AMERICAN BILTRITE INC
Form 10-Q
November 10, 2011

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 September 30, 2011 Commission File Number 1-4773

AMERICAN BILTRITE INC.

(Exact name of registrant as specified in its charter)

Delaware	04-1701350
(State or other jurisdiction of incorporation or organization)	(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 [X] 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 [X] 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 [X]

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

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 November 10, 2011
Common Stock	3,447,142 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 Inc. 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 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, including American Biltrite Inc.’s Annual Report on Form 10-K for the year ended December 31, 2010.

AMERICAN BILTRITE INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN BILTRITE INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS – ASSETS

(In thousands of dollars)

	September 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 587	$ 867
Short-term investments	2,400	2,400
Accounts receivable, net	26,161	21,887
Inventories	43,918	38,606
Taxes receivable	1,181	631
Prepaid expense & other current assets	3,099	2,502
Total current assets	77,346	66,893
Property, plant & equipment, net	28,568	29,891
Other assets:		
Insurance for asbestos-related liabilities	17,646	17,646
Other assets	9,451	8,800
	27,097	26,446
Total assets	$ 133,011	$ 123,230

See accompanying notes to consolidated condensed financial statements

AMERICAN BILTRITE INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS –

LIABILITIES AND STOCKHOLDERS' EQUITY

(In thousands of dollars)

	September 30, 2011 (Unaudited)	December 31, 2010
Liabilities		
Current liabilities:		
Accounts payable	$ 11,881	$ 8,829
Accrued expenses	15,511	16,864
Notes payable	15,895	4,639
Current portion of long-term debt	1,496	1,487
Total current liabilities	44,783	31,819
Long-term debt, less current portion	4,609	5,851
Asbestos-related liabilities	17,700	17,700
Other liabilities	15,840	16,771
Total liabilities	82,932	72,141
Stockholders' equity		
Common stock	46	46
Additional paid-in capital	20,075	20,148
Less cost of shares in treasury	(14,958)	(15,133)
Retained earnings	46,818	46,769
Accumulated other comprehensive loss	(2,845)	(1,683)
Total stockholders' equity of controlling interests	49,136	50,147
Noncontrolling interests	943	942
Total stockholders' equity	50,079	51,089
Total liabilities and stockholders' equity	$ 133,011	$ 123,230

See accompanying notes to consolidated condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

For the Three and Nine Months Ended September 30, 2011 and 2010

(In thousands of dollars, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales	$52,524	$53,758	$157,638	$150,549
Cost of products sold	40,165	39,722	120,614	110,559
Selling, general & administrative expenses	12,234	12,241	37,614	36,964
Income (loss) from operations	125	1,795	(590)	3,026
Other (expense) income				
Interest expense, net	(237)	(219)	(584)	(681)
Other (expense) income	(454)	1,189	649	645
	(691)	970	65	(36)
(Loss) income before income taxes and other items	(566)	2,765	(525)	2,990
(Benefit from) provision for income taxes	(650)	715	(575)	930
Net income	84	2,050	50	2,060
Noncontrolling interests	(1)	(7)	(1)	(59)
Net income from continuing operations of controlling interests	83	2,043	49	2,001
Net income of discontinued operation, net of noncontrolling interests	—	53,565	—	52,938
Net income attributable to controlling interests	$83	$55,608	$49	$54,939
Earnings per share attributable to controlling interests				
Basic				
Continuing operations	$0.02	$0.59	$0.01	$0.58
Discontinued operation	—	15.57	—	15.38
	$0.02	$16.16	$0.01	$15.96
Diluted				
Continuing operations	$0.02	$0.59	$0.01	$0.58
Discontinued operation	—	15.54	—	15.37
	$0.02	$16.13	$0.01	$15.95
Weighted average shares outstanding				
Basic	3,447,142	3,441,369	3,443,971	3,441,455
Diluted	3,483,268	3,446,871	3,473,052	3,445,151

See accompanying notes to consolidated condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands of dollars)

	Nine Months Ended September 30, 2011	2010
Operating activities		
Net income	$50	$54,998
Net income of discontinued operation, net of noncontrolling interests	—	(52,938)
Net income from continuing operations	50	2,060
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	3,279	3,375
Stock compensation expense	123	149
Change in operating assets and liabilities:		
Accounts and notes receivable	(4,543)	(7,615)
Inventories	(6,093)	(9,317)
Prepaid expenses and other assets	(614)	(369)
Accounts payable and accrued expenses	759	9,303
Insurance proceeds for property loss claim	—	1,720
Other	(1,454)	(163)
Net cash used by operating activities	(8,493)	(857)
Investing activities		
Investments in property, plant and equipment	(1,905)	(938)
Purchase of short-term investments	(4,800)	(4,800)
Proceeds from sale of short-term investments	4,800	4,800
Net cash used by investing activities	(1,905)	(938)
Financing activities		
Net short-term borrowings	11,429	2,649
Payments on long-term debt	(1,233)	(1,021)
Proceeds from exercise of employee stock options	2	—
Purchase of treasury stock	—	(1)
Net cash provided by financing activities	10,198	1,627
Effect of foreign exchange rate changes on cash	(80)	79
Net decrease in cash	(280)	(89)
Cash and cash equivalents at beginning of period	867	402
Cash and cash equivalents of continuing operations at end of period	$587	$313

See accompanying notes to consolidated condensed financial statements.

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AMERICAN BILTRITE INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

Note A – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements which include the accounts of American Biltrite Inc. and its wholly owned subsidiaries as well as entities over which it has voting control (referred to herein as "ABI", "American Biltrite" or the "Company") 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 nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for future periods, including the year ending December 31, 2011. For further information, refer to the consolidated 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, 2010.

The consolidated condensed balance sheet at December 31, 2010 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.

The Company's former subsidiary Congoleum Corporation ("Congoleum") filed a voluntary petition on December 31, 2003, with the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court") seeking relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") as a means to resolve claims asserted against it related to the use of asbestos in its products decades ago, 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 are not included in the consolidated results of the Company subsequent to June 30, 2010. In the accompanying unaudited consolidated condensed financial statements, the historical results of Congoleum have been reported as a discontinued operation.

Note B – Inventories

Inventories at September 30, 2011 and December 31, 2010 consisted of the following *(in thousands)*:

	September 30, 2011	December 31, 2010
Finished goods	$ 23,076	$ 19,202
Consigned inventory	4,543	5,058
Work-in-process	9,064	8,416
Raw materials and supplies	7,235	5,930
	$ 43,918	$ 38,606

Note C – Accrued Expenses

Accrued expenses at September 30, 2011 and December 31, 2010 consisted of the following *(in thousands)*:

	September 30, 2011	December 31, 2010
Accrued advertising and sales promotions	$ 4,392	$ 4,995
Employee compensation and related benefits	4,724	4,906
Environmental matters	989	982
Royalties	892	1,133
Income taxes	—	805
Professional fees	1,047	710
Other	3,467	3,333
	$ 15,511	$ 16,864

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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 Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association ("Wells Fargo") 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. Although the Company intends to seek to renew, refinance or replace the Revolver and the letter of credit facilities under the Credit Agreement or extend the maturity date, there can be no assurances that it will be able to do so. A failure to renew, refinance or replace the Revolver and the letter of credit facilities, or to sufficiently extend the current maturity date, on terms satisfactory to the Company would likely have a material adverse effect on the Company's business, results of operations or financial condition.

