the Company, assuming that Executive had not revoked Executive's consent to the Release prior to such date. No payments shall be due under Section 6 of the Change in Control Agreement unless this Release has become effective, and no such amounts shall be paid until the times set forth therein.

4. It is understood and agreed by Executive that the payment made to Executive is not to be construed as an admission of any liability whatsoever on the part of the Company or any of the other Releasees, by whom liability is expressly denied.

5. The Release is executed by Executive voluntarily and is not based upon any representations or statements of any kind made by the Company or any of the other Releasees as to the merits, legal liabilities or value of Executive's claims. Executive further acknowledges that Executive has had a full and reasonable opportunity to consider the Release and that Executive has not been pressured or in any way coerced into executing the Release.

6. The exclusive venue for any disputes arising hereunder shall be the state or federal courts located in the Commonwealth of Pennsylvania, and each of the parties hereto irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Each of the parties hereto also agrees that any final and unappealable judgment against a party hereto in connection with any action, suit or other proceeding may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment shall be conclusive evidence of the fact and amount of such award or judgment.

7. The Release and the rights and obligations of the parties hereto shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania If any provision hereof is unenforceable or is held to be unenforceable, such provision shall be fully severable, and this document and its terms shall be construed and enforced as if such unenforceable provision had never comprised a part hereof, the remaining provisions hereof shall remain in full force and effect, and the court construing the provisions shall add as a part hereof a provision as similar in terms and effect to such unenforceable provision as may be enforceable, in lieu of the unenforceable provision.

8. The Release shall inure to the benefit of and be binding upon the Company and its successors and assigns.

IN WITNESS WHEREOF, Executive and the Company have executed the Release as of the date and year first written above.

ARMSTRONG FLOORING, INC.

By: ________________________
Name: ______________________
Title: ______________________

____

____

EXECUTIVE

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Section 4: EX-10.32 (EXHIBIT 10.32)

Exhibit 10.32

AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT, effective December 1, 2017, is made by and between Armstrong Flooring, Inc., a Delaware corporation (the “Company”), and Brent A. Flaharty (the “Executive”).

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continued employment of key management personnel; and

WHEREAS, the Board recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company’s management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through August 31, 2020; provided, however, that commencing on September 1, 2019 and each September 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than the preceding May 30, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire twenty four (24) months following the date on which such Change in Control occurred.

3. Company’s Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive’s covenants set forth in Section 4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. No Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive’s employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive’s Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six (6) months from the date of such Potential Change in Control, (ii) the date of a Change in Control, or (iii) the date of termination of the Executive’s employment for any reason.

5. Compensation Other Than Severance Payments.

5.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period (other than any disability plan), until the Executive experiences a separation from service from the Company by reason of the Executive's Disability.

5.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

5.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 Subject to Section 6.2 hereof, if (i) the Executive's employment is terminated following a Change in Control and during the Term, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments"), in addition to any payments and benefits to which the Executive is entitled under Section 5 hereof; provided, however, that, in the case of clauses (A), (B), (C), (D) and (F) below, Executive shall have executed a release of claims substantially in the form attached as Exhibit A hereto and such release shall become effective within sixty (60) days following the Date of Termination (or the date of the Change in Control in the case of such a termination of employment described in the next sentence). For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (but only if a Change in Control occurs no later than six (6) months following the Executive's termination of employment).

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to two (2) times the sum of (i) the

Executive's base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, and (ii) the Executive's target annual bonus under the Annual Incentive Plan or any other annual incentive compensation plan adopted by the Company in which the Executive participates in respect of the fiscal year in which occurs the Date of Termination or, if higher, such target annual bonus in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

(B) For the twenty four (24) month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater after-tax cost to the Executive than the after-tax cost to the Executive immediately prior to such date or occurrence; provided, however, that (i) the Executive's and his qualified dependents' COBRA eligibility period shall include the period during which the Company is providing benefits under this subsection (B); (ii) unless the Executive consents to a different method (or elects COBRA coverage at applicable COBRA rates), such health insurance benefits shall be provided through a third-party insurer; and (iii) the Executive shall be responsible for the payment of premiums for such benefits in the same amount as active employees of the Company. Benefits otherwise receivable by the Executive pursuant to this Section 6.1(B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the twenty four (24) month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the after tax cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason. Notwithstanding the foregoing, in the event that the Executive's employment is terminated under circumstances described in the second sentence of Section 6.1, on the sixtieth (60th) day following the Change in Control the Company shall pay or reimburse the Executive for any amounts or benefits it would have been required to pay or provide to the Executive under this Section 6.1(C) during the period prior to the Change in Control, determined as if the Change in Control occurred on the Date of Termination.

(C) Notwithstanding any provision of any annual incentive plan to the contrary, the Company shall pay to the Executive an amount, in cash, equal to the sum of (i) any unpaid incentive compensation which has been allocated or awarded to the Executive for a completed fiscal year preceding the Date of Termination under any such plan and which, as of the Date of Termination, is contingent only upon the continued employment of the Executive to a subsequent date, and (ii) a pro rata portion to the Date of Termination of Executive's target bonus for the year in which the Date of Termination occurs (or the target in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason), calculated by multiplying such target bonus by the fraction obtained by dividing the number of full months and any fractional portion of a month during such year through the Date of Termination by twelve (12).

(D) If the Executive would have become entitled to benefits under the Company's post-retirement health care or life insurance plans (as in effect immediately prior to the Date of Termination (or, if more favorable to the Executive, such plans as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason)) had the Executive's employment terminated at any time during the period of twenty four (24) months after the Date of Termination, the Company shall provide such post-retirement health care or life insurance benefits to the Executive (subject to any employee contributions required under the terms of such plans in the same amounts as active employees of the Company) commencing on the later of (i) the date that such coverage would have first become available or (ii) the date that benefits described in subsection (B) of this Section 6.1 terminate.

(E) The Company shall pay the Executive, no later than thirty (30) days following the Date of Termination, at a daily salary rate based upon the Executive's annual base salary in effect immediately prior to the Date of Termination (or immediately prior to any reduction resulting in a termination for Good Reason, if applicable), a lump sum amount equal to all earned but unused vacation days through the Date of Termination.

(F) The Company shall pay, no later than the last day of the calendar year in which they are incurred, the reasonable fees and expenses of a full service nationally recognized executive outplacement firm until the earlier of the date the Executive secures new employment or the date which is twenty four (24) months following the Executive's Date of Termination; provided that in no event shall the aggregate amount of such payments exceed $30,000.

