

American Biltrite Inc.

American Biltrite Inc.
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| | |
|---------------------------------|----------------|
| Employees: | 2,850 |
| Revenue: | \$ 418,261,000 |
| Net Income (Loss): | \$ 2,816,000 |
| Assets: | \$ 372,764,000 |
| Liabilities: | \$ 295,516,000 |
| No. Of Asbestos Claims: | 535* |
| Estimated Asbestos Liabilities: | \$ 68,627,000* |
| Insurance Recoveries: | \$ 59,508,000* |

(For the year ended December 31, 2001)
(*As of June 30, 2002)

Description: American Biltrite Inc. produces both floor coverings and jewelry. ABI gets about 55% of its sales from its controlling ownership of Congoleum (vinyl sheet and tile) and its wholly owned subsidiary Janus Flooring (hardwood floors). It produces jewelry through its 95% control of costume-jewelry supplier K&M Associates. ABI also makes industrial products such as adhesive-coated, pressure-sensitive papers used to protect materials during handling.

Asbestos Discussion from SEC filings:

From the Company's Form 10-K for the period ending December 31, 2002 at
<http://www.sec.gov/Archives/edgar/data/4611/000117152003000088/d1160.txt>
Filed On: April 15, 2003

As of December 31, 2002, ABI's subsidiary Congoleum was named as a defendant, together in most cases with numerous other defendants, in approximately 16,156 pending lawsuits (including workers' compensation cases) involving approximately 56,567 individuals alleging personal injury or death from exposure to asbestos or asbestos-containing products. Congoleum has announced its intent to seek confirmation of a pre-packaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code as part of its strategy to resolve this liability. See Notes 1, 10 and 11 of Notes to the Consolidated Financial Statements included in Item 8 for information about Congoleum's potential liabilities to these lawsuits.

ABI is a co-defendant with many other manufacturers and distributors of asbestos-containing products in approximately eight hundred and eighty-four pending claims involving approximately 2,341 individuals as of December 31, 2002. The claimants allege personal injury from exposure to asbestos or asbestos-containing products. See Notes 1, 10 and 11 of Notes to the Consolidated Financial Statements included in Item 8 for detailed information about these claims. These claims relate to products of the Tile Division, which was acquired by Congoleum. As part of Congoleum's plan of reorganization, ABI expects that its current and future asbestos claims related to its former Tile Division operations, will be channeled to the trust established in

connection with Congoleum's Chapter 11 plan of reorganization, resolving ABI's present and future asbestos liability relating to those former operations. In return for this relief, ABI expects to contribute to that trust certain insurance rights that ABI has relating to insurance policies that cover asbestos liabilities and under which ABI is a named insured, and a note in an aggregate principal amount equal to at least 51% of the equity value of Congoleum, with payment of the note secured by a pledge by ABI of 51% of the common stock of Congoleum. Together with a large number (in most cases, hundreds) of other companies, Congoleum is named as a PRP in pending proceedings under CERCLA and similar state laws. See Note 10 of Notes to the

Consolidated Financial Statements included in Item 8 for detailed information about these matters. Congoleum also accrues remediation costs for certain of its owned facilities on an undiscounted basis. Estimated total cleanup costs, including capital outlays and future maintenance costs for soil and groundwater remediation are primarily based on engineering studies. In the ordinary course of its business, ABI and its consolidated entities become involved in lawsuits, administrative proceedings, product liability and other matters. In some of these proceedings, plaintiffs may seek to recover large and sometimes unspecified amounts and the matters may remain unresolved for several years.

Asbestos Discussion from SEC filings:

From the Company's Form 10-Q for the quarter ended March 31, 2003

<http://www.sec.gov/Archives/edgar/data/4611/000117152003000122/d1181.txt>

Filed On: May 15, 2003

ABI is a co-defendant with many other manufacturers and distributors of asbestos containing products in approximately 1,010 pending claims involving approximately 2,485 individuals as of March 31, 2003. The claimants allege personal injury or death from exposure to asbestos or asbestos-containing products. Activity related to asbestos claims is as follows:

