

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

CONGOLEUM CORP

CIK: **23341** | IRS No.: **020398678** | State of Incorporation: **DE** | Fiscal Year End: **1231**
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SIC: **3089** Plastics products, nec

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2004

or

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

For the transition period from _____ to _____

Commission File Number 1-13612

CONGOLEUM CORPORATION
(Exact name of Registrant as specified in Its Charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

02-0398678

(IRS Employer Identification No.)

3500 Quakerbridge Road
P.O. Box 3127
Mercerville, NJ 08619-0127
(Address of Principal Executive Offices, including Zip Code)
Telephone number: (609) 584-3000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). YES NO

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 July 31, 2004
-----	-----
Class A Common Stock	3,651,190
Class B Common Stock	4,608,945

CONGOLEUM CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONGOLEUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(\$ in thousands)

<TABLE>
<CAPTION>

	June 30, 2004	December 31, 2003
	(unaudited)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,675	\$ 2,169
Restricted cash	3,848	1,757
Accounts receivable, net	24,204	13,560
Inventories	43,191	44,995
Prepaid expenses and other current assets	6,980	9,672
Deferred income taxes	8,456	8,752
Total current assets	110,354	80,905
Property, plant and equipment, net	82,950	87,035
Other assets, net	7,680	7,959
Total assets	\$ 200,984	\$ 175,899

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:

Accounts payable	12,361	\$ 4,544
Accrued liabilities	27,539	24,655
Asbestos-related liabilities	8,434	9,819
Revolving Credit Loan - secured debt	15,342	10,232
Accrued taxes	216	130
Deferred income taxes	4,556	4,376
Total current liabilities	68,448	53,756
Liabilities subject to compromise	152,937	--
Long-term debt	--	99,773
Accrued pension liability	--	24,032
Other liabilities	--	11,222
Deferred income taxes	3,900	4,376
Accrued post retirement benefit obligation	--	8,517
Total liabilities	225,285	201,676
STOCKHOLDERS' EQUITY (DEFICIT)		
Class A common stock, par value \$0.01; 20,000,000 shares authorized; 4,736,950 shares issued and 3,651,190 outstanding as of June 30, 2004 and December 31, 2003, respectively	47	47
Class B common stock, par value \$0.01; 4,608,945 shares authorized issued and outstanding	46	46
Additional paid-in capital	49,105	49,105
Retained deficit	(45,853)	(46,778)
Accumulated other comprehensive loss	(19,833)	(20,384)
Less Class A common stock held in treasury, at cost; 1,085,760 shares	7,813	7,813
Total stockholders' equity (deficit)	(24,301)	(25,777)
Total liabilities and stockholders' equity (deficit)	\$ 200,984	\$ 175,899

</TABLE>

The accompanying notes are an integral part
of the condensed consolidated financial statements.

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CONGOLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(In thousands, except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 62,951	\$ 54,995	\$ 114,951	\$ 108,576
Cost of sales	46,065	42,739	84,514	83,653
Selling, general and administrative expenses	13,017	12,513	25,002	25,716
Income (loss) from operations	3,869	(257)	5,435	(793)
Other income (expense):				
Interest income	--	9	--	48
Interest expense	(2,314)	(2,235)	(4,559)	(4,470)
Other income	421	492	665	636
Income (loss) before taxes	\$ 1,976	\$ (1,991)	\$ 1,541	\$ (4,579)
Provision for income taxes	616	-0-	616	-0-

Net Income	\$ 1,360	\$ (1,991)	\$ 925	\$ 4,579)
Net Income (loss) per common share, basic and diluted	\$ 0.16	\$ (0.24)	\$ 0.11	\$ (0.55)
Weighted average number of common shares outstanding, basic	8,260	8,260	8,260	8,260
Weighted average number of common shares outstanding, diluted	8,363	8,260	8,363	8,260

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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CONGOLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2004	2003
	(In thousands)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net Income (loss)	\$ 925	\$ (4,579)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	5,410	5,549
Amortization	304	279
Deferred Income taxes	551	--
Changes in certain assets and liabilities:		
Accounts and notes receivable	(10,644)	(1,196)
Inventories	1,804	(3,135)
Prepaid expenses and other assets	2,692	2,897
Accounts payable	7,817	(3,031)
Accrued expenses	12,753	(5,820)
Asbestos-related expenses	(1,385)	(7,097)
Other liabilities	(335)	(476)
Net cash provided by (used in) operating activities ..	19,892	(16,609)
Cash flows from investing activities:		
Capital expenditures	(1,355)	(2,469)
Proceeds from asset retirement	30	--
Net cash used in investing activities	(1,325)	(2,469)
Cash flows from Financing activities:		
Net short-term borrowings	5,030	14,859
Net change in restricted cash	(2,091)	(2,869)

Net cash provided by financing activities	2,939	11,990
	-----	-----
Net increase (decrease) in cash and cash equivalents	21,506	(7,088)
Cash and cash equivalents:		
Beginning of period	2,169	18,277
	-----	-----
End of period	\$ 23,675	\$ 11,189
	=====	=====

</TABLE>

The accompanying notes are an integral part
of the condensed consolidated financial statements.

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CONGOLEUM CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2004
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation of Congoleum Corporation's (the "Company" or "Congoleum") consolidated financial position, results of operations and cash flows have been included. Operating results for the three and six-month periods ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. For further information, refer to the consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Based upon the nature of the Company's operations, facilities and management structure, the Company considers its business to constitute a single segment for financial reporting purposes.

Certain amounts appearing in the prior period's condensed consolidated financial statements have been reclassified to conform to the current period's presentation.

The financial statements of Congoleum have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. As described more fully below and in Note 6, there is substantial doubt about the Company's ability to continue as a going concern unless it obtains relief from its substantial asbestos liabilities through a successful reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code").

On December 31, 2003, Congoleum filed a voluntary petition with the United States Bankruptcy Court for the District of New Jersey (Case No. 03-51524) seeking relief under Chapter 11 of the Bankruptcy Code as a means to resolve claims asserted against it related to the use of asbestos in its products decades ago. During 2003, Congoleum obtained the requisite votes of asbestos personal injury claimants necessary to seek approval of a proposed, pre-packaged Chapter 11 plan of reorganization. In January 2004, the Company filed its proposed plan of reorganization and disclosure statement with the Bankruptcy Court. The Bankruptcy Court has approved the disclosure statement and has scheduled a hearing on October 5, 2004 to consider approval of the proposed plan of reorganization. There can be no assurance that the hearing will not be rescheduled to a later date, or that the proposed plan will not be modified. Congoleum is presently involved in litigation with certain insurance carriers

related to disputed insurance coverage for asbestos related liabilities, and certain insurance carriers have filed various objections to Congoleum's proposed plan of reorganization and related matters.