(G) All unvested equity awards held by the Executive on the Date of Termination (or the date of the Change in Control in the event of the Executive's termination under circumstances described in the second sentence of Section 6.1) shall immediately vest, all restrictions thereon shall lapse, and any performance-based awards shall be deemed to have been earned at the target level set forth in the applicable award agreement for any performance period not then completed and all earned but unvested performance-based awards, including those deemed to be earned pursuant to this sentence, shall immediately vest. All such equity awards other than options (addressed in the immediately following sentence) shall be settled and paid to the Executive within five (5) days following the Executive's Date of Termination. Any option, including those that become vested and exercisable pursuant to this Section 6.1(G), held by the Executive shall remain exercisable for a period ending on the later of (x) the fifth anniversary of the Date of Termination (or the fifth anniversary of the Change in Control in the event of the Executive's termination under circumstances described in the second sentence of Section 6.1) or (y) the last date that such option otherwise would be exercisable under the terms of the option agreement or the plan pursuant to which such option was granted; provided, that in no event shall any option be exercisable after the expiration of the original term of such option. If any of the Executive's equity awards were forfeited prior to a Change in Control following the Executive's termination under circumstances described in the second sentence of Section 6.1 but prior to the date of a Change in Control, the Company shall, within thirty (30) days following the date of the Change in Control, make a lump sum cash payment to the Executive in respect of such Executive's equity awards that have not previously vested in an amount equal to (A) in the case of restricted shares, performance restricted shares, restricted stock units or performance restricted stock units, the aggregate Fair Market Value of the shares of Company stock underlying the applicable award and (B) in the case of an option, the excess of the Fair Market Value of a share of the Company's stock over the exercise price of such option, in each case determined as of the date of the Change in Control without taking into account any restrictions thereon. Notwithstanding the foregoing, to the extent any equity awards constitute "non-qualified deferred compensation" within the meaning of Section 409A of the Code, such awards shall be settled on the earliest date that would be permitted under Section 409A of the Code without incurring penalty or accelerated taxes thereunder.

6.2 (A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive (including any payment or benefit received in connection with a Change in Control or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the Severance Payments, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the Excise Tax, then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement, the portion of the Total Payments that does not constitute deferred compensation within the meaning of section 409A of the Code shall first be reduced and the portion of the Total Payments that does constitute deferred compensation within the meaning of section 409A of the Code shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (B) the net amount of such Total

Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(B) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to the Change in Control, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the Base Amount allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement). If the Executive objects to the Company's calculations, the Company shall pay to the Executive such portion of the Severance Payments (up to 100% thereof) as the Executive determines is necessary to result in the proper application of subsection A of this Section 6.2.

6.3 Subject to the provisions of Section 17 hereof, the payments provided for in subsections (A) and (C) of Section 6.1 hereof shall be made on the sixtieth (60th) day following the Date of Termination; and in the event the Executive becomes entitled to Severance Payments due to a termination described in the second sentence of Section 6.1, such payments shall be made on the sixtieth (60th) day following the Change in Control. Notwithstanding the above, to the extent the Executive is terminated (i) following a Change in Control but prior to a change in ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company (within the meaning of section 409A of the Code) or (ii) prior to a Change in Control in a manner described in the second sentence of Section 6.1, to the extent required to avoid accelerated taxation and/or tax penalties under section 409A of the Code, amounts payable to the Executive hereunder, to the extent not in excess of the amount that the Executive would have received under any other pre-Change in Control severance plan or arrangement with the Company had such plan or arrangement been applicable, shall be paid at the time and in the manner provided by such plan or arrangement and the remainder shall be paid to the Executive in accordance with the provisions of this Section 6.3.

6.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require; provided that in no event will payment be made for requests that are submitted later than December 15th of the year following the year in which the expense is incurred.

7. Termination Procedures and Compensation During Dispute.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

8. Restrictive Covenants

8.1

(A) During the Executive's employment with the Company, the Executive shall not, directly for the Executive or any third party, except on behalf of the Company or its affiliates, become engaged in any business or activity which is directly in competition with any services or products sold by, or any business or activity engaged in by, the Company or any of its affiliates; provided, however, that this provision shall not restrict the Executive from owning or investing in publicly traded securities, so long as the Executive's aggregate holdings in such company do not exceed 2% of the outstanding equity of such company and such investment is passive; and

(B) During the Executive's employment with the Company and for a period of eighteen (18) months thereafter, the Executive shall not, directly for the Executive or any third party, except on behalf of the Company or its affiliates, (i) solicit, induce, recruit or cause another person in the employment of the Company or any of its affiliates to terminate such employee's employment, or (ii) hire or retain any person who is, or within the 6 month period prior to such hiring or retention was, an employee of the Company or any of its affiliates, provided, however, that nothing herein shall restrict the Executive from hiring or retaining any person who responds to a general advertisement or solicitation that is not directed to any such person.

8.2 The Executive agrees that he will not, while employed with the Company or at any time thereafter for any reason, in any fashion, form or manner, either directly or indirectly, disparage or criticize the Company, or otherwise speak of the Company, in any negative or unflattering way to anyone with regard to any matters relating to the Executive's employment by the Company or the business or employment practices of the Company. The Company agrees that it will not, in any fashion, form or manner, either directly or indirectly, disparage or criticize the Executive or otherwise speak of the Executive in any negative or unflattering way to anyone with regard to any matters relating to the Executive's employment with the Company.

8.3 Definition of Trade Secrets. Executive acknowledges and agrees that, while performing services with Company, he has or will be exposed to and/or provided with Company's Trade Secrets. As defined by California law, "Trade Secrets" mean information, including a formula, pattern, compilation, program, device, method, technique or process, that: (1) derives independent economic value, actual or potential, from not being generally known to the public or to other persons or entities who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Company's Trade Secrets include, but are not limited to, the following: unique pricing methodologies and formulas for Company's products and services, unique marketing arrangements and strategies which Company uses with its vendors and suppliers and unique advertising arrangements and strategies that Company uses to advertise its products and services. Executive acknowledges and agrees that Company's Trade Secrets are not generally known to the public or to Company's competitors, were developed or compiled at significant expense by Company over an extended period of time, are the subject of Company's reasonable efforts to maintain their secrecy, and that Company derives significant independent economic value by keeping its Trade Secrets a secret.

8.4 Definition of Confidential Information. Executive acknowledges and agrees that, while performing services with Company, he has or will be exposed to and/or provided with Company's Confidential Information. "Confidential Information" means information belonging to Company, whether reduced to writing or in a form from which such information can be obtained, translated or derived into reasonably usable form, that has been provided to Executive during his employment with Company and/or Executive has gained access to while contracted by Company and/or was developed by Executive in the course of Executive's employment with the Company, that is proprietary and confidential in nature. Company's Confidential Information includes, but is not limited to, the following: Information believed by Company to be a Trade Secret that ultimately does not qualify as such under California law but nonetheless was maintained by Company as confidential; information concerning the nature of Company's business and its manner of operation; the methods and systems used by Company in soliciting, selling and providing its services and/or products to its customers; financial and accounting information, such as cost, pricing and billing information, customer profiles, financial policies and procedures, and revenues and profit margins; sales and marketing information, such as sales strategies and programs; information concerning Company's customers and prospective customers; information concerning Company's vendors and suppliers; customer lists; prospective customer lists; customer buying habits and special needs; Executive policies and procedures; personnel records; compensation paid to Company's Executives.