Ending claims 1,010 884

The total indemnity costs incurred to settle claims during the three months ended March 31, 2003 and twelve months ended December 31, 2002 were \$29,000 and \$411,000, respectively, all of which were paid by ABI's insurance carriers, as were the related defense costs. The average indemnity cost per resolved claim was approximately \$800 in the three months ended March 31, 2003 and \$3,800 in the year ended December 31, 2002. In general, governmental authorities have determined that asbestos-containing sheet and tile products are nonfriable (i.e., cannot be

| | Quarter Ended March 31, 2003 | Year Ended December 31, 2002 |
|------------------|---------------------------------|------------------------------------|
| | ----- | |
| Beginning claims | 884 | 464 |
| New claims | 161 | 528 |
| Settlements | (3) | (11) |
| Dismissals | (32) | (97) |
| | ----- | |

crumbled by hand pressure) because the asbestos was encapsulated in the products during the manufacturing process. Thus, governmental authorities have concluded that these products do not pose a health risk when they are properly maintained in place or properly removed so that they remain nonfriable. The Company has issued warnings not to remove asbestos-containing flooring by sanding or other methods that may cause the product to become friable. The Company estimates its liability to defend and resolve current and reasonably anticipated future asbestos-related claims (not including claims asserted against Congoleum), based upon a strategy to actively defend or seek settlement for those claims in the normal course of business. Factors such as recent and historical settlement and trial results, the incidence of past and recent claims, the number of cases pending against it and asbestos litigation

developments that may impact the exposure of the Company were considered in performing these estimates. In 2002, the Company engaged an outside actuary to assist it in developing estimates of the Company's liability for resolving asbestos claims at December 31, 2002. The actuary estimated the range of liability for settlement of current claims pending and claims anticipated to be filed through 2008 was \$8.5 million to \$14.9 million. The Company believes no amount within this range is more likely than any other, and accordingly has recorded the minimum liability estimate of \$8.5 million in its financial statements. The Company also believes that based on this minimum liability estimate, the corresponding amount of insurance probable of recovery is \$8.5 million at December 31, 2002 and March 31, 2003, which has been included in other assets.

Asbestos Discussion from SEC filings:

From the Company's Form 10-Q for the quarter ended September 30, 2002

<http://www.sec.gov/Archives/edgar/data/4611/000117152002000131/d02-1063.txt>

Filed On: November 14, 2002

ABI is a co-defendant with many other manufacturers and distributors of asbestos-containing products in approximately 808 pending claims involving approximately 2,233 individuals as of September 30, 2002. The claimants allege personal injury from exposure to asbestos or asbestos-containing products.

The total indemnity costs incurred by ABI to settle claims during the nine months ended September 30, 2002 and twelve months ended December 31, 2001 were \$0.2 million and \$0.4 million, respectively, all of which was paid by ABI's insurance carriers.

ABI's costs per claim vary depending on a number of factors, including the nature of the alleged exposure, the injury alleged and the jurisdiction where the claim was litigated. As of September 30, 2002, ABI has incurred indemnity costs aggregating \$3.0 million, all of which was paid by ABI's insurance carriers.

Nearly all asbestos-related claims that have been brought against ABI to date allege that various diseases were caused by exposure to asbestos-containing resilient tile manufactured by ABI (or, in the workers' compensation cases, exposure to asbestos in the course of employment with ABI).

ABI discontinued the manufacture of asbestos-containing tile products in 1985. In general, governmental authorities have determined that asbestos-containing tile products are nonfriable (i.e., cannot be crumbled by hand pressure) because the asbestos was encapsulated in the products during the manufacturing process. Thus, governmental authorities have concluded that these products do not pose a health risk when they are properly maintained in place or properly removed so that they remain nonfriable. ABI has issued warnings not to remove asbestos-containing flooring by sanding or other methods that may cause the product to become friable.