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 most of the assets of the Company and its subsidiaries. At September 30, 2011, the Company had $15.9 million and $5.0 million outstanding under the Revolver and Term Loan, respectively, and $7.7 million of additional unused borrowing capacity available under the Revolver.

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.

Note D – Financing Arrangements (continued)

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 to maintain, on a consolidated basis, a minimum fixed charge coverage ratio of 1.0:1.0. The Credit Agreement also requires the Company to maintain, on a consolidated basis, a minimum amount of earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as determined under the Credit Agreement.

In March 2010, the Company and Wells Fargo entered into an amendment to the Credit Agreement. The Company paid a fee of $30 thousand to Wells Fargo in connection with this amendment. The amendment reduced the minimum required levels of earnings before interest, taxes, depreciation, and amortization under the Credit Agreement for 2010. It further provided that, for the remaining term of the Credit Agreement, 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's unused available credit has been greater than $6.0 million each day from the inception of the Credit Agreement through September 30, 2011. During the three months ended September 30, 2011, the Company's ability to comply with the financial covenants in the Credit Agreement was dependent upon the maintenance of the $6.0 million of unused available credit, as it did not meet the required levels of EBITDA and fixed charge coverage ratio. The Company currently anticipates it will be able to comply with its financial covenants under the Credit Agreement based upon its anticipated level of unused available credit during the remaining term of the Credit Agreement.

On June 3, 2011, the Company entered into an amendment to the Credit Agreement effective May 27, 2011, which permits the Company to declare and pay dividends up to $500,000 per year, subject to certain conditions including, among others, that the Company is not in default of the Credit Agreement and that as of the date of each such declaration or payment and after giving effect thereto, and for the 30 consecutive day period immediately preceding each such declaration or payment, the amount of borrowings available under the Credit Agreement to the Company shall not be less than $10 million. The amendment also made certain changes to the determination of eligible accounts, which are used in determining borrowing availability under the Credit Agreement, and, subject to certain conditions, permits the Company to withhold shares of its capital stock issued pursuant to options exercised under any stock option plan, as payment for the exercise price for the option and applicable withholding taxes, and for the Company to pay in cash to the governmental authorities the amount of those withholding taxes. The Company paid a fee of $15,000 to Wells Fargo in connection with this amendment.

Note D – Financing Arrangements (continued)

The Company had to receive covenant waivers on several occasions under its prior credit agreement or enter amendments to that agreement or the Credit Agreement to address failures or expected failures to satisfy covenants under the agreements, 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 September 30, 2011 and December 31, 2010 consisted of the following *(in thousands)*:

	September 30, 2011	December 31, 2010
Pension benefits	$ 6,277	$ 6,973
Environmental remediation and product related liabilities	7,516	7,516
Income taxes	—	808
Other	2,047	1,474
	$ 15,840	$ 16,771

Note F – Pension Plans

The Company sponsors several noncontributory defined benefit pension plans covering most of its employees. Benefits under the plans are based on years of service and employee compensation. Amounts funded annually by the Company are actuarially determined using the projected unit credit and unit credit methods and are equal to or exceed the minimum required by government regulations.

The table below summarizes the components of the net periodic benefit cost for the Company's pension plans during the three and nine months ended September 30, 2011 and 2010 *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Service cost	$239	$213	$717	$639
Interest cost	471	472	1,413	1,416
Expected return on plan assets	(466)	(431)	(1,398)	(1,293)
Recognized net actuarial (gain) loss	4	(3)	12	(9)
Amortization of prior service cost	23	23	69	69
Net periodic benefit cost	$271	$274	$813	$822

The weighted average assumptions used to determine net periodic benefit cost for the nine months ended September 30, 2011 and 2010 were as follows:

	2011	**2010**
Discount rate	5.50%	5.75% - 6.25%
Expected long-term return on plan assets	6.75% - 7.00%	6.75% - 7.00%
Rate of compensation increase	3.00% - 3.50%	3.00% - 3.50%

Note G – Commitments and Contingencies

The Company is subject to federal, state and local environmental laws and regulations, and certain legal and administrative claims are pending or have been asserted against the Company. Among these claims, the Company is a named party in several actions associated with waste disposal sites. These actions include possible obligations to remove or mitigate the effects on the environment of wastes deposited at various sites, including Superfund sites and certain of the Company's owned and previously owned facilities. The contingencies also include claims for personal injury and/or property damage. The exact amount of such future cost and timing of payments are indeterminable due to such unknown factors as the magnitude of cleanup costs, the timing and extent of the remedial actions that may be required, the determination of the Company's liability in proportion to other potentially responsible parties, the financial viability of other potentially responsible parties, and the extent to which costs may be recoverable from insurance or other third party sources. Provisions in the financial statements have been recorded for the estimated probable loss associated with all known general and environmental contingencies for the Company. While the Company believes its estimate of the future amount of these liabilities is reasonable, and that it will be paid for the most part over a period of five to twenty-five years, the timing and amount of such payments may differ significantly from the Company's assumptions. Although the effect of future government regulation could have a significant effect on the Company's costs, the Company is not aware of any pending legislation that it currently expects would have a material adverse effect on its results of operations or financial position. There can be no assurances that the costs of any future government regulations could be passed along by the Company to its customers. Estimated insurance recoveries related to these liabilities are reflected in other non-current assets.

The Company records a liability for environmental remediation claims when the Company determines that it is probable that the Company will incur costs relating to a clean-up program or will have to make claim payments, and the costs or payments can be reasonably estimated. As assessments are revised and clean-up programs progress, these liabilities are adjusted as appropriate to reflect such revisions and progress.

Note G – Commitments and Contingencies (continued)

ABI is a co-defendant with many other manufacturers and distributors of asbestos containing products in approximately 1,297 pending claims involving approximately 1,843 individuals as of September 30, 2011. These claims relate to products of ABI's former Tile division, which ABI contributed to Congoleum in 1993. The claimants allege personal injury or death from exposure to asbestos or asbestos-containing products. Activity related to asbestos claims during the nine months ended September 30, 2011 and year ended December 31, 2010 was as follows:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Beginning claims	1,261	1,193
New claims	251	304
Settlements	(27)	(29)
Dismissals	(188)	(207)
Ending claims	1,297	1,261

ABI has multiple excess layers of insurance coverage for asbestos claims. The total indemnity costs incurred to settle claims during the nine months ended September 30, 2011 and the year ended December 31, 2010 were $4.4 million and $5.7 million, respectively, all of which were paid by ABI's first-layer excess umbrella insurance carriers, as were the related defense costs.

In addition to coverage available under the first-layer excess umbrella coverage (the "Umbrella Coverage"), ABI has additional excess liability insurance policies that should provide further coverage if and when limits of certain policies within the Umbrella Coverage exhaust. While ABI expects the Umbrella Coverage will result in the substantial majority of defense and indemnity costs for asbestos claims against ABI being paid by its insurance carriers for the foreseeable future, ABI may incur uninsured costs related to asbestos claims, and those costs could be material. If ABI were to incur significant uninsured costs for asbestos claims, or its insurance carriers failed to fund insured costs for asbestos claims, such costs could have a material adverse impact on its liquidity, financial condition and results of operations.

In general, governmental authorities have determined that asbestos-containing sheet and 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. The Company has issued warnings not to remove asbestos-containing flooring by sanding or other methods that may cause the product to become friable.

