

AMERICAN BILTRITE INC
Form 10-Q
August 13, 2010

FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended June 30, 2010

Commission File Number 1-4773

AMERICAN BILTRITE INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

04-1701350
(I.R.S. Employer Identification No.)

57 River Street
Wellesley Hills, Massachusetts 02481-2097
(Address of Principal Executive Offices)

(781) 237-6655
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year if changed since last report)

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 the registrant was required to submit and post such files). Yes No

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

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

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 13, 2010
Common Stock	3,441,357 shares

FORWARD LOOKING STATEMENTS

Some of the information presented in or incorporated by reference in this report constitutes “forward-looking statements,” within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks, uncertainties and assumptions. These forward-looking statements are based on American Biltrite Inc.’s expectations as of the date of this report, of future events. American Biltrite Inc. undertakes no obligation to update any of these forward looking statements, except as may be required by the federal securities laws. Although American Biltrite believes that these expectations are based on reasonable assumptions, within the bounds of its knowledge of its business and experience, there can be no assurance that actual results will not differ materially from expectations. Any or all of these expectations may turn out to be incorrect and any forward-looking statements made in this report speak only as of the date of this report unless the statement indicates that another date applies. Readers are cautioned not to place undue reliance on any forward-looking statements. Actual results could differ significantly as a result of various factors. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. It is not possible to predict or identify all factors that could potentially cause actual results to differ materially from expected and historical results.

Factors that could cause actual results to differ from expectations include: (i) American Biltrite’s ability to comply with the covenants imposed on it under its credit agreement, the availability of borrowings under its credit facilities and its ability to generate sufficient operating cash flows to fund its businesses and operations; (ii) the future cost and timing of payments associated with and availability of insurance coverage for environmental liabilities and product and general liability claims, including asbestos related liabilities; (iii) increases in raw material prices and availability of raw materials; (iv) increased competitive activity from competitors, some of which have greater resources and broader distribution channels; (v) unfavorable developments in various markets for American Biltrite Inc.’s or its subsidiaries’ products or in the national or global economy in general; (vi) shipment delays, depletion of inventory and increased production costs resulting from unforeseen disruptions of operations at any of American Biltrite Inc.’s or its subsidiaries’ facilities or distributors; (vii) the incurrence of product warranty costs; (viii) changes in customers for American Biltrite’s or its subsidiaries’ products or the failure of customers to timely pay for product purchased; (ix) any discontinuation of American Biltrite Inc.’s business arrangements with Congoleum; (x) the failure of distributors or sales representatives to adequately perform; and (xi) the loss of any key executives.

Other factors that could cause or contribute to American Biltrite Inc.’s actual results differing from its expectations include those factors discussed in Item 1A of Part II of this Quarterly Report on Form 10-Q and in American Biltrite Inc.’s other filings with the Securities and Exchange Commission.

AMERICAN BILTRITE INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN BILTRITE INC. AND SUBSIDIARIES
 CONSOLIDATING CONDENSED BALANCE SHEETS – ASSETS
 (In thousands of dollars)

	ABI Consolidated		Eliminations		Congoleum		American Biltrite	
	June 30,	December 31,	June 30	December 31,	June 30,	December 31,	June 30,	December 31,
	2010	2009	2010	2009	2010	2009	2010	2009
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Assets								
Current assets:								
Cash and cash equivalents	\$ 11,740	\$ 16,467			\$ 11,030	\$ 16,065	\$ 710	\$ 402
Restricted cash	35,706	31,580			35,706	31,580		
Short-term investments	2,400	2,400					2,400	2,400
Accounts receivable, net	42,790	30,780	\$(678)	\$(105)	21,029	11,699	22,439	19,186
Inventories	68,206	61,853	(112)	(41)	32,793	28,883	35,525	33,011
Taxes receivable	354	287					354	287
Prepaid expense & other current assets	6,816	6,001			3,088	3,868	3,728	2,133
Total current assets	168,012	149,368	(790)	(146)	103,646	92,095	65,156	57,419
Property, plant & equipment, net	75,070	80,541			45,396	49,250	29,674	31,291
Other assets:								
Insurance for asbestos-related liabilities	17,646	17,646					17,646	17,646
Other assets	29,710	30,067	(109)	(109)	22,331	22,331	7,488	7,845
	47,356	47,713	(109)	(109)	22,331	22,331	25,134	25,491
Total assets	\$ 290,438	\$ 277,622	\$(899)	\$(255)	\$ 171,373	\$ 163,676	\$ 119,964	\$ 114,201