ABI regularly evaluates its estimated liability to defend and resolve current and reasonably anticipated future asbestos-related claims. It reviews, among other things, recent and historical settlement and trial results, the incidence of past and pending claims, the number of cases pending against it and asbestos litigation developments that may impact the exposure of ABI. One such development is the increasing number of declarations of bankruptcy by companies that were typically lead defendants in asbestos-related cases. ABI has noticed a trend of increased asbestos-related liability exposure as a result of this development since plaintiffs are seeking additional defendants and, with respect to those claims in which there are solvent and insolvent defendants, courts, under the legal theory of joint and several liability, are requiring solvent defendants to fund the liabilities assessed on the insolvent co-defendants even though the solvent defendants may have been found only partly responsible for the plaintiffs' injuries. There has also been a significant increase over the recent years in the number of claims and amount of damages sought involving asbestos-related

claims. These trends, if they continue, will have a negative impact on ABI's claim experience. However, due to the limitations of the available data and the difficulty of forecasting the numerous variables that can affect the range of the liability, ABI's estimates of its potential asbestos-related liability are highly uncertain. During the fourth quarter of fiscal 2001, ABI updated its evaluation of the range of potential defense and indemnity costs for asbestos-related liabilities and the insurance coverage in place to cover these costs. As a result of the Company's analysis, the Company has determined that its range of probable and estimable undiscounted losses for asbestos-related claims through the year 2049 is \$15.6 million to \$27.8 million before considering insurance recoveries, which ABI expects will fully cover its liability based on its current claims experience. As discussed previously, it is very difficult to forecast a liability for the Company's ultimate exposure for asbestos-related claims as there are multiple variables that can affect the timing, severity, and quantity of claims. As a result, the Company has concluded that no amount within that range is more likely than any other, and therefore, has determined that the amount of the gross liability it should record for asbestos-related claims is \$15.6 million in accordance with accounting principles generally accepted in the United States. The amounts recorded by the Company for its asbestos-related liability are reflected in its consolidated balance sheet as a long-term liability.

In accordance with its accounting policy, the Company will conduct a detailed analysis of its asbestos-related liabilities and related insurance coverage in the fourth quarter of fiscal 2002. The results of this analysis may cause the Company to increase the range of its probable and

estimable undiscounted losses for asbestos-related claims and the recorded amount of its gross liability for asbestos-related claims. If these changes are realized, the Company may incur charges against its income in the fourth quarter of 2002, which if the charge were of a sufficient magnitude would have a material adverse effect upon the Company's business, results of operations, and financial position.

The same factors that affect developing forecasts of potential defense and indemnity costs for asbestos-related liabilities also affect estimates of the total amount of insurance that is probable of recovery, as do a number of additional factors. These additional factors include the financial viability of some of the insurance companies, the method in which losses will be allocated to the various insurance policies and the years covered by those policies, how legal and other loss handling costs will be covered by the insurance policies, and interpretation of the effect on coverage of various policy terms and limits and their interrelationships.

ABI has determined, based on its review of its insurance policies and the advice of legal counsel, that the entire amount of its estimated gross asbestos-related liability at December 31, 2001 and September 30, 2002 is probable of recovery. This determination was made after considering the terms of the available insurance coverage, the financial viability of the insurance companies and the

terms of the coverage agreement with its carriers.

Since many uncertainties exist surrounding asbestos litigation, ABI will continue to evaluate its asbestos-related estimated liability and corresponding estimated insurance assets as well as the underlying assumptions used to derive these amounts. It is possible that ABI's total liability for asbestos-related claims may be greater than the recorded liability and that insurance recoveries may be less than the recorded asset, and that if the actual liabilities exceed the recorded liability, insurance coverage and recoveries available for the additional liability will be less than the additional liability amount. These uncertainties may result in ABI incurring future charges to income if it has to adjust the carrying value of its recorded liabilities by an amount in excess of any offsetting increase in its assets pertaining to asbestos-related claims. Additionally, since ABI has recorded an amount representing the low end of the range of exposure for asbestos-related claims, it is probable that over time another amount within the range, or above that range, possibly by a substantial amount, will be a better estimate of ABI's liability for asbestos-related claims. Although the resolution of these claims will take place over time, amounts recorded for the liability are not discounted, and the effect on results of operations in any given year from a revision to these estimates could be material.