Note G – Commitments and Contingencies (continued)

The Company estimates its liability for indemnity to resolve current and reasonably anticipated future asbestos-related claims, based upon a strategy to vigorously defend against and strategically settle those claims on a case-by-case basis in the normal course of business. Factors such as recent and historical settlement and trial results, the court dismissal rate of claims, 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. Changes in factors could have a material impact on the Company's liability. For instance, the estimate is sensitive to changes in the mesothelioma acceptance rate. For example, if the calibration window is shifted by two years prior to 2010, the mesothelioma acceptance rate decreases by 1.2% to 4.6%, and this would reduce the low end of the estimated liability range discussed below by about 20% (assuming all other variables remain constant).

The Company utilizes an actuarial study periodically to assist it in developing estimates of the Company's potential liability for resolving present and possible future asbestos claims. Projecting future asbestos claim costs requires estimating numerous variables that are difficult to predict, including the incidence of claims, the disease that may be alleged by future claimants, future settlement and trial results, future court dismissal rates for claims, and possible asbestos legislation developments. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties, the Company believes that six years is the most reasonable period over which to include future claims that may be brought against the Company for recognizing a reserve for future costs. Due to the numerous variables and uncertainties, the Company does not believe that reasonable estimates can be developed of liabilities for claims beyond a six year horizon. The Company will continue to evaluate its range of future exposure, and the related insurance coverage available, and when appropriate, record future adjustments to those estimates, which could be material.

The estimated range of liability for settlement of current claims pending and claims anticipated to be filed in the next six years, excluding defense costs, was $17.7 million to $62.0 million as of December 31, 2010. The Company believes no amount within this range is more likely than any other, and accordingly has recorded a liability of $17.7 million at September 30, 2011 and December 31, 2010 in its financial statements which the Company believes represents a probable and reasonably estimable amount for the future liability at the present time. The Company also believes that based on this liability estimate, the corresponding amount of insurance probable of recovery is $17.6 million at September 30, 2011 and December 31, 2010, which has been included in other assets. The same factors that affect developing forecasts of potential 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 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. These amounts were based on currently known facts by ABI and a number of assumptions. However, the uncertainties referred to above, including the difficulty projecting future events, such as the number of new claims to be filed each year, the average cost of disposing of each such claim, and the continuing solvency of various insurance companies, as well as numerous uncertainties surrounding asbestos legislation in the United States, could cause the actual liability and insurance recoveries for the Company to be higher or lower than those projected or recorded.

Note G – Commitments and Contingencies (continued)

There can be no assurance that the Company’s accrued asbestos liabilities will approximate its actual asbestos-related settlement costs, or that it will receive the insurance recoveries which it has accrued or that its insurance will adequately cover the Company’s costs and liabilities with respect to asbestos claims. The Company believes that it is reasonably possible that it will incur charges for resolution of asbestos claims in the future, which could exceed the Company’s existing reserves. The Company believes it has substantial insurance coverage to mitigate future costs related to this matter.

As of September 30, 2011 and December 31, 2010, ABI recorded an environmental reserve of $8.3 million, which the Company believes represents the probable and reasonably estimable amounts to cover the anticipated remediation costs described in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and above based on facts and circumstances known to the Company. The Company has also recorded a receivable of $3.2 million as of September 30, 2011 and December 31, 2010, for what the Company believes are its estimable and probable recoveries for the contingencies described above. These projects tend to be long-term in nature, and these assumptions are subject to refinement as facts change. As such, it is possible that the Company may need to revise its recorded liabilities and receivables for environmental costs in future periods, resulting in potentially material adjustments to the Company’s earnings and estimated funding obligations with respect to these matters in future periods. The Company monitors existing and potential environmental matters to consider the reasonableness of its estimates and assumptions.

In the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, the Company disclosed various legal proceedings. There have been no material developments relating to the environmental sites or the other environmental or other legal matters relating to ABI during the nine month period ended September 30, 2011, other than the updates noted above regarding the Company’s asbestos-related claims.

In addition to the matters referenced above, in the ordinary course of its business, the Company becomes involved in lawsuits and administrative proceedings in connection with product liability claims (in addition to asbestos related claims) 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.

Note H – Income Taxes

The effective tax rate for the nine months ended September 30, 2011 and 2010 was 109.5% and 31.1%, respectively. The Company's income tax benefit for the first nine months of 2011 was greater than its pretax loss of $525 thousand due primarily to the recognition of additional tax benefits related to changes in estimated foreign sourced income and foreign taxes paid.

The Company's Canadian subsidiary, American Biltrite (Canada) Ltd. ("AB Canada") was audited by the Canadian Revenue Authority ("CRA") during 2010 for the years ending 2002 through 2007. In January 2011, the CRA notified AB Canada that certain amounts related to the Company's management fees and net operating loss carryforwards of a discontinued operation will be disallowed. In September 2011, AB Canada received formal assessments for 2002 through 2007. If the CRA positions are sustained in full, the Company's tax liability would increase by approximately $3.6 million plus interest and penalties for these years. In July 2011, AB Canada paid $2.1 million to the CRA, the minimum amount required to be paid. The Company intends to appeal the assessments and vigorously defend its positions. However, the final outcome of the audit and the Company's appeal is uncertain and therefore, the impact on the financial position and results of operations of the Company cannot be fully determined.

Note I – Stockholders' (Deficit) Equity

The following table reconciles stockholders' (deficit) equity for the year ended December 31, 2010 and the nine months ended September 30, 2011 *(in thousands)*:

	Stockholders' (Deficit) Equity of Controlling Interests	Non-Controlling Interests	Total Equity
December 31, 2009	$ (44,624)	$ 639	$ (43,985)
Net income for the year ended December 31, 2010			
Continuing operations	4,231	55	4,286
Discontinued operation	52,938	—	52,938
Foreign currency translation adjustments	997	—	997
Defined benefit plans adjustment	(719)	—	(719)
Stock compensation expense	198	—	198
Purchase of treasury stock	(1)	—	(1)
Taxes payable adjustment for noncontrolling interests	—	17	17
K&M distribution	—	(98)	(98)
Deconsolidation of Congoleum	37,127	329	37,456
December 31, 2010	50,147	942	51,089
Net income for the nine months ended September 30, 2011	49	1	50
Foreign currency translation adjustments	(1,162)	—	(1,162)
Stock compensation expense	123	—	123
Exercise of employee stock options	(21)	—	(21)
September 30, 2011	$ 49,136	$ 943	$ 50,079

In May and June 2011, certain employees exercised vested stock options with an exercise price of $6.50. Upon exercise of the stock options, the Company issued a total of 5,785 shares of common stock from treasury shares. The cost of the treasury shares was greater than the exercise price and the market value of the Company's stock on the days the stock options were exercised. Consequently, the issuance of stock from treasury stock resulted in a reduction of the Company's equity by $21 thousand.

Note I – Stockholders' (Deficit) Equity (continued)

Prior to July 1, 2010, American Biltrite owned 55% of Congoleum's outstanding shares of Class A and Class B common stock. The noncontrolling interests recorded in American Biltrite's consolidated financial statements included the 45% of outstanding shares of Congoleum Class A and Class B common stock not owned by American Biltrite. Upon effectiveness of Congoleum's plan of reorganization as of July 1, 2010, ABI's ownership interests in Congoleum were cancelled by operation of the plan. Consequently, the results of reorganized Congoleum are not included in the consolidated results of the Company subsequent to June 30, 2010. Congoleum's historical results through June 30, 2010 included losses (including other comprehensive losses) of $90.7 million in excess of the value of ABI's investment in Congoleum. The deconsolidation of Congoleum in July 2010 resulted in the elimination from American Biltrite's consolidated stockholders' equity of the accumulated deficit attributed to Congoleum, $37.1 million of which was recorded against accumulated other comprehensive income for prior period pension adjustments and $53.6 million was recorded as a gain from deconsolidation in net income of discontinued operation. Net income of the discontinued operation for the year ended December 31, 2010 is comprised of *(in thousands)*:

Gain on deconsolidation	$53,565
Net loss of Congoleum for the six months ended June 30, 2010	(1,140)
Noncontrolling interest of Congoleum's net loss	513
Net income of discontinued operation, net of noncontrolling interest	$52,938

In March 2010, in accordance with its partnership agreement, the Company's majority-owned (94.5%) subsidiary K&M Associates L.P. ("K&M") made a $1.8 million distribution to its partners. The amount of the distribution made to the minority partner of K&M was $98 thousand (5.5%), which reduced noncontrolling interests. In August 2010, the Company acquired the 5.5% minority interest in K&M in a non-cash transaction. The Company recognized $44 thousand of income attributable to non-controlling interests in K&M, net of tax, for the eight months ended August 28, 2010.