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The proposed, pre-packaged plan of reorganization, if confirmed, would leave non-asbestos creditors unimpaired and would resolve all pending and future asbestos claims against the Company. The proposed plan of reorganization would provide, among other things, for an assignment of certain rights in, and proceeds of, Congoleum's applicable insurance to a trust (the "Plan Trust") that would fund the settlement of all pending and future asbestos claims and protect the Company from future asbestos-related claims and litigation by channeling all asbestos claims to the Plan Trust pursuant to the provisions of Section 524(g) of the Bankruptcy Code. Other creditors would be unimpaired under the plan. The Company expects that it will take the balance of 2004 to obtain confirmation of its proposed plan of reorganization. There can be no assurance that the proposed plan will not be modified.

Based on its pre-packaged bankruptcy strategy, the Company has made provision in its financial statements for the minimum amount of the range of estimates for its contribution and costs to effect the proposed plan to settle asbestos liabilities through a Plan Trust established pursuant to the provisions of Section 524(g) of the Bankruptcy Code. The Company recorded a charge of \$17.3 million in the fourth quarter of 2002 and an additional \$3.7 million in the fourth quarter of 2003 to provide for the estimated minimum costs of completing its reorganization. Actual amounts that will be contributed to the Plan Trust and costs for pursuing and implementing the plan of reorganization could be materially higher.

For more information regarding the Company's asbestos liability and plan for resolving that liability, please refer to Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements. There can be no assurance that the Company will be successful in realizing its goals in this regard or in obtaining confirmation of its proposed plan of reorganization. As a result, any alternative plan of reorganization pursued by the Company or confirmed by the Bankruptcy Court could vary significantly from the description in this report and the estimated costs and contributions to effect the contemplated plan of reorganization could be significantly greater than currently estimated. Any plan of reorganization pursued by the Company will be subject to numerous conditions, approvals and other requirements, including Bankruptcy Court approval, and there can be no assurance that such conditions, approvals and other requirements will be satisfied or obtained. Delays in getting the Company's plan of reorganization approved by the Bankruptcy Court could result in a proceeding that takes longer and is more costly than the Company has estimated.

AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"), provides financial reporting guidance for entities that are reorganizing under the Bankruptcy Code. The Company has implemented this guidance in its consolidated financial statements for periods commencing after December 31, 2003.

Pursuant to SOP 90-7, companies are required to segregate pre-petition liabilities that are subject to compromise and report them separately on the balance sheet. Liabilities that may be affected by a plan of reorganization are recorded at the amount of the expected allowed claims, even if they may be settled for lesser amounts. Liabilities for asbestos claims are recorded based upon the minimum amount the Company expects to spend for its contribution to, and costs to settle asbestos liabilities through, a Plan Trust established under Section 524(g) of the Bankruptcy Code. Obligations arising post-petition, and pre-petition obligations that are secured or that the Bankruptcy Court has authorized the Company to pay, are not classified as liabilities subject to compromise. Other pre-petition claims (liabilities subject to compromise) may

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arise due to the rejection of executory contracts or unexpired leases, or as a result of the allowance of contingent or disputed claims.

2. Recent Accounting Principles

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51, which addresses consolidation by business enterprises of variable interest entities ("VIEs"). In December 2003, the FASB completed deliberations of proposed modifications to FIN 46 ("Revised Interpretations") resulting in multiple effective dates based on the nature as well as the creation date of the VIE. The adoption of FIN 46 and the Revised Interpretation had no impact on the Company's consolidated financial statements.

The Company discloses stock-based compensation information in accordance with FASB issued Statement No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation--Transition and Disclosure--an Amendment of FASB Statement No. 123" and Statement No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." SFAS 148 provides additional transition guidance for companies that elect to voluntarily adopt the provisions of SFAS 123. SFAS 148 does not change the provisions of SFAS 123 that permit companies to continue to apply the intrinsic value method of Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees." The Company has elected to continue to account for its stock-based plans under APB 25, as well as to provide disclosure of stock-based compensation as outlined in SFAS 123 as amended by SFAS 148.

A reconciliation of net income, as reported, to pro forma net income including compensation expense for the Company's stock-based plans as calculated based on the fair value at the grant dates for awards made under these plans in accordance with the provisions of SFAS 123 as amended by SFAS 148, as well as a comparison of as reported and pro forma basic and diluted EPS follows (in thousands, except per share data):

<TABLE>

<CAPTION>

(dollars in thousands, except per share amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004 ----	2003 ----	2004 ----	2003 ----
<S>	<C>	<C>	<C>	<C>
Net Income/(Loss):				
As reported	\$ 1,360	\$ (1,991)	\$ 925	\$ (4,579)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects, pro forma	(53)	(52)	(104)	(103)
As adjusted	\$ 1,307	\$ (2,043)	\$ 821	\$ (4,682)
Net Income/(Loss) per share:				
Basic and diluted, as reported	\$ 0.16	\$ (0.24)	\$ 0.11	\$ (0.55)
Pro forma compensation expense	(0.01)	(0.01)	(0.01)	(0.01)
Basic and diluted, as adjusted	\$ 0.15	\$ (0.25)	\$ 0.10	\$ (0.56)

</TABLE>

3. Inventories

A summary of the major components of inventories is as follows (in thousands):

June 30, December 31,

Finished goods	\$36,016	\$37,959
Work-in-process	2,493	1,266
Raw materials and supplies	4,682	5,770
Total inventories	\$43,191	\$44,995

4. Income/(Loss) Per Share

Basic net income (loss) per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net Income (loss) per share is calculated by dividing net loss by the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

5. Environmental and Other Liabilities

The Company records a liability for environmental remediation claims when a cleanup program or claim payment becomes probable and the costs can be reasonably estimated in accordance with SOP 96-1. As assessments and cleanup programs progress, these liabilities are adjusted based upon the progress in determining the timing and extent of remedial actions and the related costs and damages. The recorded liabilities are not reduced by the amount of insurance recoveries. Such estimated insurance recoveries are reflected in other noncurrent assets and are considered probable of recovery.

The Company is named, together with a large number (in most cases, hundreds) of other companies, as a potentially responsible party ("PRP") in pending proceedings under the federal Comprehensive Environmental Response, Compensation and Liability Act, as amended, ("CERCLA"), and similar state laws. In addition, in four other instances, although not named as a PRP, the Company has received a request for information. These pending proceedings currently relate to four disposal sites in New Jersey, Pennsylvania, Maryland and Connecticut in which recovery from generators of hazardous substances is sought for the cost of cleaning up the contaminated waste sites. The Company's ultimate liability in connection with those sites depends on many factors, including the volume of material contributed to the site, the number of other PRP's and their financial viability, the remediation methods and technology to be used and the extent to which costs may be recoverable from insurance. However, under CERCLA and certain other laws, the Company, as a PRP, can be held jointly and severally liable for all environmental costs associated with a site.

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The most significant exposure to which the Company has been named a PRP relates to a recycling facility site in Elkton, Maryland. The PRP group at this site is made up of 81 companies, substantially all of which are large financially solvent entities. Two removal actions were substantially complete as of December 31, 1998; however, the groundwater remediation phase has not begun and the remedial investigation/feasibility study related to the groundwater remediation has not been approved. The PRP group estimated that future costs of groundwater remediation, based on engineering and consultant studies conducted, would be approximately \$26 million. Congoleum's proportionate share, based on waste disposed at the site, is estimated to be approximately 5.8%.