8.5 Information Not Included Within the Definition of Trade Secrets and/or Confidential Information. For avoidance of doubt, Company's Trade Secrets and Confidential Information do not include any information that: (1) is already in the public domain or becomes available to the public through no breach by Executive of this Agreement; (2) was lawfully in the Executive's possession prior to disclosure to Company; (3) is lawfully disclosed to Executive by a third party without any obligations of confidentiality attaching to such disclosure; or (4) is developed by Executive entirely on his own time without Company's equipment, supplies or facilities and does not relate at the time of conception to Company's business or actual or demonstrably anticipated research or development of Company.

8.6 Property of Company. Executive acknowledges and agrees that all Trade Secrets and Confidential Information developed, created or maintained by Executive, alone or with others, while performing services for the Company, shall remain at all times the sole property of Company.

8.7 Covenant Not to Use, Publish or Disclose Company's Trade Secrets and/or Confidential Information. Executive acknowledges and agrees that Executive's employment for services with the Company creates a relationship of confidence and trust with Company with respect to all of Company's Trade Secrets and Confidential Information. Therefore, at any time during Executive's employment or following the termination of Executive's service agreement with the Company, whether voluntary or involuntary, Executive shall not, except as required in the conduct of Company's business or as authorized in writing by Company, use, publish or disclose any of Company's Trade Secrets and/or Confidential Information in any manner whatsoever.

8.8 Covenant Not to Solicit Company's Clients and/or Customers Through the Use of Company's Trade Secrets and/or Confidential Information. Executive agrees that during the term of Executive's employment with the Company and for a period of eighteen (18) months thereafter, Executive shall not, directly or indirectly, solicit or attempt to solicit any business from any of Company's customers for the purposes of providing products or services that are competitive with those provided by Company where such solicitation and/or attempt at solicitation is done by Executive through the use of Company's Trade Secrets and/or Confidential Information.

8.9 Pursuant to 18 U.S.C. § 1833(b), the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to the Executive's attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the trade secret to the Executive's attorney and use the trade secret information in the court proceeding if the Executive (x) files any document containing the trade secret under seal, and (y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement, or any other agreement that the Executive has with the Company, (I) is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section, or (II) prohibits (A) statements reasonably necessary to be made in any judicial, administrative or arbitral proceeding, (B) internal communications between and among the employees of the Company with a job-related need to know about this Agreement or matters related to the administration of this Agreement, or (C) voluntary communications by employees or former employees with the Securities and Exchange Commission or other authorities regarding possible violations of law or from recovering a Commission whistleblower award as provided under Section 21F of the Securities Exchange Act of 1934.

8.10 This Agreement consists of a series of separate restrictive covenants, all of which shall survive and be enforceable in law and/or equity after Executive's termination or cessation of Executive's employment with Company. The Executive understands that in the event of a violation of any provision of this Section 8.10, the Company shall have the right to (i) seek injunctive relief, in addition to any other existing rights provided in this Agreement or by operation of law, without the requirement of posting bond and (ii) stop making any future payments or providing benefits under this Agreement. The remedies provided in this Section 8.10 shall be in addition to any legal or equitable remedies existing at law or provided for in any other agreement between the Executive and the Company or any of its affiliates, and shall not be construed as a limitation upon, or as an alternative or in lieu of, any such remedies. If any provisions of Section 8 shall be determined by a court of competent jurisdiction to be unenforceable in part by reason of it being too great a period of time or covering too great a geographical area, it shall be in full force and effect as to that period of time or geographical area determined to be reasonable by the court.

8.11 The Executive acknowledges that the provisions of Section 8 shall extend to any business that becomes an affiliate of or successor to the Company or any of its affiliates on account of a Change in Control or otherwise.

8.12 Executive acknowledges that he has carefully read and considered Sections 8.1 – 8.9 of this Agreement and agrees that the restrictions set forth therein are fair and reasonable, are supported by valid consideration, and are reasonably required to protect the legitimate business interests of Company.

8.13 In the event of a breach by Executive of any restrictive covenant contained in this Agreement, the running of the period of restriction shall automatically be tolled and suspended for the amount of time the breach continues, and shall automatically commence when the breach is remedied so that Company shall receive the benefit of Executive's compliance with the terms and conditions of this Agreement.

9. <u>Requirement of Release</u>. Notwithstanding anything in this Agreement to the contrary, the Executive's entitlement to any payments other than the Executive's accrued but unpaid base compensation and any accrued but unpaid or otherwise vested benefits under any benefit or incentive plan determined at the time of the Executive's termination of employment shall be contingent upon the Executive having executed a release substantially in the form attached as Exhibit A hereto and such release becoming effective within sixty (60) days after the Date of Termination (or the date of the Change in Control in the event of a termination described in the second sentence of

Section 6.1). If such release does not become effective within the time period prescribed above, the Company's obligations under Section 6.1 (other than Section 6.1(E)) shall cease immediately.

10. No Mitigation. The Company agrees that the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof. Further, except as specifically provided in Section 6.1 (B) hereof, no payment or benefit provided for in this Agreement shall be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

11. Successors; Binding Agreement.

11.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

11.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

12. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the most recent address shown in the personnel records of the Company and, if to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company: Armstrong Flooring, Inc.
2500 Columbia Avenue
Lancaster, Pennsylvania 17604
Attention: General Counsel

13. Miscellaneous; Amendment of Related Agreements.

13.1 No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party, *including that certain Employee Non-Disclosure, Non-Solicitation and Non-Competition Agreement between the parties effective January 24, 2017*; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that, following a Change in Control, the Executive's employment with the Company is terminated by the Company other than for Cause or by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Pennsylvania. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 hereof) shall survive such expiration.

14. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. Settlement of Disputes; Arbitration.

16.1 All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied. Notwithstanding the above, in the event of any dispute, any decision by the Board hereunder shall be subject to a de novo review by the arbitrator.

16.2 Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Lancaster County, Pennsylvania in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

17. Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with section 409A of the Code to the extent subject thereto or be exempt therefrom, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid the application of an accelerated or additional tax under section 409A of the Code, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement until such time as the Executive is considered to have incurred a "separation from service" from the Company within the meaning of section 409A of the Code. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separately identified payment for purposes of section 409A of the Code, and any payments that are due within the "short term deferral period" as defined in section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. To the extent required to avoid the application of an accelerated or additional tax under section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following the Executive's termination of employment shall instead be paid on the first business day after the date that is six months following the Executive's termination of employment (or upon the Executive's death, if earlier). The Company is entitled to determine whether any amounts under this Agreement are to be suspended or delayed pursuant to the foregoing sentence, and the Company shall have no liability to the Executive for any such determination or any errors made by the Company in identifying the Executive as a specified employee. Any amounts so suspended shall earn interest thereon, if applicable, calculated based upon the then prevailing monthly short-term applicable federal rate. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to the Executive that would not be required to be delayed if the premiums therefor were paid by the Executive, the Executive shall pay the full cost of premiums for such welfare benefits during

the six-month period and the Company shall pay the Executive an amount equal to the amount of such premiums paid by the Executive during such six-month period on the first business day of the month following the expiration of the six-month period referred to above. To the extent required to avoid an accelerated or additional tax under section 409A of the Code, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during any one year may not effect amounts reimbursable or provided in any subsequent year.

18. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Auditor" shall have the meaning set forth in Section 6.2 hereof.

(C) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(D) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Cause" for termination by the Company of the Executive's employment shall mean (i) the deliberate and continued failure by the Executive to devote substantially all the Executive's business time and best efforts to the performance of the Executive's duties (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 7.1 hereof) after a demand for substantial performance is delivered to the Executive by the Board which demand specifically identifies the manner in which the Board believes the Executive has not substantially performed such duties; (ii) the deliberate engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; or (iii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a felony or any criminal charge involving moral turpitude. For the purposes of this Agreement, no act, or failure to act, on the part of the Executive shall be considered "deliberate" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that such action or omission was in the best interests of the Company.

(G) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or;

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the Company, the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities; or

(IV) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or any parent thereof.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Company" shall mean Armstrong Flooring, Inc. and, except in determining under Section 18(G) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(J) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(K) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(L) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(M) "Excise Tax" shall mean any excise tax imposed under section 4999 of the Code.

(N) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(O) "Fair Market Value" shall have the meaning ascribed to such term in the Company's 2011 Long-Term Incentive Plan or its successor plan.

(P) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent which specifically references this Agreement) after any Change in Control, or prior to a Change in Control under the circumstances described in the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) a material diminution in the Executive's authority, duties, or responsibilities or the assignment to the Executive of duties or responsibilities that are materially inconsistent with those in effect immediately prior to the Change in Control; including, without limitation, if the Executive was, immediately prior to the Change in Control, an executive officer of a public company, any such alteration attributable to the Executive ceasing to be an executive officer of a public company;

(II) a reduction of ten percent (10%) or more by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executive officers of the Company;

(III) the relocation of the Executive's principal place of employment to a location more than fifty (50) miles from the Executive's principal place of employment immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable in terms of compensation opportunity ("materially less favorable" shall be a reduction of ten percent (10%) or more in the compensation opportunity), as existed immediately prior to the Change in Control except for across-the-board compensation plan reductions similarly affecting all senior executive officers of the Company;

(V) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's retirement, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits (a "material reduction" shall be a reduction of ten percent (10%) or more in the value of the aggregate benefits), or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control except for (i) across-the-board benefit reductions similarly affecting all senior executive officers of the Company or (ii) reduction or elimination of Executive's annual comprehensive "executive" physical examinations, financial planning or other perquisites;

(VI) a material breach by the Company of its obligations under this Agreement; or

(VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective; or

(VIII) failure of the Company to obtain assumption and agreement by a successor of the Company to perform this Agreement as provided in Section 11.1

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. In no event will the Executive have Good Reason to terminate employment unless such act or failure to act results in a material negative change to the Executive's employment that has not been cured within 30 days after a Notice of Termination is delivered by the Executive to the Company. The Executive must also provide notice to the Company of the Good Reason condition within ninety (90) days of the initial existence of such condition.

(Q) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(R) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14 (d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(S) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(III) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 30% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates); or

(IV) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(T) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(U) "Tax Counsel" shall have the meaning set forth in Section 6.2 hereof.

(V) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(W) "Total Payments" shall mean those payments so described in Section 6.2 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ARMSTRONG FLOORING, INC.

By: /s/ Donald R. Maier
Name: Donald R. Maier
Title: President and Chief Executive Officer

/s/ Brent A. Flaharty
Brent A. Flaharty
EXECUTIVE

EXHIBIT A

FORM OF RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Release") is made as of this ________ day of ___________, ________, by and between Brent A. Flaharty ("Executive") and Armstrong Flooring, Inc. (the "Company").

1. FOR AND IN CONSIDERATION of the payments and benefits provided in the Amended and Restated Change in Control Severance Agreement between Executive and the Company dated as of December 1, 2017 (the "Change in Control Agreement"), Executive, for himself or herself, his or her successors and assigns, executors and administrators, now and forever hereby releases and discharges the Company, together with all of its past and present parents, subsidiaries, and affiliates, together with each of their officers, directors, stockholders, partners, employees, agents, representatives and attorneys, and each of their subsidiaries, affiliates, estates, predecessors, successors, and assigns (hereinafter collectively referred to as the "Releasees") from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, obligations, damages, demands or liabilities of every kind whatsoever, in law or in equity, whether known or unknown, suspected or unsuspected, which Executive or Executive's executors, administrators, successors or assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever; arising from the beginning of time up to the date of the Release: (i) relating in any way to Executive's employment relationship with the Company or any of the Releasees, or the termination of Executive's employment relationship with the Company or any of the Releasees; (ii) arising under or relating to the Change in Control Agreement; (iii) arising under any federal, local or state statute or regulation, including, without limitation, the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, and/or the applicable state law against discrimination, each as amended; (iv) relating to wrongful employment termination or breach of contract; or (v) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and any of the Releasees and Executive; provided, however, that notwithstanding the foregoing, nothing contained in the Release shall in any way diminish or impair: (i) the Executive's ability to enforce the provisions of Sections 6.1(B), (D) and (F) of the Change in Control Agreement, (ii) any direct or indirect holdings of equity in Armstrong Flooring, Inc. or any vested awards (or awards which may vest) which Executive has under any equity, equity-based, stock option or similar plan, agreement or program, which equity and awards shall be subject to all the terms and conditions of such documents; (iii) any claims for accrued and vested benefits under any of the Company's employee retirement and welfare benefit plans; and (iv) any rights or claims Executive may have that cannot be waived under applicable law; (collectively, the "Excluded Claims"). Executive further acknowledges and agrees that, except with respect to Excluded Claims, the Company and the Releasees have fully satisfied any and all obligations whatsoever owed to Executive arising out of Executive's employment with the Company or any of the Releasees, and that no further payments or benefits are owed to Executive by the Company or any of the Releasees.

2. Executive understands and agrees that, except for the Excluded Claims, Executive has knowingly relinquished, waived and forever released any and all rights to any personal recovery in any action or proceeding that may be commenced on Executive's behalf arising out of the aforesaid employment relationship or the termination thereof, including, without limitation, claims for back pay, front pay, liquidated damages, compensatory damages, general damages, special damages, punitive damages, exemplary damages, costs, expenses and attorneys' fees.