Note J – Comprehensive Income (Loss)

The following table presents total comprehensive income for the three and nine months ended September 30, 2011 and 2010 *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income				
Continuing operations	$83	$2,043	$49	$2,001
Discontinued operation	—	53,565	—	52,938
Foreign currency translation adjustments	(1,776)	748	(1,162)	330
Total comprehensive (loss) income	$(1,693)	$56,356	$(1,113)	$55,269

Note K – Income (Loss) Per Share

Basic earnings per share is based on the weighted-average number of shares of common stock outstanding, and diluted earnings per share is based on the weighted-average number of shares of common stock outstanding and all dilutive potential common stock equivalents outstanding. The dilutive effect of options is determined under the treasury stock method using the average market price for the period. Common stock equivalents are included in the per share calculations when the effect of their inclusion would be dilutive. The Company’s common stock equivalents consist only of stock options granted under the Company’s employee and non-employee director stock option plans.

Note L – Industry Segments

Description of Products and Services

The Company has three segments for financial reporting purposes: the tape division, jewelry and a Canadian division. The tape division segment manufactures paper, film, HVAC, electrical, shoe and other tape products for use in industrial and automotive markets in two production facilities in the United States, and in finishing and sales facilities in Belgium and Singapore. The jewelry segment consists of the Company's subsidiary K&M Associates L.P., a national costume jewelry supplier to mass merchandisers and department stores. The Company's Canadian division produces flooring, rubber and other industrial products.

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Note L – Industry Segments (continued)

Prior to July 1, 2010, the Company had a flooring segment, which consisted of Congoleum, a manufacturer of resilient floor coverings. On July 1, 2010, Congoleum's plan of reorganization became effective and, consequently, ABI's ownership interest in Congoleum was cancelled by operation of that plan (see Notes A and I). In the accompanying unaudited consolidated condensed financial statements, the historical results of Congoleum have been reported as a discontinued operation. Net sales and segment profit provided below relate to the segments of the continuing operations. Intersegment net sales recorded in 2010 and reported below were sales made by the Tape and Canadian divisions to Congoleum for periods through June 30, 2010. Subsequent to June 30, 2010, the Tape and Canadian divisions continued to sell products to reorganized Congoleum. Net sales made by ABI to reorganized Congoleum for the nine months ended September 30, 2011 totaled $2.0 million and have been included in net sales to external customers.

Net sales by segment for the three ended September 30, 2011 and 2010 were as follows *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales to external customers:				
Tape division	$24,266	$25,765	$76,755	$73,295
Jewelry	13,503	13,486	33,618	36,438
Canadian division	14,755	14,507	47,265	40,816
Total net sales to external customers	52,524	53,758	157,638	150,549
Intersegment net sales:				
Tape division	—	—	—	1,248
Jewelry	—	—	—	—
Canadian division	—	—	—	1,520
Total intersegment net sales	—	—	—	2,768
Intersegment net sales	—	—	—	(2,768)
Total consolidated net sales	$52,524	$53,758	$157,638	$150,549

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Note L – Industry Segments (continued)

Segment profit or loss is before income tax expense or benefit and noncontrolling interests. Profit (loss) by segment for the three and nine months ended September 30, 2011 and 2010 was as follows *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Segment (loss) profit				
Tape products	$(1,437)	$535	$(2,458)	$(757)
Jewelry	124	1,754	61	2,357
Canadian division	473	586	1,847	1,230
Total segment (loss) profit	(840)	2,875	(550)	2,830
Reconciling items				
Corporate expenses	274	(111)	25	230
Intercompany profit	—	1	—	(70)
Total consolidated (loss) income before income taxes and other items	$(566)	$2,765	$(525)	$2,990

During the nine months ended September 30, 2010, intercompany profits for sales made to Congoleum through June 30, 2010 were eliminated. Subsequent to the deconsolidation of Congoleum in July 2010 (see Notes A and I), the Company did not eliminate profits from sales made to Congoleum in accordance with U.S. GAAP.

Assets by segment as of September 30, 2011 and December 31, 2010 were as follows *(in thousands)*:

	September 30, 2011	December 31, 2010
Segment assets		
Tape products	$46,419	$43,894
Jewelry	22,757	17,914
Canadian division	35,667	34,290
Total segment assets	104,843	96,098
Reconciling items		
Corporate items	32,940	30,652
Intersegment accounts receivable	(4,772)	(3,520)
Consolidated assets	$133,011	$123,230

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Economic conditions in the United States have been challenging, including in the industries in which the Company conducts business. Although the United States economy and the Company’s business have experienced improvements during the recent recovery from the United States and global recession, growth is modest, certain end markets for the Company’s products remain weak, and the recovery could be threatened by a number of factors, including consumer response to higher costs for oil and other goods, effects of a weakening US dollar, increases in interest rates, geopolitical instability, and other political factors.

In addition, raw material and energy costs increased sharply during 2010 and continued to be high during 2011, which has negatively impacted the Company’s business and operating results. Global economic recovery and political instability in oil producing nations may contribute to further increasing price levels, and any such further increases could be significant. The Company may be unable to pass increased raw material and energy costs on to its customers.

ABI is a defendant in a number of asbestos-related lawsuits. See Note G to the Unaudited Consolidated Condensed Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference. These matters could have a material adverse impact on the Company’s business, results of operations or financial condition.

American Biltrite’s consolidated financial statements included its majority-owned subsidiary, Congoleum through June 30, 2010. 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 are not included in the consolidated results of the Company subsequent to June 30, 2010. The historical results of Congoleum are reported as a discontinued operation.

The Congoleum plan of reorganization governs an intercompany settlement and ongoing intercompany arrangements among American Biltrite and its subsidiaries and reorganized Congoleum, pursuant to which American Biltrite and reorganized Congoleum entered into a management services and commercial agreement effective as of July 1, 2010, which agreement has a term of two years. The management services and commercial agreement includes the provision of management services by American Biltrite to reorganized Congoleum and other business relationships substantially consistent with their traditional relationships. For further description of the management services and commercial agreement, see American Biltrite’s Current Report on Form 8-K, which was filed with the Securities and Exchange Commission on July 8, 2010. In addition, a copy of that agreement is filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission’s website at http://www.sec.gov.

Application of Critical Accounting Policies and Estimates

The discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the Company's financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that reflect significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. The Company believes that its most critical accounting policies, upon which its financial condition depends and which involve the most complex or subjective decisions or assessments, are those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission.

There have been no material changes in what the Company considers to be its critical accounting policies or the applicability of the disclosure the Company provided regarding those policies in that Form 10-K.