The Company also accrues remediation costs for certain of the Company's owned facilities on an undiscounted basis. The Company has entered into an administrative consent order with the New Jersey Department of Environmental Protection and has self-guaranteed certain remediation funding sources and financial responsibilities. Estimated total cleanup costs, including capital outlays and future maintenance costs for soil and groundwater remediation are primarily based on engineering studies.

The outcome of these matters could result in significant expenses or judgments that could have a material adverse effect on the financial position of

the Company.

6. Asbestos Liabilities

Claims Settlement and Chapter 11 Reorganization

In early 2003, the Company announced that it was seeking to resolve its asbestos liabilities through confirmation of a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code, and later in 2003, consistent with this strategy, the Company entered into a settlement agreement with various asbestos claimants (the "Claimant Agreement"). As contemplated by the Claimant Agreement, the Company also entered into agreements establishing a pre-petition trust (the "Collateral Trust") to distribute funds in accordance with the terms of the Claimant Agreement, and granting the Collateral Trust a security interest in its rights under applicable insurance coverage and payments from insurers for asbestos claims.

The Claimant Agreement established a compensable disease valuation matrix (the "Matrix") and allowed claimants who qualified to participate in the Claimant Agreement (the "Qualifying Claimants") to settle their claims for the Matrix value, secured in part (75%) by a security interest in the collateral granted to the Collateral Trust. The Collateral Trust provides for distribution of trust assets according to various requirements that give priority (subject to aggregate distribution limits) to participating claimants who had pre-existing unfunded settlement agreements ("Pre-Existing Settlement Agreements") with the Company and participating claimants who qualified for payment under unfunded settlement agreements entered into by the Company with plaintiffs that had asbestos claims pending against the Company and which claims were scheduled for trial after the effective date of the Claimant Agreement but prior to the commencement of the Company's anticipated Chapter 11 reorganization case ("Trial-Listed Settlement Agreements").

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The Claimant Agreement incorporated pre-existing settlement agreements and settled certain trial-listed claims for a fully secured claim against the Collateral Trust, and it settled all other claims for a secured claim against the Collateral Trust equal to 75% of the claim value and an unsecured claim for the remaining 25%. Under the proposed plan of reorganization, after the establishment of the Plan Trust, the assets in the Collateral Trust would be transferred to the Plan Trust. The Company expects that any claims subject to the Claimant Agreement that are unsatisfied as of the confirmation of the plan of reorganization by the Bankruptcy Court would be channeled to the Plan Trust.

In October 2003, the Company began soliciting acceptances for its proposed pre-packaged plan of reorganization and the Company received the votes necessary for acceptance of the plan in late December 2003.

The Company's proposed plan of reorganization provides for, among other things, an assignment of certain rights in, and proceeds of, the Company's applicable insurance to the Plan Trust that would fund the settlement of all pending and future asbestos claims and protect the Company from future asbestos-related litigation by channeling all asbestos claims to the Plan Trust pursuant to the provisions of Section 524(g) of the Bankruptcy Code. The Company's other creditors are unimpaired under the proposed plan and will be paid in the ordinary course of business. There can be no assurance that the proposed plan will not be modified. In January 2004, the Bankruptcy Court approved payment of pre-petition obligations to trade creditors in the ordinary course of business.

The Bankruptcy Court has approved the disclosure statement supporting the Company's proposed plan of reorganization and has scheduled a hearing on October 5, 2004 to consider approval of the proposed plan of reorganization. There can be no assurance that the hearing will not be rescheduled to a later date or that the proposed plan will not be modified. Congoleum is presently involved in litigation with certain insurance carriers related to disputed insurance coverage for asbestos related liabilities, and certain insurance carriers have filed various objections to Congoleum's proposed plan of reorganization and

related matters.

The Company's proposed plan of reorganization and related documents provide for the channeling of asbestos property damage claims in addition to asbestos personal injury claims to the Plan Trust established pursuant to the provisions of Section 524(g) of the Bankruptcy Code. There were no property damage claims asserted against the Company at the time of its bankruptcy filing. The Bankruptcy Court approved an order establishing a bar date of May 3, 2004 for the filing of asbestos property damage claims. The claims agent appointed in the Company's bankruptcy proceeding has advised the Company that, as of the Bar date, it received 35 timely filed asbestos property damage claims asserting liquidated damages in the amount of \$0.8 million plus additional unspecified amounts. The Company is currently reviewing the filed asbestos property damage claims.

The Company expects to issue a promissory note (the "Company Note") to the Plan Trust as part of the Company's proposed plan of reorganization. Under the terms of the proposed plan, the original principal amount of the Company Note will be \$2,738,234.75 (the "Original Principal Amount") and will be subject to increase as of the last trading day of the 90 consecutive trading day period commencing on the first anniversary of the effective date of the Company's confirmed pre-packaged Chapter 11 plan of reorganization (the "Principal

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Adjustment Date") in an amount equal to the excess, if any, of the amount by which 51% of the Company's market capitalization as of the Principal Adjustment Date (based upon (subject to certain exceptions) the total number of shares of the Company's common stock outstanding as of such date multiplied by the average of the closing trading prices of the Company's Class A common stock for the 90 consecutive trading days ending on the Principal Adjustment Date) exceeds the Original Principal Amount (the "Additional Principal Amount"), plus any accrued but unpaid interest or other amounts that may be added to such principal amount pursuant to the terms of the Company Note. Under the terms of the proposed plan, interest on the outstanding principal of the Company Note will accrue at a rate of 9% per annum, with interest on the Original Principal Amount payable quarterly and interest on the Additional Principal Amount added to the Additional Principal Amount as additional principal. Upon the earlier of August 1, 2008 and the date that all of the Senior Notes are repaid in full, interest on the then outstanding Additional Principal Amount will become payable quarterly.

Under the terms of the proposed plan of reorganization all principal on the Company Note then outstanding together with any accrued but unpaid interest will be payable in full on the tenth anniversary of the date of the Company Note, subject to the right of the Plan Trust to accelerate all amounts then owed on the Company Note following an uncured event of default under the Company Note. Events of default under the Company Note would include the failure to pay interest and principal prior to the expiration of a 10-day grace period following the applicable due date, the occurrence of an event of default under the indenture governing the Senior Notes, the breach by the Company of any covenant or agreement contained in the Company Note which remains uncured 30 days following notice by the Plan Trust to the Company and ABI of the breach and a material breach of the pledge agreement (the "ABI Pledge Agreement") by American Biltrite, Inc. (ABI) (which agreement is discussed below) which remains uncured 30 days following notice by the Plan Trust to ABI and the Company of the breach. The terms of the Company Note would provide that, upon the occurrence of an event of default under the Company Note, the Company and ABI would have 10 days from the date they receive notice that an event of default has occurred to cure the event of default. If the event of default remains uncured after the 10-day cure period, the aggregate outstanding principal amount of the Company Note together with any accrued but unpaid interest thereon would become immediately due and payable if the event of default relates to an uncured event of default of the indenture governing the Company's Senior Notes, and with regard to other events of default of the Company Note, the Plan Trust may, upon notice to the Company and ABI, declare the aggregate outstanding principal amount of the Company Note together with any accrued but unpaid interest thereon to be immediately due and payable. The Plan Trust's rights to payment under the

Company Note will be subordinate and subject in right of payment to the prior payment in full of all amounts owing and payable pursuant to the Senior Notes and the Company's credit facility, except that regularly scheduled interest payments under the Company Note are expected to be payable by the Company so long as no default or event of default has occurred or is continuing under the indenture governing the Company's Senior Notes or the Company's credit facility.