3. Executive acknowledges and agrees that Executive has been advised to consult with an attorney of Executive's choosing prior to signing the Release. Executive understands and agrees that Executive has the right and has been given the opportunity to review the Release with an attorney of Executive's choice should Executive so desire. Executive also agrees that Executive has entered into the Release freely and voluntarily. Executive further acknowledges and agrees that Executive has had at least forty-five (45) calendar days to consider the

Release, although Executive may sign it sooner if Executive wishes. In addition, once Executive has signed the Release, Executive shall have seven (7) additional days from the date of execution to revoke Executive's consent and may do so only by writing to: Armstrong Flooring, Inc., 2500 Columbia Avenue, Lancaster, Pennsylvania 17604, Attention: General Counsel. The Release shall not be effective until the eighth (8th) day after Executive shall have executed the Release and returned it to the Company, assuming that Executive had not revoked Executive's consent to the Release prior to such date. No payments shall be due under Section 6 of the Change in Control Agreement unless this Release has become effective, and no such amounts shall be paid until the times set forth therein.

4. It is understood and agreed by Executive that the payment made to Executive is not to be construed as an admission of any liability whatsoever on the part of the Company or any of the other Releasees, by whom liability is expressly denied.

5. The Release is executed by Executive voluntarily and is not based upon any representations or statements of any kind made by the Company or any of the other Releasees as to the merits, legal liabilities or value of Executive's claims. Executive further acknowledges that Executive has had a full and reasonable opportunity to consider the Release and that Executive has not been pressured or in any way coerced into executing the Release.

6. The exclusive venue for any disputes arising hereunder shall be the state or federal courts located in the Commonwealth of Pennsylvania, and each of the parties hereto irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Each of the parties hereto also agrees that any final and unappealable judgment against a party hereto in connection with any action, suit or other proceeding may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment shall be conclusive evidence of the fact and amount of such award or judgment.

7. The Release and the rights and obligations of the parties hereto shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania If any provision hereof is unenforceable or is held to be unenforceable, such provision shall be fully severable, and this document and its terms shall be construed and enforced as if such unenforceable provision had never comprised a part hereof, the remaining provisions hereof shall remain in full force and effect, and the court construing the provisions shall add as a part hereof a provision as similar in terms and effect to such unenforceable provision as may be enforceable, in lieu of the unenforceable provision.

8. The Release shall inure to the benefit of and be binding upon the Company and its successors and assigns.

IN WITNESS WHEREOF, Executive and the Company have executed the Release as of the date and year first written above.

ARMSTRONG FLOORING, INC.

By: ________________________
Name: ______________________
Title: _______________________

____
Brent A. Flaharty
EXECUTIVE

(Back To Top)

Section 5: EX-10.35 (EXHIBIT 10.35)

Exhibit 10.35

SEPARATION AGREEMENT AND RELEASE

THIS SEPARATION AGREEMENT AND RELEASE (this "Agreement") is entered into on February 1, 2018, by and between Armstrong Flooring, Inc., a Delaware corporation (the "Company") and Joseph N. Bondi ("Executive"). The Company and Executive may be referred to herein individually as a "Party" and collectively as the "Parties."

WITNESSETH:

WHEREAS, Executive notified the Company of his intent to resign his position as Senior Vice President and Chief Product Officer, effective May 31, 2018 (the "Separation Date"), and the Company wishes to accept such resignation;

WHEREAS, for the purpose of transferring and transitioning Executive's knowledge pertaining to the Company and its business solely and exclusively to others at the Company and/or its affiliated entities, the Parties desire that Executive serve in the employ of the Company for the employment transition period as set forth herein; and

WHEREAS, the Parties wish to enter into the arrangement set forth exclusively in this Agreement.

NOW, THEREFORE, in consideration of the promises and the releases, representations, covenants and obligations herein contained, the Company and Executive, intending to be legally bound, hereby agree as follows:

1. **Resignation**. Executive hereby irrevocably resigns from all positions he holds with the Company (including Senior Vice President and Chief Product Officer) and Executive agrees to execute any additional documents required by the Company to effectuate such resignations.

2. **Employment Transition Period**. The Company agrees to maintain Executive as an employee of the Company from February 1, 2018 through May 31, 2018 (the "Employment Transition Period") and the Parties further agree as follows:

(a) During the Employment Transition Period, Executive will continue to receive his monthly base pay at the rate in effect as of February 1, 2018 (US $28,600.00) and applicable perquisites, less applicable deductions and withholdings in accordance with Company's usual payroll practices and procedures. During the Employment Transition Period, Executive will continue in a full time non-executive, non-officer employment role reporting to the Company's President and Chief Executive Officer, Donald R. Maier (the "CEO"), or the CEO's designee. Executive agrees that he will devote his full working time and effort to the performance of his duties hereunder during the Employment Transition Period.

(b) During the Employment Transition Period, Executive will be eligible to participate in the Company's standard employee benefit plans in which Executive participated as of the date of this Agreement, including medical, dental, and vision care as elected by Executive for calendar year 2018; vacation; and sick pay, as such plans shall be in effect from time to time. During the Employment Transition Period, Executive will also receive his 2017 annual bonus, to the extent earned under the Company's Annual Incentive Plan, when such bonuses are customarily paid.

(c) Executive's employment remains at-will during the Employment Transition Period. Executive acknowledges and agrees that on May 31, 2018, Executive's employment with the Company will terminate unless earlier terminated by reason of Executive's death or terminated by the Company due to a breach of this Agreement by Executive or for "Cause". The term "Cause" shall mean any of the following conduct by Executive, as determined in the sole reasonable discretion of the CEO: (a) conviction of a felony or a crime involving moral turpitude; (b) fraud, dishonesty, misrepresentation, theft or misappropriation of funds with respect to the Company; (c) violation of the Company's Code of Conduct or employment policies; or (d) gross misconduct in the performance of the Executive's job duties. At the end of the Employment Transition Period, Executive will have incurred a separation of service within the meaning of Section 409A of the Internal Revenue Code, including for purposes of the Company's Nonqualified Deferred Compensation Plan.

(d) Except as specifically provided herein, Executive shall not be entitled to any other compensation during the Employment Transition Period. Without limiting the generality of the forgoing, Executive shall not be eligible for any award under the Company's Annual Incentive Plan in respect of 2018 or any grant of long-term incentive awards during or following the Employment Transition Period. Company matching credits under the Company's Nonqualified Deferred Compensation Plan that are unvested as of the Separation Date and all earnings on such credited amounts as of the Separation Date shall be forfeited in their entirety on the Separation Date. Executive shall be entitled to: (i) continue to vest in his award of restricted stock units granted on February 24, 2015, subject to his continued employment on the vesting date and otherwise in accordance with its terms, and (ii) continue to exercise his vested and exercisable stock options granted on May 19, 2014 for thirty (30) days following the expiration of any securities trading prohibition based on Executive's involvement in any confidential Company project, which expiration shall occur no earlier than the first day of the Company's first open trading window that occurs on or after the Separation Date, after which any stock options that remain unexercised shall terminate and the Company shall have no further obligation or responsibility with respect thereto. Executive acknowledges that compliance with applicable securities laws is his responsibility. All other awards, if any, held by Executive that are outstanding on the Separation Date, including the performance stock awards granted on April 11, 2016 and March 7, 2017 and the time-based restricted stock units granted on January 5, 2018, shall terminate and be forfeited in their entirety, as of the Separation Date.