See accompanying notes to consolidating condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEETS – LIABILITIES AND STOCKHOLDERS' EQUITY
(DEFICIT)
(In thousands of dollars)

	ABI Consolidated		Eliminations		Congoleum		American Biltrite	
	June 30, 2010 (Unaudited)	December 31, 2009	June 30, 2010 (Unaudited)	December 31, 2009	June 30, 2010 (Unaudited)	December 31, 2009	June 30, 2010 (Unaudited)	December 31, 2009
Liabilities								
Current liabilities:								
Accounts payable	\$19,533	\$ 14,462	\$(678)	\$(105)	\$8,874	\$ 7,740	\$11,337	\$ 6,827
Accrued expenses	34,006	32,235			17,435	16,188	16,571	16,047
Asbestos-related liabilities	44,727	48,458			44,727	48,458		
Deferred income taxes	12,724	12,724			12,724	12,724		
Notes payable	29,384	18,231			22,995	14,180	6,389	4,051
Current portion of long-term debt	1,460	1,448					1,460	1,448
Liabilities subject to compromise	4,992	4,997			4,992	4,997		
Total current liabilities	146,826	132,555	(678)	(105)	111,747	104,287	35,757	28,373
Long-term debt, less current portion								
Asbestos-related liabilities	17,700	17,700					17,700	17,700
Other liabilities	14,142	14,656					14,142	14,656
Liabilities subject to compromise	150,939	149,562	(109)	(109)	151,048	149,671		
Total liabilities	335,970	321,607	(787)	(214)	262,795	253,958	73,962	67,863
Stockholders' equity (deficit)								
Common stock	46	46	(93)	(93)	93	93	46	46
Additional paid-in capital	20,049	19,950	(49,395)	(49,395)	49,395	49,395	20,049	19,950
Less cost of shares in treasury	(15,132)	(15,132)	7,813	7,813	(7,813)	(7,813)	(15,132)	(15,132)
Retained earnings (deficit)	(11,069)	(10,400)	42,782	42,340	(96,347)	(95,207)	42,496	42,467
Accumulated other comprehensive loss	(39,506)	(39,088)	(377)	(377)	(36,750)	(36,750)	(2,379)	(1,961)

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Total stockholders' equity (deficit) of controlling interests	(45,612)	(44,624)	730	288	(91,422)	(90,282)	45,080	45,370
Noncontrolling interests	80	639	(842)	(329)			922	968
Total stockholders' equity (deficit)	(45,532)	(43,985)	(112)	(41)	(91,422)	(90,282)	46,002	46,338
Total liabilities and stockholders' equity (deficit)	\$290,438	\$ 277,622	\$(899)	\$(255)	\$171,373	\$ 163,676	\$119,964	\$ 114,201

See accompanying notes to consolidating condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS (Unaudited)
For the Three Months Ended June 30, 2010 and 2009
(In thousands of dollars, except share and per share amounts)

	ABI Consolidated		Eliminations		Congoleum		American Biltrite	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	\$ 91,798	\$ 81,322	\$ -	\$ -	\$ 41,638	\$ 39,350	\$ 50,160	\$ 41,972
Cost of products sold	71,106	65,240	(575)	(194)	34,835	33,156	36,846	32,278
Selling, general & administrative expenses	19,762	19,111			7,609	7,449	12,153	11,662
Income (loss) from operations	930	(3,029)	575	194	(806)	(1,255)	1,161	(1,968)
Other income (expense)								
Interest income	1	6			-	1	1	5
Interest expense	(345)	(316)			(161)	(100)	(184)	(216)
Other (expense) income	(719)	782	(467)	(181)	(17)	410	(235)	553
	(1,063)	472	(467)	(181)	(178)	311	(418)	342
(Loss) income before taxes	(133)	(2,557)	108	13	(984)	(944)	743	(1,626)
Provision for income taxes	214	21			14	-	200	21
Net (loss) income	(347)	(2,578)	108	13	(998)	(944)	543	(1,647)
Noncontrolling interests	404	421	449	424			(45)	(3)
Net income (loss) attributable to controlling interests	\$ 57	\$ (2,157)	\$ 557	\$ 437	\$ (998)	\$ (944)	\$ 498	\$ (1,650)
		Basic				Diluted		
	2010	2009	2010	2009		2009		
Net income (loss) attributable to controlling interests per common share	\$ 0.02	\$ (0.63)	\$ 0.02	\$ (0.63)				
Weighted average number of common and equivalent shares outstanding	3,441,463	3,441,551	3,447,049	3,441,551				