Results of Operations

	Three Months Ended September 30				Nine Months Ended September 30			
	2011		2010		2011		2010	
	(In thousands)							
Net sales	$52,524		$53,758		$157,638		$150,549	
Cost of sales	40,165		39,722		120,614		110,559	
Gross profit	12,359	23.5%	14,036	26.1%	37,024	23.5%	39,990	26.6%
Selling, general & administrative expenses	12,234	23.3%	12,241	22.8%	37,614	23.9%	36,964	24.6%
Operating income (loss)	125		1,795		(590)		3,026	
Interest expense, net	(237)		(219)		(584)		(681)	
Other (expense) income, net	(454)		1,189		649		645	
(Loss) income before taxes and other items	(566)		2,765		(525)		2,990	
(Benefit from) provision for income taxes	(650)		715		(575)		930	
Noncontrolling interests	(1)		(7)		(1)		(59)	
Net income from continuing operations	$83		$2,043		$49		$2,001	

Net sales in the third quarter of 2011 were $52.5 million compared to $53.8 million in the third quarter of 2010, a decrease of $1.2 million or 2.3%. Tape division sales decreased $1.5 million or 5.8% as a result of lower sales of automotive, HVAC and industrial products, partly offset by increased selling prices. Canadian division sales increased $248 thousand or 1.7% as a result of currency translation, with sales increases of industrial rubber products largely offset by decreases in flooring sales. K&M sales were essentially unchanged from year earlier levels, with sales gains through mass merchandisers and department stores offsetting lower sales through mid-tier and off-price retailers.

Net sales for the nine months ended September 30, 2011 were $157.6 million compared to $150.5 million for the same period in 2010, an increase of $7.1 million or 4.7%. Tape division sales increased $2.2 million or 3.0% as a result of higher sales through the Belgium and Singapore operations, as gains in graphics, HVAC and shoe products were partly offset by declines in automotive and industrial products. Canadian division sales increased $4.9 million or 11.6% due to higher sales of industrial rubber products, slightly higher sales of flooring products, and the effect of currency translation. K&M sales for the nine months ended September 30, 2011 were down $2.8 million or 7.7% from the same period in 2010 due to the loss of a mid-tier retail account and lower sales through mass merchandisers, partly offset by higher sales through department stores.

Gross profit margin percentage decreased from 26.1% of net sales for the third quarter of 2010 to 23.5% of net sales for the third quarter of 2011. Tape division gross profit margins decreased from 20.2% to 19.5% due to lower unit volume and a less profitable mix of sales. Canadian division gross margins improved to 27.2% from 24.1% due to reductions in manufacturing and claim costs. K&M gross profit margins decreased from 39.7% to 26.2% due to higher product costs that could not be passed through to customers coupled with a lower margin sales mix.

Gross profit margin percentage for the nine months ended September 30, 2011 was 23.5% of net sales compared to 26.6% for the first nine months of 2010. Tape division gross profit margins decreased from 22.2% to 19.0% due to significantly higher raw material costs. Canadian division gross margins improved from 24.9% to 25.9% due to higher sales and production volume. K&M gross profit margins decreased from 35.0% to 29.7% due to higher product costs and increased royalty expenses.

The Company includes the cost of purchasing and finished goods inspection in selling, general and administrative ("SG&A") expenses. Some companies also record such costs in operating expenses while others record them in cost of goods sold. Consequently, the Company's gross profit margins may not be comparable to other companies. Had the Company recorded these expenses in cost of sales, the gross profit margins for the quarter ended September 30, 2011 and 2010 would have been 23.0% and 25.6%, respectively. The gross profit margins for the nine months ended September 30, 2011 and 2010 would have been 23.0% and 26.1%, respectively.

SG&A expenses in the third quarter of 2011 of $12.2 million were unchanged from the same period of 2010. For the nine months ended September 30, 2011, SG&A expenses increased by $650 thousand or 1.8% from the year earlier period. The increase in SG&A expenses for the first nine months of 2011 over 2010 was due to higher freight and commissions at the Canadian and Tape divisions, as well as the effect of currency translation.

Net interest expense for the quarter was slightly higher than the third quarter of 2011 due to higher average borrowings during the quarter. In July 2011, the Canadian division paid $2.1 million for an income tax assessment (see further discussion in Liquidity and Capital Resources). For the nine months ended September 30, 2011, net interest expense decreased 14.2% to $584 thousand as a result of lower average borrowings through most of 2011 compared to 2010.

Other (expense) income for the third quarter of 2011 was a net expense of $454 thousand compared to net income of $1.2 million for the third quarter of 2010. This swing was primarily the result of currency translation which was favorable in 2010 and unfavorable in 2011.

For the nine months ended September 30, 2011 and 2010, Other (expense) income was $649 thousand and $645 thousand, respectively, as lower royalty income in 2011 versus 2010 was offset by less unfavorable exchange than in the prior year and the uninsured portion of certain property damage costs incurred in 2010.

The effective tax rate for the nine months ended September 30, 2011 and 2010 was 109.5% and 31.1%, respectively. The Company's income tax benefit for the first nine months of 2011 was greater than its pretax loss of $525 thousand due primarily to the recognition of additional tax benefits related to foreign sourced income and foreign taxes paid.

Liquidity and Capital Resources

Cash, cash equivalents, and short-term investments (consisting of bank certificates of deposit with original maturity greater than three months), decreased $280 thousand in the nine months ended September 30, 2011 to $3.0 million. Working capital at September 30, 2011 was $32.6 million compared to $35.1 million at December 31, 2010. The ratio of current assets to current liabilities of the continuing operations at September 30, 2011 was 1.73 compared to 2.10 at December 31, 2010. Net cash used by operating activities was $8.5 million for the nine months ended September 30, 2011, compared to net cash used by operating activities of $857 thousand for the nine months ended September 30, 2010. The increase in cash used by operating activities was due to the lower net income, higher payments to settle payables and accrued expenses, and a tax assessment payment described below.

The Company's Canadian subsidiary, American Biltrite (Canada) Ltd. ("AB Canada") was audited by the Canadian Revenue Authority ("CRA") during 2010 for the years ending 2002 through 2007. In September 2011, AB Canada received formal assessments for 2002 through 2007. If the CRA positions are sustained in full, the Company's tax liability would increase by approximately $3.6 million plus interest and penalties for these years. In July 2011, AB Canada paid $2.1 million to the CRA, the minimum amount required to be paid. The Company intends to appeal the assessments and vigorously defend its positions. The final outcome of the audit and the Company's appeal is uncertain and therefore, the impact on the financial position and results of operations of the Company cannot be fully determined.

In February 2010, a 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.

Capital expenditures in the first nine months of 2011 were $1.9 million compared to $938 thousand for the first nine months of 2010. It is currently anticipated that capital spending for the full year 2011 will be approximately $3.0 million.

American Biltrite Inc.’s primary source of borrowings are the revolving credit facility (the “Revolver”) and the term loan (“Term Loan”) it has with Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association (“Wells Fargo”) 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 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 million Canadian letters of credit facility sublimit) subject to availability under the Revolver. 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 most of the assets of the Company and its subsidiaries. At September 30, 2011, the Company had $15.9 million and $5.0 million outstanding under the Revolver and Term Loan, respectively, and $7.7 million of additional unused borrowing capacity available under the Revolver. Although the Company intends to seek to renew, refinance or replace the Revolver and the letter of credit facilities under the Credit Agreement or extend the maturity date, there can be no assurances that it will be able to do so. A failure to renew, refinance or replace the Revolver and the letter of credit facilities, or to sufficiently extend the current maturity date, on terms satisfactory to the Company would likely have a material adverse effect on the Company's business, results of operations or financial condition.