3. **Payments**.

(a) Provided that this Agreement becomes effective pursuant to its terms and Executive remains in compliance with this Agreement at all times, the Company shall pay Executive his monthly base pay through February 28, 2018, less all applicable withholding, commencing with the first payroll period following the date this Agreement becomes effective.

(b) Provided the conditions in Section 3(a) hereof are satisfied and Executive executes the ADEA Release provided in Section 10 hereof on or within twenty-one (21) days following the date of this Agreement and does not thereafter timely revoke his consent to it, (i) the Company shall pay Executive his monthly base pay from March 1, 2018 through May 31, 2018, less all applicable withholding, commencing with the first payroll period following March 1, 2018, and (ii) Employee shall also continue to receive all applicable perquisites through May 31, 2018, including, but not limited to, reimbursement of his expenses.

(c) Provided Executive is employed by the Company through May 31, 2018 or such employment was previously terminated by the Company other than for Executive's breach of this Agreement and other than for Cause, the conditions in Section 3(b) hereof are satisfied and Executive executes the release attached hereto as Appendix A, Section 1 (the "Supplemental Release") on or within twenty-one (21) days following the Separation Date and does not thereafter timely revoke his consent to it, the Company shall pay Executive a lump sum payment in the amount of $250,000), less all applicable withholding, in the first payroll period following the Supplemental Release Effective Date.

(d) If Executive dies before any applicable payment required hereunder is made, the Company shall make such payment (s) to Executive's estate.

4. **No Other Payments or Benefits**. Executive acknowledges and agrees that, except for the entitlements set forth herein, he has received all payments and benefits to which he is entitled from the Company and is not entitled to any other compensation, benefits, or payments from the Company or any other Company Parties (as defined below).

5. **Return of Property**. Executive agrees that within five (5) business days of the Separation Date, he will deliver, without retaining any copies, all documents and other material in Executive's possession relating, directly or indirectly, to any Confidential Information (as defined in Section 6 below) or other proprietary information of the Company, or Confidential Information or other proprietary information regarding third parties, learned as an employee of the Company**,** including, but not limited to, any and all documents, contracts, agreements, plans, books, notes, including electronically stored data and any copies of the foregoing, as well as all materials or equipment supplied by the Company, such as credit cards, laptop or other computer equipment. Executive represents that the Company has returned to him all personal effects which were located at the Company's premises.

6. **Confidentiality and Confidential Information**.

(a) Executive represents that he has held, and Executive agrees that he will at all times hold, in the strictest confidence and has not and will not make any unauthorized disclosure, directly or indirectly, of any Confidential Information of the Company, or third parties, or make any use thereof, directly or indirectly, except in working for the Company or as required by law, court order or regulation, provided Executive provides reasonable advance notice of any such required disclosure to the Company. Executive assigns to the Company any rights he may have or acquire in such Confidential Information and recognizes that all such information shall be the sole property of the Company and its successors or assigns.

(b) "Confidential Information" means and includes the Company's confidential and/or proprietary information and/or trade secrets, including those that have been and/or will be developed or used and that cannot be obtained readily by third parties from outside sources. Confidential Information includes, but is not limited to, the following: information regarding past, current and prospective customers and investors and business affiliates, employees, contractors, and the industry not generally known to the public; strategies, methods, books, records, and documents; technical information concerning products, equipment, services and processes; procurement procedures, pricing, and pricing techniques; including contact names, services provided, pricing, type and amount of services used, financial and sales data; trading methodologies and terms; communications information; evaluations, opinions and interpretations of information and data; marketing and merchandising techniques; electronic databases; models; specifications; computer programs; contracts; bids or proposals; technologies and methods; training methods and processes; organizational structure; personnel information; payments or rates paid to consultants or other service providers; and other such confidential or proprietary information. Executive acknowledges that the Company's business is highly competitive, that this Confidential Information constitutes a valuable, special and unique asset used by the Company in its business, and that protection of such Confidential Information against unauthorized disclosure and use is of critical importance to the Company. Confidential Information shall not include information that (i) was already in Executive's possession prior to disclosure by the Company but not developed by Executive; (ii) was independently developed by Executive without reference to the Company's Confidential Information; (iii) is obtained from a third party who is not prohibited from transmitting the information to Executive by a contractual, legal or fiduciary obligation to the Company; or (iv) is or becomes generally available to the public other than as a result of an improper disclosure by Executive.

7. **Permitted Disclosures**. Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to his attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to his attorney and use the trade secret information in the court proceeding, if Executive (i) files any document containing the trade secret under seal, and (ii) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Further, nothing in this Agreement or any other agreement that Executive has with the Company shall prohibit or restrict Executive from making any voluntary disclosure of information or documents concerning possible violations of law to, or seek a whistleblower award from, any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

8. **Release**.

(a) Executive hereby releases, discharges and forever acquits the Company, and its affiliates and subsidiaries and the past, present and future stockholders, members, partners, directors, managers, employees, agents, attorneys, heirs, legal representatives, successors and assigns of the foregoing, in their personal and representative capacities (individually, "Company Party," and collectively, the "Company Parties"), from liability for, and hereby waives, any and all employment-related claims, charges, liabilities, causes of action, rights, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, benefits, obligations, damages, demands or liabilities of every nature, kind and description, in law, equity or otherwise, whether known or unknown, suspected or unsuspected (collectively, "Claims") which Executive or Executive's heirs, executors, administrators, spouse, relatives, successors or assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever: (i) arising from the beginning of time through the date upon which Executive signs this Agreement including, but not limited to (A) any such Claims relating in any way to Executive's employment relationship with the Company or any other Company Parties, and (B) any such Claims arising under any federal, state, local or foreign statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974 and any other federal, state, local or foreign law (statutory, regulatory or otherwise) that may be legally waived and released; (ii) relating to wrongful employment termination; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive, including, without limitation, the Amended and Restated Change in Control Severance Agreement between Executive and the Company, effective December 1, 2017 ("Change in Control Agreement"), the Company's Severance Pay Plan for Executive Employees and any incentive compensation plan or stock option plan with any Company Party; provided, however, that nothing in this Release shall release or impair any rights that cannot be waived under applicable law or, subject to the last sentence of Section 2(d) of this Agreement, any direct or indirect holdings of equity or any vested awards (or awards which may vest) which Executive has under any equity, equity based, stock option or similar plan, agreement or program which equity and awards shall be subject to all the terms and conditions of such documents, any rights to accrued and vested benefits under any of the Company's employee retirement and welfare benefit plans, any claims to require the Company to honor its commitments set forth in this Agreement or to interpret this Agreement, or any rights to defense or indemnification based on Executive's past conduct within the course and scope of his duties for the Company that Executive is otherwise entitled to receive under the Company's certificate of incorporation or bylaws, state law or insurance policies pursuant to Executive's Indemnification Agreement with the Company, dated as of March 30, 2016 (the "Excluded Claims").