The proposed plan of reorganization contemplates that, pursuant to the ABI Pledge Agreement, ABI will pledge all of the shares of the Company's common stock that ABI owns, together with any other equity interests and rights ABI may own or hold in the Company, as of the date of the Company Note, as collateral for the Company's obligations under the Company Note. As additional security for the Company Note, the ABI Pledge Agreement and the terms of the Company's

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proposed plan of reorganization provide that any amounts that the Plan Trust would be obligated to pay ABI pursuant to any rights of indemnity that ABI may have against the Plan Trust for asbestos-related claims pursuant to the Company's pre-packaged Chapter 11 plan of reorganization or a certain Joint Venture Agreement, entered into in 1992, as to which both the Company and ABI are parties to (as amended, the "Joint Venture Agreement"), will not be paid by the Plan Trust until after any amounts due and payable to the Plan Trust under the Company Note have been paid in full to the Plan Trust. Until such time, any such indemnity payments that would otherwise have been payable by the Plan Trust to ABI, would be set aside by the Plan Trust and held in escrow by the Plan Trust for ABI's benefit and pledged by ABI as additional collateral securing the Company's obligations under the Company Note until released from such escrow and paid to ABI, as further provided under the Company's proposed plan of reorganization, the Company Note and the ABI Pledge Agreement.

The Company Note, the ABI Pledge Agreement and the Company's proposed plan of reorganization also provide that the Company would be prohibited from making any payments to ABI pursuant to any rights of indemnity that ABI may have against the Company for claims pursuant to the Joint Venture Agreement until after any amounts due and payable to the Plan Trust under the Company Note have been paid in full to the Plan Trust. Until such time, any such indemnity payments that would otherwise have been payable to ABI by the Plan Trust, will be paid by the Company to the Plan Trust and the Plan Trust will set aside and hold in escrow such amounts for ABI's benefit and ABI will pledge such amounts as additional collateral securing the Company's obligations under the Company Note until released from such escrow and paid to ABI, as further provided under the Company's pre-packaged Chapter 11 plan of reorganization, the Company Note and the ABI Pledge Agreement.

Under the proposed plan of reorganization ABI would be permitted to prepay the principal amount of the Company Note, in whole but not in part, without any penalty or premium at any time following the Principal Adjustment Date and any interest that may have accrued but not yet paid at the time of any principal repayment would be due and payable at the time of the principal repayment. The Company would be obligated to repay ABI for any amounts paid by ABI pursuant to the Company Note, which repayment obligation would be evidenced by a promissory note or notes to be issued by the Company to ABI. Any such note would have similar payment terms as those expected to be afforded to the Plan Trust with regard to the Company Note, which rights of repayment are expected to be subordinate and subject in right of payment to the prior payment in full of all amounts owing and payable to the Plan Trust with regard to the Company Note and with regard to amounts owing and payable pursuant to the Senior Notes and credit facility, except that the right of full subordination with regard to the Senior Notes and credit facility would contain an exception that would allow the Company to make regularly scheduled interest payments to ABI pursuant to any such note so long as no default or event of default has occurred or is continuing under the indenture or the Company's credit facility.

The proposed plan of reorganization also provides that if ABI prepays the Company Note and ABI sells all or substantially all of the shares of the Company's stock that it holds as of the Principal Adjustment Date during the three-year period following such date, ABI would be obligated to make a

contribution to the Plan Trust if the equity value of the Company implied by the price paid to ABI for the shares of the Company's stock exceeded the greater of \$2,738,234.75 or 51% of the Company's market capitalization as of the Principal Adjustment Date (based upon (subject to certain exceptions) the total number of

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shares of the Company's common stock outstanding as of such date multiplied by the average of the closing trading prices of the Company's Class A common stock for the 90 consecutive trading days ending on the Principal Adjustment Date). In such instance, the proposed plan would obligate ABI to pay to the Plan Trust an amount equal to 50% of such excess amount. Under the terms of the Company's proposed plan of reorganization, the Company would be obligated to repay ABI for any amounts paid by ABI to the Plan Trust pursuant to this obligation. In satisfaction of this repayment obligation, the Company would issue a promissory note to ABI in a principal amount equal to the amount of any such payments made by ABI plus any accrued but unpaid interest or other amounts that may be added to such principal amount pursuant to the terms of the promissory note which would be subordinate and subject in right of payment to the prior payment in full of all amounts owing and payable pursuant to the Senior Notes and credit facility, except that regularly scheduled interest payments could be paid on such note so long as no default or event of default has occurred or is continuing under the indenture governing the Senior Notes or the Company's credit facility.

The proposed plan provides that the Plan Trust would be able to transfer the Company Note, in whole but not in part, at any time following the Principal Adjustment Date. Upon any transfer of the Company Note, the amounts pledged by ABI and held in escrow by the Plan Trust for ABI's benefit with regard to ABI's indemnity rights discussed above, will be paid by the Plan Trust, first, to the Plan Trust in repayment of principal then outstanding on the Company Note together with any accrued but unpaid interest thereon and, second, any amounts remaining would be distributed by the Plan Trust to ABI.

ABI has agreed to make a cash contribution in the amount of \$250 thousand to the Plan Trust upon the formation of the Plan Trust. As previously discussed, under the expected terms of the Company's proposed plan of reorganization, ABI would receive certain relief as may be afforded under Section 524(g)(4) of the Bankruptcy Code from asbestos claims that derive from claims made against the Company, which claims are expected to be channeled to the Plan Trust. However, the proposed plan of reorganization does not provide that any other asbestos claims that may be asserted against ABI would be channeled to the Plan Trust.

While the Company believes its proposed pre-packaged Chapter 11 plan is feasible and should be confirmed by the Bankruptcy Court, there are sufficient risks and uncertainties such that no assurances of the outcome can be given. In addition, the remaining costs to effect the reorganization process, consisting principally of legal and advisory fees and contributions to the Plan Trust, including one or more notes expected to be contributed to the Plan Trust by the Company, are expected to be approximately \$8.4 million at a minimum.