See accompanying notes to consolidating condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS (Unaudited)
For the Six Months Ended June 30, 2010 and 2009
(In thousands of dollars, except share and per share amounts)

	ABI Consolidated		Eliminations		Congoleum		American Biltrite	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	\$ 172,480	\$ 151,383	\$ -	\$ -	\$ 75,689	\$ 69,456	\$ 96,791	\$ 81,927
Cost of products sold	132,271	121,577	(687)	(503)	62,192	59,292	70,766	62,788
Selling, general & administrative expenses	39,242	39,621			14,519	15,699	24,723	23,922
Income (loss) from operations	967	(9,815)	687	503	(1,022)	(5,535)	1,302	(4,783)
Other income (expense)								
Interest income	4	13			-	3	4	10
Interest expense	(676)	(661)			(210)	(208)	(466)	(453)
Other (expense) income	(1,184)	459	(758)	(474)	118	704	(544)	229
	(1,856)	(189)	(758)	(474)	(92)	499	(1,006)	(214)
(Loss) income before taxes	(889)	(10,004)	(71)	29	(1,114)	(5,036)	296	(4,997)
Provision for (benefit from) income taxes	241	(32)			26	15	215	(47)
Net (loss) income	(1,130)	(9,972)	(71)	29	(1,140)	(5,051)	81	(4,950)
Noncontrolling interests	461	2,318	513	2,271			(52)	47
Net (loss) income attributable to controlling interests	\$ (669)	\$ (7,654)	\$ 442	\$ 2,300	\$ (1,140)	\$ (5,051)	\$ 29	\$ (4,903)
	Basic		Diluted					
	2010	2009	2010	2009				
Net loss attributable to controlling interests per common share	\$ (0.19)	\$ (2.22)	\$ (0.19)	\$ (2.22)				
Weighted average number of common and equivalent shares outstanding	3,441,498	3,441,551	3,441,498	3,441,551				

See accompanying notes to consolidating condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENTS OF CASH FLOWS – OPERATING ACTIVITIES (Unaudited)
For the Six Months Ended June 30, 2010 and 2009
(In thousands of dollars)

	ABI Consolidated		Eliminations		Congoleum		American Biltrite	
	2010	2009	2010	2009	2010	2009	2010	2009
Operating activities								
Net (loss) income	\$ (1,130)	\$ (9,972)	\$ (71)	\$ 29	\$ (1,140)	\$ (5,051)	\$ 81	\$ (4,950)
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities:								
Depreciation and amortization	6,871	6,919			4,616	4,835	2,255	2,084
Stock compensation expense	99	103			–	4	99	99
Change in operating assets and liabilities:								
Accounts and notes receivable	(12,611)	(662)	573	(100)	(9,330)	(1,247)	(3,854)	685
Inventories	(8,589)	12,451	71	(29)	(3,910)	4,713	(4,750)	7,767
Prepaid expenses and other assets	227	1,058			780	1,039	(553)	19
Accounts payable and accrued expenses	6,420	(1,976)	(573)	100	2,374	(3,662)	4,619	1,586
Asbestos-related expenses	(7,855)	(4,200)			(7,855)	(4,200)		
Insurance proceeds for fire loss	1,000	–					1,000	–
Other	826	1,677			1,379	1,648	(553)	29
Net cash (used) provided by operating activities of continuing operations	\$ (14,742)	\$ 5,398	\$ -	\$ -	\$ (13,086)	\$ (1,921)	\$ (1,656)	\$ 7,319

See accompanying notes to consolidating condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENTS OF CASH FLOWS – INVESTING & FINANCING
ACTIVITIES (Unaudited)
For the Six Months Ended June 30, 2010 and 2009
(In thousands of dollars)