(b) Executive represents that Executive has not brought or joined any lawsuit or filed any charge or claim against any Company Party in any court or before any government agency and has made no assignment of any rights Executive has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any released Claims.

(c) Executive further acknowledges and agrees that, except with respect to Excluded Claims, the Company Parties have fully satisfied any and all obligations whatsoever owed to him arising out of his employment with the Company or any other Company Party, and that no further payments or benefits are owed to him by the Company or any other Company Party.

9. **Review**. By executing and delivering this Agreement, Executive acknowledges that Executive has carefully read this Agreement, and specifically, the release in Section 8 (the "Release"). Executive has been and hereby is advised in writing that Executive may, at Executive's option, discuss the Release with an attorney of Executive's choice and that Executive has had adequate opportunity to do so. Executive fully understands the final and binding effect of the Release; the only promises made to Executive to sign this Release are those stated herein; and Executive is signing this Release voluntarily and of Executive's own free will.

10. **ADEA Release; Review and Revocation Period**.

(a) Executive hereby releases, discharges and forever acquits the Company and each Company Party from liability for, and hereby waives, any and all Claims which Executive or Executive's heirs, executors, administrators, spouse, relatives, successors or assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever, arising under the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act (the "ADEA").

(b) By executing this Agreement in the signature block designated for the ADEA Release in the signature page hereto, Executive acknowledges that Executive has carefully read the release in this Section 10(a) (the "ADEA Release"); Executive has had at least twenty-one (21) days to consider the ADEA Release before execution and delivery hereof to the Company; and Executive has been and hereby is advised in writing that Executive may, at Executive's option, discuss the ADEA Release with an attorney of Executive's choice and that Executive has had adequate opportunity to do so. Executive fully understands the final and binding effect of the ADEA Release; the only promises made to Executive to sign this ADEA Release are those stated herein; and Executive is signing this ADEA Release voluntarily and of Executive's own free will.

(b) Notwithstanding the initial effectiveness of the ADEA Release, Executive may revoke the execution and delivery (and therefore the effectiveness) of Executive's ADEA Release within the seven (7) day period beginning on the date Executive delivers the execution to the Company (such seven (7) day period being referred to herein as the "ADEA Release Revocation Period"). To be effective, such revocation must be in writing signed by Executive and must be delivered to Company before 11:59 p.m., Eastern Standard time, on the last day of the ADEA Release Revocation Period.

(c) In the event of such revocation of the ADEA Release by Executive, this Agreement shall remain in full force and effect, except that Executive's ADEA Release shall be of no force or effect, and Executive shall not have any rights, and the Company shall not have any obligations, under Sections 2 or 3 of this Agreement, except to pay Executive his monthly base pay through February 28, 2018. Provided that Executive does not revoke his consent to the ADEA Release within the ADEA Release Revocation Period, the ADEA Release shall become effective on the eighth (8th) calendar day after the date upon which Executive executes this Agreement in the signature block designated for the ADEA Release in the signature page hereto.

(d) Executive represents that Executive has not brought or joined any lawsuit or filed any charge or claim against any Company Party in any court or before any government agency and has made no assignment of any rights Executive has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any released Claims under the ADEA.

11. **Restrictive Covenants**. Executive acknowledges and agrees that the restrictive covenants and agreements set forth in Section 8 of the Change in Control Agreement and any other written restrictive covenants and agreements in effect with the Company are incorporated herein by reference and fully made a part hereof for all purposes and remain in full force and effect.

12. **No Admission**. Nothing herein shall be deemed to constitute an admission of wrongdoing by Executive or any of the Company Parties. Neither this Agreement nor any of its terms may be used as an admission or introduced as evidence as to any issue of law or fact in any proceeding, suit or action, other than an action to enforce this Agreement.

13. **Counterparts**. This Agreement may be executed in counterparts, and each counterpart, when so executed and delivered, shall be deemed to be an original and both counterparts, taken together, shall constitute one and the same Agreement. A faxed or .pdf-ed signature shall operate the same as an original signature.

14. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the Company and any successor organization which shall succeed to the Company by acquisition, merger, consolidation or operation of law, or by acquisition of assets of the Company and any assigns. The Company shall require any successor or assign to assume and agree to perform under this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession or assignment had taken place, except under circumstance in which such assumption occurs by operation of law. As used in this Agreement, "Company" shall mean both the Company as defined above and any successor or assign that assumes and agrees to perform this agreement, by operation of law or otherwise. Executive may not assign this Agreement, except with respect to the rights provided under Section 3 of this Agreement, which shall inure to the benefit of Executive' heirs, executors and administrators.

15. **Section 409A.** The intent of the parties is that payments and benefits under this Agreement comply with section 409A of the Code to the extent subject thereto or be exempt therefrom, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid the application of an accelerated or additional tax under Section 409A of the Code, the Executive shall not be considered to have terminated

employment with the Company for purposes of this Agreement until such time as the Executive is considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separately identified payment for purposes of Section 409A of the Code, and any payments that are due within the "short term deferral period" as defined by Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise.

16. **Severability; Blue-Penciling**. The provisions of this Agreement are severable and the invalidity of any one or more provisions shall not affect the validity of any other provision. In the event that a court of competent jurisdiction shall determine that any provision of this Agreement or the application thereof is unenforceable in whole or in part because of the scope thereof, the Parties hereto agree that said court in making such determination shall have the power to reduce the scope of such provision to the extent necessary to make it enforceable, and that this Agreement in its reduced form shall be valid and enforceable to the full extent permitted by law.

17. **Governing Law**. This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without regard to any conflict of law principles thereof that would give rise to the application of the laws of any other jurisdiction.

18. **Entire Agreement/No Oral Modifications**. This Agreement constitutes the entire agreement between Executive and any of the Company Parties with respect to the subject matter hereof and supersedes all prior negotiations, representations, arrangements or agreements relating thereto, whether written or oral, including but not limited to the Change in Control Agreement, provided, however, that Section 8 of the Change in Control Agreement shall remain in effect. Executive represents that in executing this Agreement, Executive has not relied on any representation or statement not set forth herein. No amendment or modification of this Agreement shall be valid or binding on the Parties unless in writing and signed by both Parties.

* * *

IN WITNESS WHEREOF, the Parties have signed this Agreement as of the date first above written.