The Term Loan principal is payable in 72 monthly installments of $111 thousand beginning August 1, 2009 and ending on July 1, 2015. All indebtedness under the Credit Agreement, other than the Term Loan, matures on June 30, 2012.

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.

Pursuant to the Credit Agreement, payments on the Company's accounts receivable are deposited in accounts assigned by the Company to Wells Fargo and the funds in that account may be used by Wells Fargo to pay down outstanding borrowings under the Credit Agreement.

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 to maintain, on a consolidated basis, a minimum fixed charge coverage ratio of 1.0:1.0. The Credit Agreement also requires the Company to maintain, on a consolidated basis, a minimum amount of earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as determined under the Credit Agreement.

In March 2010, the Company and Wells Fargo entered into an amendment to the Credit Agreement. The Company paid a fee of $30 thousand to Wells Fargo in connection with this amendment. The amendment reduced the minimum required levels of earnings before interest, taxes, depreciation, and amortization under the Credit Agreement for 2010. It further provided that, for the remaining term of the Credit Agreement, meeting the minimum level of earnings before interest, taxes, depreciation, and amortization and the minimum fixed charge coverage ratio 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's unused available credit has been greater than $6.0 million each day from the inception of the Credit Agreement through September 30, 2011. During the three months ended September 30, 2011, the Company's ability to comply with the financial covenants in the Credit Agreement was dependent upon the maintenance of the $6.0 million of unused available credit, as it did not meet the required levels of EBITDA and fixed charge coverage ratio. The Company currently anticipates it will be able to continue to comply with its financial covenants under the Credit Agreement based upon its anticipated level of unused available credit during the remaining term of the Credit Agreement.

On June 3, 2011, the Company entered into an amendment effective May 27, 2011 to the Credit Agreement which permits the Company to declare and pay dividends up to $500,000 per year, subject to certain conditions including, among others, that the Company is not in default of the Credit Agreement and that as of the date of each such declaration or payment and after giving effect thereto, and for the 30 consecutive day period immediately preceding each such declaration or payment, the amount of borrowings available under the Credit Agreement to the Company shall not be less than $10 million. The amendment also made certain changes to the determination of eligible accounts, which are used in determining borrowing availability under the Credit Agreement, and, subject to certain conditions, permits the Company to withhold shares of its capital stock issued pursuant to options exercised under any stock option plan, as payment for the exercise price for the option and applicable withholding taxes, and for the Company to pay in cash to the governmental authorities the amount of those withholding taxes. The Company paid a fee of $15,000 to Wells Fargo in connection with this amendment.

The Company had to receive covenant waivers on several occasions under its prior credit agreement or enter amendments to that agreement or the Credit Agreement to address failures or expected failures to satisfy covenants under the agreements, 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.

The Company has not declared a dividend since 2003. The Credit Agreement restricts the amount of and conditions under which cash dividends may be paid by the Company to its stockholders. In addition to meeting these restrictions, any determination to pay future dividends would be made by the Company's Board of Directors based upon, among other considerations, the financial performance and capital requirements of the Company, as well as market conditions.

The Company has recorded what it believes are adequate provisions for environmental remediation and product-related liabilities (including asbestos-related claims). The Company is subject to federal, state and local environmental laws and regulations and certain legal and administrative claims are pending or have been asserted against the Company. Among these claims, the Company is a named party in several actions associated with waste disposal sites (more fully discussed in Note G to the Unaudited Consolidated Condensed Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q and the Company’s Annual Report on Form 10-K for the year ended December 31, 2010). These actions include possible obligations to remove or mitigate the effects on the environment of wastes deposited at various sites, including Superfund sites and certain of the Company’s previously owned facilities. The contingencies also include claims for personal injury and/or property damage. The exact amount of such future cost and timing of payments are indeterminable due to such unknown factors as the magnitude of cleanup costs, the timing and extent of the remedial actions that may be required, the determination of the Company’s liability in proportion to other potentially responsible parties, and the extent to which costs may be recoverable from insurance or other third party sources. Provisions in the financial statements have been recorded for the estimated probable loss associated with all known general and environmental contingencies for the Company. While the Company believes its estimate of the future amount of these liabilities is reasonable, and that they will be paid over a period of five to twenty-five years, the timing and amount of such payments may differ significantly from the Company’s assumptions. In addition, legislation and regulation regarding climate change, including greenhouse gas emissions, and other environmental matters may be adopted or administered and enforced differently in the future, which could require the Company to expend significant amounts. Although the effect of future government regulations could have a significant effect on the Company’s costs, the Company is not aware of any pending legislation that it currently expects would have a material adverse effect on its consolidated results of operations or financial position. There can be no assurances that the costs of any future government regulations could be passed along by the Company to its customers. Estimated insurance and third party recoveries related to these liabilities are reflected in other non-current assets.

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The outcome of these environmental and product liability matters could result in significant expenses incurred by or judgments assessed against the Company.

Item 4. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material developments during the quarter ending September 30, 2011, in the Company's legal proceedings, other than the updates noted in Note G of the Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q regarding the Company's asbestos-related claims, which updates are incorporated herein by reference.

Item 1A. Risk Factors

The Company has significant asbestos liability and funding exposure, and the Company’s strategies for resolving this liability and exposure may not be successful.

The Company has significant liability and funding exposure for asbestos personal injury claims. The consummation of the Congoleum plan of reorganization does not affect the Company’s own significant asbestos related liabilities.

The Company’s strategy remains to vigorously defend against and strategically settle its asbestos claims on a case-by-case basis in the normal course of business. To date, the Company’s insurers have funded substantially all of the Company’s liabilities and expenses related to its asbestos liability under the Company’s applicable insurance policies. The Company expects its insurance carriers will continue to defend and indemnify it for a substantial amount of its asbestos liabilities for the foreseeable future pursuant to an umbrella/first-layer excess policies arrangement between the Company and the applicable insurance carriers. However, it is possible that asbestos claims may be asserted against the Company alleging exposure allocable solely to years in which the Company’s insurance policies excluded coverage for asbestos, that the policies providing coverage under the umbrella/first-layer excess policies arrangement or other applicable excess layer policies will exhaust, or that the carriers responsible for such policies may at some future date be unwilling or unable to fund coverage under the policies or that arrangement.

The extent of the Company’s asbestos related liabilities and related funding obligations, and the impact such liabilities and obligations may have on its businesses, financial condition and results of operations, will depend on various factors, many of which are beyond the Company’s control, including: the future cost and timing of estimated asbestos liabilities and payments; the extent to which asbestos related claims are made against the Company and the costs and timing associated with defending against such claims; the availability of insurance coverage and reimbursement from insurance companies that underwrote the applicable insurance policies for asbestos-related claims; the availability of funds to pay any such amounts for which insurance or other third party reimbursements are not available; the extent to which resources are diverted from the Company’s businesses to instead be applied to such liabilities and related matters; the extent to which other defendants which may be found to be jointly and severally liable with the Company fund their allocated portion of asbestos liabilities; and the impact of any adopted federal legislation addressing asbestos claims. If ABI were to incur significant additional asbestos liabilities for which it did not have insurance coverage or was not able to receive recoveries under its insurance policies, ABI may have to fund such liabilities, which could have a material adverse effect on ABI's business, results of operations or financial condition.