Asbestos Discussion from SEC filings:

From the Company's Form 10-Q for the quarter ended June 30, 2002

<http://www.sec.gov/Archives/edgar/data/4611/000117152002000086/d02-1042.txt>

Filed On: August 14, 2002

ABI is a co-defendant with many other manufacturers and distributors of asbestos-containing products in approximately 535 pending claims involving approximately 1,471 individuals as of June 30, 2002. The claimants allege personal injury from exposure to asbestos or asbestos-containing products.

ABI estimates that its range of probable and estimable undiscounted losses for asbestos related claims is \$15.6 million to \$27.8 million before considering insurance recoveries, which ABI expects will fully cover the liability. ABI has concluded that no amount within this range is more likely than any other, and has recorded a \$15.6 million liability for asbestos related claims and a \$15.6 million asset for expected insurance coverage.

ABI reported in its December 31, 2001 Form 10-K that it has been named as a Potentially Responsible Party ("PRP") within the meaning of the federal Comprehensive Environmental Response Compensation and Liability Act, as amended, with respect to two sites in two separate states. There have been no new developments relating to these sites during the six month period ended June 30, 2002. ABI also received notice by the present owner of a former ABI plant with regard to notice by the Maine Department of Environmental Protection ("MDEP") to clean up a dumpsite. ABI has submitted a Site Investigation Work Plan to the MDEP.

With regard to the Olin Corporation ("Olin") site in Wilmington, MA, including the six

month period ending June 30, 2002, ABI has made periodic payments of \$1.9 million for reimbursement of response costs incurred by Olin with regard to the site and reimbursement for Olin's internal costs since January 1, 1999, each as provided under the settlement agreement. These periodic payments are in addition to the \$2.5 million payment made by ABI that was due at the time ABI entered into the settlement agreement and related to ABI's share of alleged past response costs incurred by Olin through December 31, 1998 with regard to the site. Olin has estimated that the response cost for all of 2002 will be approximately \$2.5 million with ABI's allocated share being \$340,000. ABI has estimated that beyond 2002 the total response costs will be in the range of \$16.3 million to \$28.5 million. As of June 30, 2002, ABI has estimated its share of potential further liability for the Olin site to be in the range of \$2.3 million to \$4 million before any recoveries from insurance.

ABI has been named by the United States Environmental Protection Agency ("EPA") as a PRP along with seven other PRPs with respect to three neighborhood sites ("Sites") in Atlanta, Georgia where properties within the boundaries of the Sites contain lead in the surface soil in concentrations that exceed EPA's residential lead screening level. The EPA has requested that ABI sign an administrative consent order. ABI is reviewing the EPA notification letter and the administrative consent order while assessing its responsibility with respect to the Sites.

Asbestos Discussion from SEC filings:

From the Company's Form 10-Q for the quarter ended September 29, 2001

<http://www.sec.gov/Archives/edgar/data/4611/000100547701501881/d01-35058.txt>

Filed On: November 13, 2001

ABI is a co-defendant with many other manufacturers and distributors of asbestos-containing products in approximately 463 pending claims involving approximately 1,410 individuals as of September 29, 2001. The claimants allege personal injury from exposure to asbestos or asbestos-containing products.

ABI reported in its December 31, 2000 Form 10-K that it has been named as a Potentially Responsible Party ("PRP") within the meaning of the Federal Comprehensive Environmental Response Compensation and Liability Act, as amended, with respect to two sites in two separate states. There have been no new developments relating to these sites during the three and nine month period ended September 29, 2001.

With regard to the Olin Corporation ("Olin") site in Wilmington, MA, during the nine month period ending September 29, 2001, ABI has paid Olin \$483,000 for the period from June 1, 2000 to December 31, 2000 and \$272,000 for the period January 1, 2001 to March 31, 2001 and ABI has been invoiced by Olin \$281,000 for the period April 1, 2001 to June 1, 2001. Olin has estimated that the response cost for all of 2001 will be \$6 million with ABI's allocated share being \$814,000. ABI, in discussion with Olin, has estimated that beyond 2001 the response costs will be in the range of \$16.3 million to \$29 million. As of September 29, 2001, ABI has estimated its share of potential liability for Olin to be in the range of \$3.3 million to \$5 million before any recoveries from insurance.

Asbestos-Related News:

[Faces 535 Pending Asbestos Claims as of June 2002 \(Published September 20, 2002\)](#)