Pending Asbestos Claims

The Company has been served notice that it is one of many defendants in approximately 22 thousand pending lawsuits (including workers' compensation cases) involving approximately 106 thousand individuals as of June 30, 2004, alleging personal injury or death from exposure to asbestos or asbestos-containing products. Claims involving approximately 80 thousand individuals have been settled pursuant to the Claimant Agreement and litigation related to unsettled claims is presently stayed by the bankruptcy statute. Activity related to asbestos claims was as follows:

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<TABLE>
<CAPTION>

<S>	<C>	<C>
Beginning claims	21,886	16,156
New claims	163	6,246
Settlements	0	(66)
Dismissals	0	(450)
Ending claims	22,049	21,886

</TABLE>

Nearly all asbestos-related claims that have been brought against the Company to date allege that various diseases were caused by exposure to asbestos-containing products, including resilient sheet vinyl and tile manufactured by the Company (or, in the workers' compensation cases, exposure to asbestos in the course of employment with the Company). The Company discontinued the manufacture of asbestos-containing sheet products in 1983 and asbestos-containing tile products in 1974. 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.

Status of Insurance Coverage

During the period that Congoleum produced asbestos-containing products, the Company purchased primary and excess insurance policies providing in excess of \$1 billion coverage for general and product liability claims. Through August 2002, substantially all asbestos-related claims and defense costs were paid through primary insurance coverage. In August 2002, the Company received notice that its primary insurance limits had been paid in full. The payment of limits in full by one of the primary insurance companies was based on its contention that limits in successive policies were not cumulative for asbestos claims and that Congoleum was limited to only one policy limit for multiple years of coverage. Certain excess insurance carriers claimed that the non-cumulation provisions of the primary policies were not binding on them and that there remained an additional \$13 million in primary insurance limits plus related defense costs before their policies were implicated. On April 10, 2003, the New Jersey Supreme Court ruled in another case involving the same non-cumulation provisions as in the Congoleum primary policies (the "Spaulding Case") that the non-cumulation provisions are invalid under New Jersey law and that the primary policies provide coverage for the full amount of their annual limits for all successive policies. Congoleum has reached a settlement agreement with the insurance carrier whose policies contained the non-cumulation provisions, pursuant to which that carrier will pay Congoleum \$15.4 million in full satisfaction of its policy limits. Pursuant to the terms of the Security Agreement, the Company is obligated to pay any insurance proceeds it receives under the settlement agreement, net of any fees and expenses it may be entitled to deduct, to the Collateral Trust. Payment of such fees and expenses are subject to Court Order or approval. The Company does not expect this settlement agreement to have a material effect on its financial condition or results of operations. As of December 31, 2002, the Company had entered into additional settlement agreements with asbestos claimants exceeding the amount of previously disputed coverage. The excess carriers have objected to the reasonableness of

several of these settlements, and Congoleum believes that they will continue to dispute the reasonableness of the settlements and contend that their policies still are not implicated and will dispute their coverage for that and other various reasons in ongoing coverage litigation. The excess insurance carriers have also raised various objections to the Company's proposed plan of

reorganization.

The excess insurance carriers have objected to the global settlement of the asbestos claims currently pending against Congoleum ("Claimant Agreement") on the grounds that, among other things, the negotiations leading to the settlement and the Claimant Agreement violate provisions in their insurance policies, including but not limited to the carriers' right to associate in the defense of the asbestos cases, the duty of Congoleum to cooperate with the carriers and the right of the carriers to consent to any settlement. The excess insurance carriers also contend the Claimant Agreement is not fair, reasonable or in good faith. Congoleum disputes the allegations and contentions of the excess insurance carriers. On November 7, 2003, the court denied a motion for summary judgment by the excess insurance carriers that the Claimant Agreement was not fair, reasonable or in good faith, ruling that material facts concerning these issues were in dispute. On April 19, 2004, the court denied a motion for summary judgment by the excess carriers that the Claimant Agreement was not binding on them because Congoleum had breached the consent and cooperation clauses of their insurance policies by, among other things, entering into the Claimant Agreement without their consent. Congoleum argues, among other things, that it was entitled to enter into the Claimant Agreement and/or the Claimant Agreement was binding on the excess insurance carriers because they were in breach of their policies and/or had denied coverage and/or had created a conflict with Congoleum by reserving rights to deny coverage and/or the Claimant Agreement was fair, reasonable and in good faith and/or there was and is no prejudice to the excess insurance carriers from the Claimant Agreement and/or the excess insurance carriers had breached their duties of good faith and fair dealing. Discovery continues in the coverage litigation.

Given the actions of its excess insurance carriers, the Company believes it likely that it would currently have to fund any asbestos-related expenses for defense expense and indemnity itself. However, litigation by asbestos claimants against the Company is stayed pursuant to the Company's bankruptcy, and the Company does not anticipate its future expenditures for defense and indemnity of asbestos related claims, other than expenditures pursuant to its proposed (or an alternative) plan of reorganization, will be significant.

Payments Related to Asbestos Claims

The following table sets forth amounts paid to defend and settle claims:

(in millions)	Six Months Ended	Year Ended
	June 30,	December 31,
	2004	2003
	----	----
Indemnity costs paid by the Company's Insurance carriers	\$ --	\$ --
Indemnity costs paid by the Company	--	0.8
Defense costs paid by the Company	0.4	4.5

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The amounts shown in the above table do not include non-cash settlements using assignments of insurance proceeds, which amounted to \$477 million in 2003. There were no non-cash settlements with assignment of insurance proceeds in the six months ended June 30, 2004.

At December 31, 2003, there were no additional settlements outstanding that the Company had agreed to fund other than settlements pursuant to the Claimant Agreement.

The Company is seeking recovery from its insurance carriers of the amounts it has paid for defense and indemnity, and intends to seek recovery for any future payments of defense and indemnity. In light of the assignment of the rights to its applicable insurance proceeds to the Collateral Trust and the planned reorganization, the Company does not anticipate recovering these costs.

Accounting for Asbestos-Related Claims

Under the terms of the Claimant Agreement, the Company's claims processing agent processed 79,630 claims meeting the requirements of the Claimant Agreement with a settlement value of \$466 million. In addition, pre-existing settlements agreements and trial listed settlement agreements with claims secured by the Collateral Trust total \$25 million.

The Company's gross liability of \$491 million for these settlements is substantially in excess of both the total assets of the Company as well as the Company's previous estimates made in prior periods of the maximum liability for both known and unasserted claims. The Company believes that it does not have the necessary financial resources to litigate and/or fund judgments and/or settlements of the asbestos claims in the ordinary course of business. Therefore, the Company believes the most meaningful measure of its probable loss due to asbestos litigation is the amount it will have to contribute to the Plan Trust plus the costs to effect its reorganization under Chapter 11. At June 30, 2004, the Company estimates the minimum remaining amount of the contributions and costs to be \$8.4 million, which it has recorded as a current liability. During the fourth quarter of 2003, the Company recorded a charge of \$3.7 million to increase its recorded liability to the minimum estimated amount. Although no additional charge has been recorded in 2004, additional charges may be required later in the year. The maximum amount of the range of possible asbestos-related losses is limited to the going concern or liquidation value of the Company, an amount which the Company believes is substantially less than the minimum gross liability for the known claims against it.