	ABI Consolidated		Eliminations		Congoleum		American Biltrite	
	2010	2009	2010	2009	2010	2009	2010	2009
Investing activities								
Investments in property, plant and equipment	\$ (1,387)	\$ (2,934)	\$ –	\$ –	\$ (762)	\$ (1,520)	\$ (625)	\$ (1,414)
Purchase of short-term investments	(2,400)	(1,000)					(2,400)	(1,000)
Proceeds from sale of short-term investments	2,400	–					2,400	–
Net cash used by investing activities	(1,387)	(3,934)	–	–	(762)	(1,520)	(625)	(2,414)
Financing activities								
Net short-term borrowings (repayments)	11,213	352			8,815	3,254	2,398	(2,902)
Payments on long-term debt	(759)	(5,566)					(759)	(5,566)
Proceeds from borrowings on long-term debt	–	8,000					–	8,000
Refinancing costs	–	(1,527)					–	(1,527)
Funding of letters of credit	–	(1,628)					–	(1,628)
Net change in restricted cash	(2)	(1,087)			(2)	(1,087)		
Net cash provided (used) by financing activities	10,452	(1,456)	–	–	8,813	2,167	1,639	(3,623)
Effect of foreign exchange rate changes on cash	950	113					950	113
Net (decrease) increase in cash	(4,727)	121	–	–	(5,035)	(1,274)	308	1,395
Cash and cash equivalents at beginning of period	16,467	18,072			16,065	15,077	402	2,995

Cash and cash equivalents at end of period	\$ 11,740	\$ 18,193	\$ -	\$ -	\$ 11,030	\$ 13,803	\$ 710	\$ 4,390
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See accompanying notes to consolidating condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATING CONDENSED
FINANCIAL STATEMENTS

June 30, 2010

(Unaudited)

Note A – Basis of Presentation

The accompanying unaudited consolidating condensed financial statements which include the accounts of American Biltrite Inc. and its wholly owned subsidiaries (and including, unless the context otherwise indicates, its majority-owned subsidiary K&M Associates L.P., are referred to herein as “ABI”, “American Biltrite” or the “Company”) as well as entities over which it has voting control have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for future periods, including the year ending December 31, 2010. For further information, refer to the consolidating financial statements and the notes to those financial statements included in American Biltrite Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009.

The consolidating condensed balance sheet at December 31, 2009 has been derived from the audited financial statements as of that date but does not include all of the information and notes required by U.S. GAAP for complete financial statements.

As discussed more fully below and elsewhere in these notes to consolidating condensed financial statements, the Company’s subsidiary Congoleum Corporation (“Congoleum”) filed for bankruptcy protection on December 31, 2003 in the United States Bankruptcy Court for the District of New Jersey (the “Bankruptcy Court”), and on August 17, 2009, the United States District Court for the District of New Jersey (the “District Court”) withdrew the reference of Congoleum’s Chapter 11 case from the Bankruptcy Court and assumed authority over the proceedings. Congoleum’s plan of reorganization was confirmed by the District Court on June 7, 2010 and became effective July 1, 2010. Upon effectiveness of Congoleum’s plan of reorganization, ABI’s ownership interests in Congoleum were cancelled. Consequently, the results of reorganized Congoleum will not be included in the consolidated results of the Company subsequent to June 30, 2010. In periods subsequent to June 30, 2010, the historical results of Congoleum will be reported as a discontinued operation.

Note A – Basis of Presentation (continued)

The accompanying consolidated financial statements include the results for Congoleum for all periods presented. Congoleum's results include losses (including other comprehensive losses) of \$90.6 million in excess of the value of ABI's investment in Congoleum at June 30, 2010. During the periods presented, ABI owned a majority of the voting stock of Congoleum and continued to consolidate the financial statements of Congoleum in its consolidated results. The accompanying financial statements present the details of consolidation to separately show the financial condition, operating results and cash flows of ABI (including its non-debtor subsidiaries) and Congoleum (and its debtor subsidiaries), which may be more meaningful for certain analyses.

The American Institute of Certified Public Accountants provides financial reporting guidance for entities that are reorganizing under the United States Bankruptcy Code (the "Bankruptcy Code"). Congoleum implemented this guidance in its consolidated financial statements for periods commencing after December 31, 2003 and through June 30, 2010. Companies in reorganization under the Bankruptcy Code are required to segregate pre-petition liabilities that are subject to compromise and report them separately on the balance sheet. Liabilities that may be affected by a plan of reorganization are recorded at the amount of the expected allowed claims, even if they may be settled for lesser amounts. Obligations arising post-petition and pre-petition obligations that are secured or that the Bankruptcy Court has authorized Congoleum to pay, are not classified as liabilities subject to compromise.