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In addition, by operation of the Congoleum plan of reorganization, the joint venture agreement between ABI and Congoleum was effectively terminated. As a result, ABI's previous rights and claims to indemnification from Congoleum under that joint venture agreement have been terminated. To the extent ABI incurs material amounts for which it would have been entitled to receive indemnification from Congoleum pursuant to that former joint venture agreement, ABI's financial condition and results of operations may be materially adversely affected.

For further information regarding the Company's asbestos liability, insurance coverage and strategies to resolve that asbestos liability, please see Note G of the Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

ABI continues to have business arrangements with Congoleum, ABI's executives continue to provide services to Congoleum, which reduces their availability to the Company, and expiration or termination of the Company's business arrangements with Congoleum could have a material adverse impact on ABI's business, operations and financial condition.

Although ABI's equity interests in Congoleum were cancelled effective as of July 1, 2010 by operation of Congoleum's plan of reorganization, ABI continues to have business arrangements with Congoleum. In particular, pursuant to Congoleum's plan of reorganization, ABI and Congoleum entered into a management services and commercial agreement. Pursuant to that agreement, ABI's current Chief Executive Officer, Mr. Roger Marcus, serves as a director and the chief executive officer of Congoleum and American Biltrite's current Chief Financial Officer, Mr. Howard Feist III, serves as the chief financial officer of Congoleum. In addition, the Company's President and Chief Operating Officer, Mr. Richard Marcus, currently serves as an executive vice president of Congoleum. Pursuant to the management services and commercial agreement, substantially all of Mr. Roger Marcus's time, approximately 25% of Mr. Richard Marcus's time and approximately 50% of Mr. Feist's time, in each case, during normal working hours on a monthly basis, is required to be made available to Congoleum. As a result, the availability of those executives to the Company is reduced, which could have a material adverse impact on the Company to the extent they are unable to provide services to the Company which the Company needs or which would further the Company's business and operations.

The management services and commercial agreement also includes certain other commercial arrangements between ABI and its subsidiaries and Congoleum, which are substantially consistent with their traditional relationships, including purchase and sale of floor tile products and urethane, rights of American Biltrite to resell Congoleum vinyl, vinyl composition or other floor tile in Canada, the cross-licensing of urethane technology, and the provision of information technology services by Congoleum to American Biltrite.

The management services and commercial agreement expires on July 1, 2012, unless renewed. That agreement provides that it may be terminated in whole or in part with respect to the provision of certain management services prior to the expiration of that two year term and there can be no assurances that an early termination will not occur or that the Company and Congoleum will agree to extend the terms of the agreement, and the agreement may give rise to other possible sources of claims. The expiration or termination of the Company’s business arrangements with Congoleum would have a material adverse impact on ABI’s business, operations and financial condition.

The Company relies on debt financing to fund its business, operations and working capital needs; it has had to amend its debt agreements in the past in order to avoid being in default under those agreements and may have to do so again in the future, and the Company’s ability to obtain additional financing may be limited.

The Company relies on borrowings under its revolving and letter of credit facilities to fund its working capital requirements and operations. The credit agreement governing those credit facilities requires the Company to satisfy certain financial and other covenants. In the past, the Company has had to amend its debt agreements in order to avoid defaulting under those agreements as a result of failing, or expecting to fail, to satisfy certain financial covenants contained in those agreements. Although the Company currently anticipates it will be able to comply with its covenants under its credit agreement, due to economic or other conditions or reasons, the Company may in the future fail to comply with its covenants. If that were to occur, the Company would likely need to obtain a waiver of such covenant breach from the lenders or enter into an amendment to the credit agreement to address the covenant breach, or obtain replacement financing. There can be no assurance that the Company would be successful in obtaining any such waiver, entering into any such amendment or obtaining such replacement financing.

If an event of default under the credit agreement were to occur, the lenders could cease to make borrowings available under the credit facilities and require the Company to repay all amounts outstanding under the credit agreement, including amounts outstanding under the term loan and revolving credit facilities. 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.

In addition, under the terms of the credit agreement, the Company’s ability to obtain additional debt financing is limited. Moreover, since the Company and its subsidiaries have already granted security interests in most of their assets, the Company’s ability to obtain any additional debt financing may be limited. Further, in light of the recent and current economic, industry and global credit market conditions and the Company’s recent operating losses, credit may be more expensive and difficult for the Company to obtain, which if such conditions continue, may further limit the availability of any additional financing for the Company.

All indebtedness under the credit agreement, other than the term loan, matures on June 30, 2012. If the Company is unable to renew the credit agreement or obtain replacement financing on satisfactory terms, its ability to fund its operations and capital expenditures would be materially negatively impacted, which would likely have a material adverse effect on the Company’s business, results of operations or financial condition.

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The Company sells its products on credit and its customers may fail to pay, or they may extend the payment period, for products sold to them on credit.

The Company sells its products on credit. Customers purchasing goods on credit from the Company may default on their obligations to pay, or they may extend the payment period, for products sold to them on credit, which may result in an increased investment in accounts receivable by the Company. In light of the recent difficult economic and industry conditions, the risk that the Company may realize an increased investment in accounts receivable may be greater. To the extent the Company is unable to collect receivables owed to it in a timely fashion, increased demands may be placed on its working capital, which could have a material adverse effect on its business, results of operations or financial condition.

The Company may incur substantial liability or be required to expend significant amounts for environmental claims and compliance matters, including possible climate change related matters.

Due to the nature of the Company's business and certain of the substances which are or have been used, produced or discharged with respect to its business, the Company's operations and facilities are subject to a broad range of federal, state, local and foreign legal and regulatory provisions relating to the environment, including those regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with releases of hazardous substances at Company facilities and off-site disposal locations. The Company has historically expended substantial amounts for compliance with existing environmental laws or regulations, including environmental remediation costs at both third-party sites and Company-owned sites. The Company will continue to be required to expend amounts in the future because of the nature of its prior activities at its facilities, in order to comply with existing environmental laws, and those amounts may be substantial. In addition, legislation and regulation regarding climate change, including greenhouse gas emissions, and other environmental matters may be adopted or administered and enforced differently in the future, which could require the Company to expend significant amounts. Further, legislation and regulations that limit carbon emissions may cause the Company's energy costs at its facilities to increase. Although the Company believes that those amounts should not have a material adverse effect on its results of operations or financial position, there is no certainty that these amounts will not have such an effect because, as a result of environmental requirements becoming increasingly strict, the Company is unable to determine the ultimate cost of compliance with environmental laws and enforcement policies. For instance, such an effect could occur in connection with those matters disclosed in Item 3 (Legal Proceedings) and Note 8 to the Notes to Consolidated Financial Statements set forth in Item 8 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as such matters may be updated by this Quarterly Report on Form 10-Q, including as set forth in Note G to the Notes to Unaudited Consolidated Condensed Financial Statements set forth in Part I, Item 1 and as set forth in Part II, Item 1.

Moreover, in addition to potentially having to pay substantial amounts for compliance, future environmental laws or regulations may require or cause the Company to modify or curtail its operations, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company may incur substantial liability for other product and general liability claims.

In the ordinary course of its business, the Company becomes involved in lawsuits, administrative proceedings, product liability claims 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. These matters could have a material adverse effect on the Company's business, results of operations or financial condition if the Company is unable to successfully defend against or settle these matters, its insurance coverage is insufficient to satisfy judgments against it or settlements relating to these matters, or the Company is unable to collect insurance proceeds relating to these matters.

Raw material and energy costs have been volatile and are at high levels, which has negatively impacted the Company's results of operations and liquidity and may continue to do so.