The Company has not attempted to make an estimate of its probable insurance recoveries given the accounting for its estimate of future asbestos-related costs. Substantially all future insurance recoveries have been assigned to the Collateral or Plan Trust.

Amounts Recorded in Financial Statements

The table below provides an analysis of changes in the Company's asbestos reserves and related receivables from December 31, 2003 to June 30, 2004:

<TABLE>
<CAPTION>

(in thousands)	Balance at 12/31/03	Additions	Spending Against Reserve	Recoveries From Insurance	Balance at 6/30/04
Reserves	\$ 9,819	\$--	\$ (1,385)	\$ --	\$ 8,434
Receivables	(3,586)	--	--	--	(3,586)
Net Asbestos Liability	\$ 6,233	\$ 0	\$ (1,385)	\$ 0	\$ 4,848

</TABLE>

7. Product Warranties

The Company provides product warranties for specific product lines and accrues for estimated future warranty cost in the period in which the revenue is recognized. The following table sets forth activity in the Company's warranty reserves (in millions) for the :

	Six Months Ended June 30, 2004	Year Ended December 31, 2003
Beginning balance	\$2.7	\$2.6

Accruals	2.7	6.3
Charges	(2.6)	(6.2)
	----	----
Ending balance	\$2.8	\$2.7
	====	====

8. Liabilities Subject to Compromise

As a result of the Company's Chapter 11 filing (see Notes 1 and 6 to the Unaudited Condensed Consolidated Financial Statements), pursuant to SOP 90-7, the Company is required to segregate pre-petition liabilities that are subject to compromise and report them separately on the consolidated balance sheet. Liabilities that may be affected by a plan of reorganization are recorded at the amount of the expected allowed claims, even if they may be settled for lesser amounts. Substantially all of the Company's pre-petition debt is recorded at face value and is classified within liabilities subject to compromise. In addition, the Company's accrued interest expense on its Senior Notes is also recorded in liabilities subject to compromise. See Notes 1 and 6 to the Unaudited Condensed Consolidated Financial Statements for further discussion of the Company's asbestos liability.

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Liabilities subject to compromise at June 30, 2004 are as follows:

(dollars in thousands)

Debt (at face value)	\$100,000
Pre-petition other payables and accrued interest	9,587
Pension liability	23,259
Other post-retirement benefit obligation	8,309
Pre-petition other liabilities	11,782

Total liabilities subject to compromise	\$152,937
	=====

Additional pre-petition claims (liabilities subject to compromise) may arise due to the rejection of executory contracts or unexpired leases, or as a result of the allowance of contingent or disputed claims.

9. Accrued Liabilities

A summary of the significant components of accrued liabilities consists of the following (in thousands):

	June 30, 2004	December 31, 2003

Accrued warranty, marketing and sales promotion	\$19,946	\$14,918
Employee Compensation and Related benefits	5,143	3,474
Interest	--	3,677
Environmental remediation and Product related liabilities	--	834
Other	2,450	1,752

Total accrued liabilities	\$27,539	\$24,655
=====		

Pursuant to SOP 90-7, accrued interest payable and environmental and certain product related liabilities have been included in liabilities subject to compromise. See Note 8 to the unaudited condensed Consolidated Financial Statements for further discussion of liabilities subject to compromise.

10. Other Liabilities

A summary of the significant components of other liabilities consists of the following (in thousands):

	June 30, 2004	December 31, 2003
Environmental remediation and Product-related liabilities	\$ --	\$ 5,105
Accrued workers' Compensation Claims	--	5,130
Other	--	987
Total other liabilities	\$ --	\$11,222

Pursuant to SOP 90-7, the other liabilities at June 30, 2004, have been included in liabilities subject to compromise. See Note 8 to the unaudited condensed Consolidated Financial Statements for further discussion of liabilities subject to compromise.

11. Pension Plans

The Company sponsors several non-contributory defined benefit pension plans covering most of the Company's employees. Benefits under the plan 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 Company also maintains health and life insurance programs for retirees (reflected in the table below in "Other Benefits").

The following summarizes the components of the net periodic benefit cost for the Pension and Other Benefit Plans for the three months ended June 30, 2004 and 2003:

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2004		Three Months Ended June 30, 2003	
	Pension	Other Benefits	Pension	Other Benefits
(In thousands)				
<S>	<C>	<C>	<C>	<C>
Components of Net Periodic Benefit Cost:				
Service cost	\$ 312	\$ 50	\$ 293	\$ 47
Interest cost	1,052	140	1,056	137
Expected return on plan assets	(842)	--	(692)	--
Recognized net actuarial loss	349	11	399	9
Amortization of transition obligation	(18)	--	(18)	--
Amortization of prior service cost	(72)	(116)	(71)	(116)
Net periodic benefit cost	\$ 781	\$ 85	\$ 967	\$ 77

</TABLE>

The weighted average assumptions used to determine net periodic benefit cost were as follows:

<TABLE>				
<S>		<C>	<C>	<C>
Discount rate	6.25%	6.75%	6.25%	6.75%
Expected long-term return on plan assets	7.00%	--	7.00%	--
Rate of compensation increase	4.00%-	--	4.00%-	--
	5.50%		5.50%	

</TABLE>

The following summarizes the components of the net periodic benefit cost for the Pension and Other Benefit Plans for the six months ended June 30, 2004 and 2003:

<TABLE>
<CAPTION>

	Six Months Ended June 30, 2004		Six Months Ended June 30, 2003	
	Pension	Other Benefits	Pension	Other Benefits
<S>	<C>	<C>	<C>	<C>
(In thousands)				
Components of Net Periodic Benefit Cost:				
Service cost	\$ 671	\$ 100	\$ 587	\$ 94
Interest cost	2,160	280	2,111	274
Expected return on plan assets	(1,695)	--	(1,385)	--
Recognized net actuarial loss	749	22	798	18
Amortization of transition obligation	(36)	--	(36)	--
Amortization of prior service cost	(143)	(232)	(141)	(232)
Net periodic benefit cost	\$ 1,706	\$ 170	\$ 1,934	\$ 154

</TABLE>

The weighted average assumptions used to determine net periodic benefit cost were as follows:

<TABLE>				
<S>		<C>	<C>	<C>
Discount rate	6.25%	6.75%	6.25%	6.75%
Expected long-term return on plan assets	7.00%	--	7.00%	--
Rate of compensation increase	4.00%-	--	4.00%-	--
	5.50%		5.50%	

</TABLE>

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited condensed Consolidated Financial Statements and notes thereto contained in Item 1 of this Quarterly Report on Form 10-Q.

The Company's business is cyclical and is affected by the same economic factors that affect the remodeling and housing industries in general, including the availability of credit, consumer confidence, changes in interest rates, market demand and general economic conditions.

In addition to external economic factors, the Company's results are sensitive to sales and manufacturing volume, competitors' pricing, consumer preferences for flooring products, raw material costs and the mix of products sold. The manufacturing process is capital intensive and requires substantial investment in facilities and equipment. The cost of operating these facilities generally does not vary in direct proportion to production volume and, consequently, operating results fluctuate disproportionately with changes in sales volume. Please refer to the section entitled "Risk Factors That May Affect Future Results" for additional discussion of factors that could cause actual

results to differ significantly from historical results or statements regarding the Company's expectations regarding future events.