Note B – Inventories

Inventories at June 30, 2010 and December 31, 2009 consisted of the following (in thousands):

	June 30, 2010	December 31, 2009
Finished goods	\$ 47,492	\$ 43,789
Work-in-process	9,958	9,335
Raw materials and supplies	10,756	8,729
	\$ 68,206	\$ 61,853

In February 2010, a minor fire at the Company's Lowell, Massachusetts facility caused limited damage to a production line and certain inventory. Costs incurred in connection with the fire totaled approximately \$2.1 million and included the replacement of damaged inventory, repair of damaged equipment, and clean up and restoration of the production line. The Company filed a claim with its insurance carrier and, in April and July 2010, received advances of \$1.0 million and \$720 thousand, respectively, for the claim. The Company expects that substantially all of its costs arising from the fire will be reimbursed by its insurance carrier.

Note C – Accrued Expenses

Accrued expenses at June 30, 2010 and December 31, 2009 consisted of the following (in thousands):

	June 30, 2010	December 31, 2009
Accrued advertising and sales promotions	\$ 17,072	\$ 16,981
Employee compensation and related benefits	8,171	6,954
Environmental matters	1,252	1,118
Royalties	554	639
Income taxes	327	166
Other	6,630	6,377
	\$ 34,006	\$ 32,235

See Note F for Liabilities Subject to Compromise.

Note D – Financing Arrangements

American Biltrite Inc.'s primary sources of borrowings are the revolving credit facility (the "Revolver") and the term loan ("Term Loan") it has with Wachovia Bank, National Association ("Wachovia") pursuant to a loan and security agreement (the "Credit Agreement"). The Credit Agreement was entered into on June 30, 2009, and initial borrowings under the Credit Agreement were used to pay off borrowings from another financial institution and to pay fees and expenses in connection with the refinancing.

The Credit Agreement provides American Biltrite Inc. and its subsidiaries with (i) a \$30.0 million commitment under the Revolver (including a \$12.0 million Canadian revolving credit facility sublimit) and (ii) an \$8.0 million Term Loan. The Credit Agreement also provides letter of credit facilities with availability of up to \$6.0 million (including a \$3.0 million Canadian letter of credit facility sublimit) subject to availability under the Revolver. The Revolver expires on June 30, 2012, and all indebtedness under the Credit Agreement other than the Term Loan, matures on that date. The Term Loan principal is payable in 72 monthly installments of \$111 thousand beginning August 1, 2009 and ending on July 1, 2015. The maximum amount available for revolving debt borrowings is reduced to the amount of the borrowing base if that amount is lower. The borrowing base is based upon eligible assets of the Company, including accounts receivables and inventory. The Company's obligations under the Credit Agreement are secured by a lien on the assets of the Company and its subsidiaries. At June 30, 2010, the Company had \$6.4 million and \$6.7 million outstanding under the Revolver and Term Loan, respectively, and \$11.4 million of additional unused borrowing capacity available under the Revolver.

Note D – Financing Arrangements (continued)

Interest is payable monthly on borrowings under the Credit Agreement at rates based on a base interest rate plus an applicable margin for each type of loan, which varies depending on whether the loan is based on U.S., Canadian, or Eurodollar rate loans and which ranges from an applicable rate of two hundred basis points over U.S. and Canadian base rates to four hundred basis points over Eurodollar base rates for revolving debt loans and three hundred basis points over U.S. base rates and five hundred basis points over Eurodollar base rates for the Term Loan. The Credit Agreement charges the Company a monthly unused borrowing line fee, at a rate equal to five-eighths of one percent (0.625%) per annum. In addition, the Credit Agreement imposes a monthly letter of credit fee equal to four percent (4%) per annum for outstanding letters of credit.

The Credit Agreement contains customary bank covenants, including limitations on incurrence of debt and liens or other encumbrances on assets or properties, sale of assets, making of loans or investments, including paying dividends and redemptions of capital stock, the formation or acquisition of subsidiaries and transactions with affiliates. The Credit Agreement requires the Company and the other borrowers and the guarantors to maintain, on a consolidated basis, a minimum fixed charge coverage ratio of 1.0:1.0. The Credit Agreement also requires that the Company and the other borrowers and the guarantors maintain, on a consolidated basis, a minimum amount of earnings before interest, taxes, depreciation, and amortization, as determined under the Credit Agreement.