Raw material and energy costs have been volatile over the past several years, and the Company experienced significant inflation in its inputs during certain periods, including 2010 and 2011. Global economic recovery and political instability in oil producing nations may contribute to further increasing price levels, and any such further increases could be significant. In addition to supply and demand issues affecting raw material and energy costs, the adoption of new, or any heightened administration and enforcement of existing, legislation and regulations that impact those costs, such as legislation or regulations regarding climate change, including greenhouse gas emissions, may result in increased raw material and energy costs for the Company. In light of the current and forecasted economic conditions in the United States and the industries in which the Company conducts business, the Company may be unable to pass increased raw material and energy costs on to its customers.

The Company is dependent upon a continuous supply of raw materials from third party suppliers and would be harmed if there were a significant, prolonged disruption in supply or increase in its raw material costs or other costs of sales, such as energy costs.

The Company generally designs and engineers its own products. Most of the raw materials required by the Company for its manufacturing operations are available from multiple sources; however, the Company does purchase some of its raw materials from a single source or supplier. Any significant delay in or disruption of the supply of raw materials could substantially increase the Company's cost of materials, require product reformulation or require qualification of new suppliers, any one or more of which could materially adversely affect the Company's business, results of operations or financial condition. The Company has occasionally experienced significant price increases for some of its raw materials. Although the Company has been able to obtain sufficient supplies of raw materials, there can be no assurances that it may not experience difficulty in the future, particularly if global supply conditions deteriorate, which could have a material adverse effect on profit margins.

The Company operates in highly competitive markets and some of its competitors have greater resources, and in order to be successful, the Company must keep pace with and anticipate changing customer preferences.

The market for the Company’s products and services is highly competitive. Some of its competitors have greater financial and other resources and access to capital. In addition, in order to maintain its competitive position, the Company may need to make substantial investments in its business, including, as applicable, product development, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for its products and in the loss of market share for its products. Moreover, due to the competitive nature of its industries, it may be commercially restricted from raising or even maintaining the sales prices of its products, which could result in the incurrence of significant operating losses if its expenses were to increase or otherwise represent an increased percentage of sales.

The markets in which the Company competes are characterized by frequent new product introductions and changing customer preferences. There can be no assurance that the Company’s existing products and services will be properly positioned in the market or that the Company will be able to introduce new or enhanced products or services into its markets on a timely basis, or at all, or that those new or enhanced products or services will receive customer acceptance. The Company’s failure to introduce new or enhanced products or services on a timely basis, keep pace with industry or market changes or effectively manage the transitions to new products, technologies or services could have a material adverse effect on the Company’s business, results of operations or financial condition.

The Company is subject to general economic conditions and conditions specific to its industries.

While the United States economy and the Company’s business appeared to experience some economic recovery during 2010 and the first quarter of 2011, certain end markets for the Company's products, such as construction, remain weak, and the recovery could be threatened by a number of factors, including consumer response to higher costs for oil and other goods, effects of a weakening US dollar, increases in interest rates, geopolitical instability and other political factors. Both the Tape division and the Canadian division sell into the construction market as well as other industrial markets, while the Jewelry division’s sales are influenced by consumer and retail spending levels.

The Company expects economic conditions may negatively impact or restrain the Company’s business and operations and that that impact will depend on the speed, extent and sustainability of the United States and global economic recovery as well as geopolitical factors.

The Company could realize shipment delays, depletion of inventory and increased production costs resulting from unexpected disruptions of operations at any of the Company's facilities.

The Company depends upon the timely manufacturing and delivery of products that meet the needs of its customers and the end users of its products. If the Company were to realize an unexpected, significant and prolonged disruption of its operations at any of its facilities, including disruptions in its manufacturing operations, it could result in shipment delays of its products, depletion of its inventory as a result of reduced production and increased production costs as a result of taking actions in an attempt to cure the disruption or carry on its business while the disruption remains. Any resulting delay, depletion or increased production cost could result in increased costs, lower revenues and damaged customer and product end user relations, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company offers limited warranties on its products which could result in the Company incurring significant costs as a result of warranty claims.

The Company offers a limited warranty on many of its products against manufacturing defects. If the Company were to incur a significant number of warranty claims, the resulting warranty costs could be substantial.

The Company relies on a small number of customers, distributors and sales representatives for a significant portion of its sales and to sell its products.

The Company's Tape division principally sells its products through distributors. Sales to five unaffiliated customers accounted for approximately 23% of the Tape division's net sales for the year ended December 31, 2010. The loss of the largest unaffiliated customer and/or two or more of the other four unaffiliated customers could have a material adverse effect on the Tape division's business, results of operations or financial condition.

The Company's Canadian division sells its products through distributors and a direct sales force. Sales to five unaffiliated customers accounted for approximately 24% of the Canadian division's net sales for the year ended December 31, 2010. The loss of the largest unaffiliated customer and/or two or more of the other four unaffiliated customers could have a material adverse effect on the Canadian division's business, results of operations or financial condition.

The Jewelry division sells its products through its own direct sales force and, indirectly, through a wholly owned subsidiary and through third-party sales representatives. Three of Jewelry division's customers accounted for approximately 54% of its net sales for the year ended December 31, 2010. The loss of the largest of these customers would have a material adverse effect on the Jewelry division's business, results of operations and financial condition and would likely have a material adverse effect on the Company’s business, results of operations or financial condition.

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The failure of the Company’s distributors or sales representatives to adequately perform with respect to the sale of the Company’s products and furtherance of the Company’s business could have a material adverse effect on the Company’s business, results of operations or financial condition.

The Company depends on key executives to run its business, and the loss of any of these executives would likely harm the Company’s business.

The Company depends on key executives to run its business. Three of the persons that serve as key executives at the Company also serve as key executives at Congoleum pursuant to the management services and commercial agreement the Company and Congoleum entered into pursuant to Congoleum’s plan of reorganization effective as of July 1, 2010. The Company’s future success will depend largely upon the continued service of these key executives, all of whom have no employment contract with the Company and may terminate their employment at any time without notice. Although certain key executives of the Company are large stockholders of the Company, and thus are less likely to terminate their employment, the loss of any key executive, or the failure by the key executive to perform in his current position, could have a material adverse effect on the Company’s business, results of operations or financial condition.

Item 6. Exhibits

Exhibit No.		Description
3.1	I	Restated Certificate of Incorporation
3.2	II	By-Laws, amended and restated as of November 7, 2007
4.1	III	Form of stock certificate
31.1		Certification of the Principal Executive Officer of the Registrant Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2		Certification of the Principal Financial Officer of the Registrant Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32		Certification of the Chief Executive Officer and Chief Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted 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.LAB	*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document

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* Furnished herewith.

Attached as Exhibits 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Condensed Balance Sheets, (ii) the Consolidated Condensed Statements of Operations, (iii) the Consolidated Condensed Statements of Cash Flows, and (iv) Notes to Unaudited Consolidated Condensed Financial statements tagged as blocks of text.

The XBRL related information in Exhibits 101 to this Quarterly Report on Form 10-Q shall not be deemed "filed" or a part of a registration statement or prospectus for the purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

I Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 filed with the Securities and Exchange Commission on March 27, 1997 (File No. 001-04773)

II Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 filed with the Securities and Exchange Commission on November 14, 2007

III Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on March 23, 2011

SIGNATURE

Pursuant to the requirements 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.

AMERICAN BILTRITE INC.
(Registrant)

Date: November 10, 2011 BY: /s/ Howard N. Feist III
Howard N. Feist III
Vice President-Finance
(Duly Authorized Officer and
Principal Financial and Chief
Accounting Officer)

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