On December 31, 2003, Congoleum filed a voluntary petition with the United States Bankruptcy Court for the District of New Jersey (Case No. 03-51524) seeking relief under Chapter 11 of the United States Bankruptcy Code as a means to resolve claims asserted against it related to the use of asbestos in its products decades ago. During 2003, Congoleum obtained the requisite votes of the asbestos personal injury claimants necessary to seek approval of a proposed pre-packaged Chapter 11 plan of reorganization. In January 2004, the Company filed its proposed pre-packaged plan of reorganization and disclosure statement with the court. The Bankruptcy Court has approved the disclosure statement supporting its proposed plan of reorganization and has scheduled a hearing on October 5, 2004 to consider approval of the proposed plan of reorganization. There can be no assurance that the hearing will not be rescheduled to a later date, or that the proposed plan will not be modified. The Company is presently involved in litigation with certain insurance carriers related to disputed insurance coverage for asbestos related liabilities, and certain insurance carriers have filed various objections to the Company's proposed plan of reorganization and related matters.

The pre-packaged plan of reorganization, if confirmed, would leave non-asbestos creditors unimpaired and would resolve all pending and future asbestos claims against the Company. The plan of reorganization would provide for, among other things, an assignment of certain rights in, and proceeds of, Congoleum's applicable insurance to a trust that would fund the settlement of all pending and future asbestos claims and protect the Company from future asbestos-related claims and litigation by channeling all asbestos claims to the Plan Trust pursuant to the provisions of Section 524(g) of the Bankruptcy Code. Other creditors would be unimpaired under the plan. The Bankruptcy Court has authorized the Company to pay trade creditors in the ordinary course of business. The Company expects that it will take the balance of 2004 to obtain confirmation of its proposed plan of reorganization.

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Based on its pre-packaged bankruptcy strategy, the Company has made provision in its financial statements for the minimum amount of the range of estimates for its contribution and costs to effect its plan to settle asbestos liabilities through a Plan Trust established pursuant to the provisions of Section 524(g) of the Bankruptcy Code. The Company recorded charges of \$17.3 million in the fourth quarter of 2002 and an additional \$3.7 million in the fourth quarter of 2003 to provide for the estimated minimum costs of completing its reorganization. Further, although no charges have been recorded in 2004, additional charges may be required later in the year. Actual amounts that will be contributed to the Plan Trust and costs for pursuing and implementing the plan of reorganization could be materially higher if the Company is not successful in obtaining confirmation of the pre-packaged plan of reorganization in a timely manner. The maximum amount potentially available to settle asbestos liabilities is the going concern or liquidation value of the Company.

For more information regarding the Company's asbestos liability and plan for resolving that liability, please refer to Notes 1 and 6 of the Notes to Unaudited Condensed Consolidated Financial Statements contained in this Report. In addition, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors that May Affect Future Results - The Company has significant asbestos liability and funding exposure, and its proposed pre-packaged plan of reorganization may not be confirmed" for a discussion of certain factors that could cause actual results to differ from the Company's goals for resolving its asbestos liability through the proposed plan of reorganization.

Results of Operations

Three and six months ended June 30, 2004 as compared to three and six months ended June 30, 2003.

Net sales for the quarter ended June 30, 2004 were \$63.0 million as

compared to \$55.0 million for the quarter ended June 30, 2003, an increase of \$8.0 million or 14.5%. The increase resulted primarily from improvements in sales to the manufactured housing industry coupled with higher resilient sheet sales reflecting initial distributor inventory shipments of a new product introduction and an inventory build by the Company's largest distributor. Year to date net sales for 2004 totaled \$115.0 million as compared to \$108.6 million for the same period last year, an increase of \$6.4 million, or 5.9%. Stronger sales to the manufactured housing industry and increased commercial tile sales accounted for substantially all the increase partially offset by weaker sales of resilient sheet specials.

Gross profit for the quarter ended June 30, 2004 totaled \$16.9 million, or 26.8% of net sales, compared to \$12.3 million or 22.3% of net sales for the same period last year. The increase in gross profit reflects the higher sales, an improvement in sales mix and the benefit of cost reduction programs instituted in late 2003 partially offset by higher raw material pricing. Year to date gross profit was \$30.4 million, or 26.5% of net sales as compared to \$24.9 million or 23.0% of net sales for the same period last year. The increase is the result of the same factors contributing to the second quarter 2004 gross profit improvement. The Company expects the higher raw material pricing, experienced in the second quarter, will continue to pressure profit margins during the balance of 2004.

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Selling, general and administrative expenses were \$13.0 million for the quarter ended June 30, 2004 as compared to \$12.5 million for the quarter ended June 30, 2003, an increase of \$0.5 million. The increase in expenses reflects higher merchandising and research costs related to the new product introduction and higher medical, pension costs and incentive compensation expenses. As a percent of sales, selling, general and administrative expenses were 20.7% of net sales for the quarter ended June 30, 2004, as compared to 22.8% for the same period last year. Year to date selling, general and administrative expenses totaled \$25.0 million down \$0.7 million versus the same period for 2003, reflecting savings from workforce reductions and other cost reductions initiated in May and August of 2003. Selling, general and administrative expenses totaled 21.7% of net sales for the first half of 2004 as compared to 23.7% for the same period in the prior year.

Income from operations was \$3.9 million for the quarter ended June 30, 2004 compared to a loss of \$0.3 million for the quarter ended June 30, 2003. The improvement in operating income reflected the higher gross profit partially offset by higher selling, general and administrative expenses. Year to date income from operations for 2004 totaled \$5.4 million, versus a loss of \$0.8 million for the same period last year resulting from higher gross margins and lower selling, general and administrative expenses.

Liquidity and Capital Resources

The consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. As described more fully in the Notes to the unaudited condensed Consolidated Financial Statements contained in Item 1 of this Quarterly Report on Form 10-Q, there is substantial doubt about the Company's ability to continue as a going concern unless it obtains relief from its substantial asbestos liabilities through a successful reorganization under Chapter 11 of the Bankruptcy Code.

The Company is a defendant in a large number of asbestos-related lawsuits and, on December 31, 2003, filed a pre-packaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code as part of its strategy to resolve this liability. See Notes 1 and 6 of the Notes to Consolidated Financial Statements, which are contained in Item 1 of the Quarterly Report on Form 10-Q. These matters have had and will continue to have a material adverse impact on liquidity and capital resources. During 2003, the Company paid \$5.3 million in defense and indemnity costs related to asbestos-related claims and \$13.5 million

in fees and expenses related to implementation of its planned reorganization under Chapter 11 and litigation with certain insurance companies. During the first six months of 2004, the Company spent \$1.4 million and during the balance of 2004, expects to spend a further \$8.4 million at a minimum in fees, expenses, and trust contributions in connection with obtaining confirmation of its plan. Actual amounts that will be contributed to the Plan Trust and costs for implementing the Plan of Reorganization could be materially higher. The Company also expects to recover \$3.6 million from the Collateral Trust or its successor pursuant to terms of the Claimant Agreement and related documents, which provide for the Collateral Trust to reimburse certain expenses of the Company. Timing of such recovery will depend on when the trust receives funds from insurance settlements or other sources.