In March 2010, the Company and Wachovia entered into an amendment to the Credit Agreement. The amendment reduced the minimum required levels of earnings before interest, taxes, depreciation, and amortization under the Credit Agreement, and further provided that meeting such minimums would not be required for any monthly test period during which the Company's unused available credit under the Credit Agreement was at least \$6.0 million for 30 consecutive days. The Company paid a fee of \$30 thousand to Wachovia in connection with this amendment.

The Company currently anticipates it will be able to comply with its covenants under the Credit Agreement. However, the Company had to receive covenant waivers on several occasions under its prior credit agreement or enter amendments to that agreement to address failures to satisfy covenants under that prior credit agreement, and it is possible that, in the future, the Company may need to obtain waivers for failures to satisfy its covenants under the Credit Agreement or enter amendments to the Credit Agreement to address any such failures or obtain replacement financing as a result. There can be no assurance the Company would be successful in obtaining any such waiver, entering any such amendment or obtaining any such replacement financing.

Any waivers, amendments and/or replacement financing, if obtained, could result in significant cost to the Company. If an event of default under the Credit Agreement were to occur, the lenders could cease to make borrowings available under the Revolver and require the Company to repay all amounts outstanding under the Credit Agreement. If the Company were unable to repay those amounts due, the lenders could have their rights over the collateral exercised, which would likely have a material adverse effect on the Company's business, results of operations or financial condition.

Note E – Other Liabilities

Other Liabilities at June 30, 2010 and December 31, 2009 consisted of the following (in thousands):

	June 30, 2010	December 31, 2009
Pension benefits	\$ 5,568	\$ 5,871
Environmental remediation and product related liabilities	5,570	5,570
Income taxes payable	609	352
Deferred income taxes	312	312
Other	2,083	2,551
	\$ 14,142	\$ 14,656

See Note F for Liabilities Subject to Compromise.

Note F – Liabilities Subject to Compromise

As a result of Congoleum's Chapter 11 filing, Congoleum is required to segregate pre-petition liabilities that are subject to compromise and report them separately on the consolidated balance sheet. Liabilities that may be affected by a plan of reorganization are recorded at the amount of the expected allowed claims, even if they may be settled for lesser amounts. Substantially all of Congoleum's pre-petition debt is recorded at face value and is classified within liabilities subject to compromise. Additional, pre-petition claims (which would be classified as liabilities subject to compromise) may arise due to the rejection by Congoleum of executory contracts or unexpired leases pursuant to the Bankruptcy Code, or as a result of the allowance by the District Court of contingent or disputed claims. Liabilities subject to compromise at June 30, 2010 and December 31, 2009 and included in ABI's consolidated balance sheet at each such date were as follows (in thousands):

	June 30, 2010	December 31, 2009
Current liability		
Pre-petition other payables and accrued interest	\$ 4,992	\$ 4,997
Non-current		
Debt	100,000	100,000
Pension liability	27,435	26,286
Other post-retirement benefit obligation	11,312	11,117
Pre-petition other liabilities	12,301	12,268
	151,048	149,671
Elimination – Payable to American Biltrite	(109)	(109)
Total non-current liability	150,939	149,562
	\$ 155,931	\$ 154,559

Total liabilities subject to
compromise

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Note G – Pension Plans

The Company and Congoleum sponsor several noncontributory defined benefit pension plans covering most of their employees. Benefits under the plans are based on years of service and employee compensation. Amounts funded annually by the Company and Congoleum are actuarially determined using the projected unit credit and unit credit methods and are equal to or exceed the minimum required by government regulations. Congoleum also maintains health and life insurance programs for retirees (reflected in the table below under the columns entitled “Other Benefits”).

The table below summarizes the components of the net periodic benefit cost for the Company's and Congoleum's pension and other benefit plans during the three and six months ended June 30, 2010 and 2009 (in thousands):

	Three Months Ended June 30,			
	2010		2009	
	Pension	Other Benefits	Pension	Other Benefits
Service cost	\$535	\$51	\$494	\$57
Interest cost	1,738	150	1,646	161
Expected return on plan assets	(1,436)	-	(1,192)	-
Recognized net actuarial loss	717	12	1,102	16
Amortization of prior service cost	23	-	27	-
Net periodic benefit cost	\$1,577	\$213	\$2,077	\$234
	Six Months Ended June 30,			
	2010		2009	
	Pension	Other Benefits		