Armstrong Flooring, Inc.

By:

/s/ John C. Bassett
John C. Bassett
SVP, Human Resources

Joseph N. Bondi

/s/ Joseph N. Bondi
Joseph N. Bondi

EXECUTION FOR
PURPOSES OF THE ADEA RELEASE

/s/ Joseph N. Bondi
Joseph N. Bondi

Date: February 1, 2018

APPENDIX A: SUPPLEMENTAL RELEASE

1. **Release**.

(a) For good and valuable consideration, including the Company's provision of a certain payment to Executive in accordance with Section 3(c) of the Separation Agreement and Release, dated February 1, 2018 (the "Separation Agreement"), Executive releases, discharges and forever acquits the Company, and its affiliates and subsidiaries and the past, present and future stockholders, members, partners, directors, managers, employees, agents, attorneys, heirs, legal representatives, successors and assigns of the foregoing, in their personal and representative capacities (individually, "Company Party," and collectively, the "Company Parties"), from liability for, and hereby waives, any and all employment-related claims, charges, liabilities, causes of action, rights, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, benefits, obligations, damages, demands or liabilities of every nature, kind and description, in law, equity or otherwise, whether known or unknown, suspected or unsuspected (collectively, "Claims") which Executive or Executive's heirs, executors, administrators, spouse, relatives, successors or assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever: (i) arising from the beginning of time through the date upon which Executive signs this Agreement including, but not limited to (A) any such Claims relating in any way to Executive's employment relationship with the Company or any other Company Parties, and (B) any such Claims arising under any federal, state, local or foreign statute or regulation, including, without limitation, the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974 and any other federal, state, local or foreign law (statutory, regulatory or otherwise) that may be legally waived and released; (ii) relating to wrongful employment termination; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive, including, without limitation, the Amended and Restated Change in Control Severance Agreement between Executive and the Company, effective December 1, 2017, the Company's Severance Pay Plan for Executive Employees and any incentive compensation plan or stock option plan with any Company Party; provided, however, that nothing in this Release shall release or impair any rights that cannot be waived under applicable law or, subject to the last sentence of Section 2(d) of the Separation Agreement, any direct or indirect holdings of equity or any vested awards (or awards which may vest) which Executive has under any equity, equity based, stock option or similar plan, agreement or program which equity and awards shall be subject to all the terms and conditions of such documents, any rights to accrued and vested benefits under any of the Company's employee retirement and welfare benefit plans, any claims to require the Company to honor its commitments set forth in the Separation Agreement or to interpret that Agreement or this Supplemental Release, or any rights to defense or indemnification based on Executive's past conduct within the course and scope of his duties for the Company that Executive is otherwise entitled to receive under the Company's certificate of incorporation or bylaws, state law or insurance policies [pursuant to Executive's Indemnification Agreement with the Company, dated as of March 30, 2016 (the "Excluded Claims").

(b) Executive represents that Executive has not brought or joined any lawsuit or filed any charge or claim against any Company Party in any court or before any government agency and has made no assignment of any rights Executive has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any released Claims.

(c) Executive further acknowledges and agrees that, except with respect to Excluded Claims, the Company Parties have fully satisfied any and all obligations whatsoever owed to him arising out of his employment with the Company or any other Company Party, and that no further payments or benefits are owed to him by the Company or any other Company Party.

2. **Review and Revocation Period**.

(a) By executing and delivering this Supplemental Release, Executive acknowledges that Executive has carefully read this Supplemental Release; Executive has had at least twenty-one (21) days to consider this Supplemental Release before execution and delivery hereof to the Company; and Executive has been and hereby is advised in writing that Executive may, at Executive's option, discuss this Supplemental Release with an attorney of Executive's choice and that Executive has had adequate opportunity to do so. Executive fully understands the final and binding effect of this Supplemental Release; the only promises made to Executive to sign this Supplemental Release are those stated herein; and Executive is signing this Supplemental Release voluntarily and of Executive's own free will.

(b) Notwithstanding the initial effectiveness of this Supplemental Release, Executive may revoke the execution and delivery (and therefore the effectiveness) of this Supplemental Release within the seven day period beginning on the date Executive delivers the re-execution to the Company (such seven day period being referred to herein as the "Release Revocation Period"). To be effective, such revocation must be in writing signed by Executive and must be delivered to Company before 11:59 p.m., Eastern Standard time, on the last day of the Release Revocation Period.

(c) In the event of such revocation by Executive, this Supplemental Release shall be of no force or effect, and Executive shall not have any rights and the Company shall not have any obligations under Section 3(c) of the Separation Agreement. Provided that Executive does not revoke his consent to this Supplemental Release within the Release Revocation Period, this Supplemental Release shall become effective on the eighth (8th) calendar day after the date upon which he executes this Supplemental Release (the "Supplemental Release Effective Date").

____
Joseph N. Bondi

Date: _________________________________

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Section 6: EX-21.1 (EXHIBIT 21.1)

Exhibit 21.1

Subsidiaries of Armstrong Flooring, Inc.
December 31, 2017

The following is a list of subsidiaries of Armstrong Flooring, Inc., omitting certain subsidiaries, which, when not considered in the aggregate, but as a single subsidiary, would not constitute a significant subsidiary.

U.S. Subsidiaries	Jurisdiction of Incorporation
Armstrong Wood Products, Inc.	Delaware
Armstrong Hardwood Flooring Company	Tennessee

Non-U.S. Subsidiaries	Jurisdiction of Incorporation
Armstrong (China) Investment Co. Ltd.	China
Armstrong Flooring Hong Kong Limited	Hong Kong

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Section 7: EX-23.1 (EXHIBIT 23.1)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Armstrong Flooring, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-210572 and 333-219766) on Form S-8 of Armstrong Flooring, Inc. of our reports dated March 6, 2018, with respect to the consolidated balance sheets of Armstrong Flooring, Inc. and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule of valuation and qualifying reserves (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10-K of Armstrong Flooring, Inc.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 6, 2018

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Section 8: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATIONS
Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934, As Amended

I, Donald R. Maier, certify that:

1. I have reviewed this Annual Report on Form 10-K of Armstrong Flooring, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2018

By: /s/ Donald R. Maier

Donald R. Maier
President and Chief Executive Officer
(Principal Executive Officer)

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Section 9: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATIONS
Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934, As Amended

I, Ronald D. Ford, certify that:

1. I have reviewed this Annual Report on Form 10-K of Armstrong Flooring, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2018

By: /s/ Ronald D. Ford

Ronald D. Ford
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 10: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification of CEO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 2017 of Armstrong Flooring, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Donald R. Maier, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald R. Maier

Donald R. Maier

Chief Executive Officer
(Principal Executive Officer)
March 6, 2018

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Section 11: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 2017 of Armstrong Flooring, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald D. Ford, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ronald D. Ford

Ronald D. Ford
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
March 6, 2018

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