Unrestricted cash and cash equivalents, including short-term investments at June 30, 2004, were \$23.7 million, an increase of \$21.5 million from December 31, 2003. Under the terms of its revolving credit agreement, payments on the Company's accounts receivable are deposited in an account assigned by the Company to its lender and the funds in that account are used by the lender to pay down any loan balance. Restricted cash represents funds deposited in this account but not yet applied to the loan balance. Working capital was \$41.9 million at June 30, 2004, up from \$27.1 million at December 31, 2003. The ratio of current assets to current liabilities at June 30, 2004 was 1.6 to one, compared to 1.5 to one at December 31, 2003. Net cash provided by operations during the first six months of 2004 was \$19.9 million, as compared to cash used by operations of \$16.6 million in the first six months of 2003. The increase in cash provided by operations in the first six months of 2004 versus the first six months of 2003 was primarily due to the unusually low level of accounts payable and accrued expenses at December 31, 2003. This unusually low level was due to limited manufacturing activity, coupled with creditors managing their pre-petition credit exposure and Congoleum prepaying certain expenses prior to its December 31, 2003 bankruptcy filing. As a result of its bankruptcy filing, the Company was not permitted to make the \$4.3 million interest payment on its Senior Notes that was due February 1, 2004, which also reduced cash usage in the first half of 2004 compared to 2003. Expenditures related to asbestos liabilities and the Company's reorganization plan were \$1.4 million in 2004, compared to \$4.2 million in 2003, which also contributed to the increase in cash from operations. Capital expenditures in the first six months of 2004 totaled \$1.4 million. The Company is currently planning capital expenditures of approximately \$5 million in 2004.

In January 2004, the Bankruptcy Court authorized entry of a final order approving Congoleum's debtor-in-possession financing, which replaced its pre-petition credit facility on substantially similar terms. The debtor-in-possession financing provides a one-year revolving credit facility with borrowings up to \$30 million. Interest is based on .75% above the prime rate. This financing agreement contains certain covenants, which include the maintenance of a minimum tangible net worth and EBITDA. It also includes restrictions on the incurrence of additional debt and limitations on capital expenditures. The covenants and conditions under this financial agreement must be met in order for the Company to borrow from the facility. The Company was in compliance with these covenants at June 30, 2004. Borrowings under this facility are collateralized by inventory and receivables. At June 30, 2004, based on the level of receivables and inventory, \$27.3 million was available under the facility, of which \$3.4 million was utilized for outstanding letters of credit and \$15.3 million was utilized by the revolving loan. The Company anticipates that its debtor-in-possession financing facility will be replaced with a revolving credit facility on substantially similar terms upon confirmation of its plan of reorganization. While the Company expects the facilities discussed above will provide it with sufficient liquidity, there can be no assurances that it will continue to be in compliance with the required covenants, that the Company will be able to obtain a similar or sufficient facility upon exit from bankruptcy, or that the debtor-in-possession facility would be renewed if the Company's plan of reorganization is not confirmed by that facility's expiration on December 31, 2004.

In addition to the provision for asbestos litigation discussed previously, the Company has also recorded what it believes are adequate provisions for environmental remediation and product-related liabilities (other than asbestos-related claims), including provisions for testing for potential remediation of conditions at its own facilities. 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 5 to the unaudited condensed Consolidated Financial Statements). 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, and the extent to which costs may be recoverable from insurance. The Company has recorded provisions in its financial statements for the estimated probable loss associated with all known general and environmental contingencies. 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 ten years, the timing and amount of such payments may differ significantly from the Company's assumptions. Although future government regulation could have a significant effect on the Company's costs, the Company is not aware of any pending legislation, which would reasonably have such an effect. There can be no assurances that the costs of any future government regulations could be passed along to customers. Estimated insurance recoveries related to these liabilities are reflected in other non-current assets.

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

The Company's principal sources of capital are net cash provided by operating activities and borrowings under its financing agreement. Although the Company did not generate cash from operations in 2003, the Company anticipates that it will generate cash from operations in 2004. The Company believes these sources will be adequate to fund working capital requirements, debt service payments, and planned capital expenditures for the foreseeable future, plus its current estimates for costs to settle and resolve its asbestos liabilities through its pre-packaged Chapter 11 plan of reorganization. The Company's inability to obtain confirmation of the proposed plan in a timely manner would have a material adverse effect on the Company's ability to fund its operating, investing and financing requirements. The Company also anticipates it will be able to obtain exit financing upon confirmation of its proposed plan. Such financing will be required to replace its debtor-in-possession credit facility and permit the Company to pay accrued interest on its Senior Notes and other obligations needed to be satisfied in connection with the confirmation of the proposed plan of reorganization.

Risk Factors That May Affect Future Results

The Company has significant asbestos liability and funding exposure, and its proposed pre-packaged plan of reorganization may not be confirmed.

As more fully set forth in Notes 1 and 6 of the Notes to the Consolidated Financial Statements, which are included in this report, the Company has significant liability and funding exposure for asbestos claims. The Company has entered into settlement agreements with various asbestos claimants totaling \$491 million. Satisfaction of these obligations pursuant to the terms of the pre-packaged plan is dependent on a determination by the Bankruptcy Court that

the plan has satisfied certain criteria under the Bankruptcy Code, among other things.

There can be no assurance that the Company will be successful in obtaining confirmation of its pre-packaged plan in a timely manner or at all, and any alternative plan of reorganization pursued by the Company or confirmed by the Bankruptcy Court could vary significantly from the description in this report. Furthermore, the estimated costs and contributions to effect the contemplated plan of reorganization or an alternative plan could be significantly greater than currently estimated. Any plan of reorganization pursued by the Company will be subject to numerous conditions, approvals and other requirements, including Bankruptcy Court approvals, and there can be no assurance that such conditions, approvals and other requirements will be satisfied or obtained.

Some additional factors that could cause actual results to differ from the Company's goals for resolving its asbestos liability through the prepackaged plan of reorganization bankruptcy filing include: (i) the future cost and timing of estimated asbestos liabilities and payments and availability of insurance coverage and reimbursement from insurance companies, which underwrote the applicable insurance policies for the Company for asbestos-related claims and other costs relating to the execution and implementation of any plan of reorganization pursued by the Company, (ii) timely reaching agreement with other creditors, classes of creditors, or other parties in the Bankruptcy proceeding that exist or may emerge, (iii) satisfaction of the conditions and obligations under the Company's outstanding debt instruments, (iv) the response from time-to-time of the Company's and its controlling shareholder's, American Biltrite Inc.'s, lenders, customers, suppliers and other constituencies to the ongoing process arising from the Company's strategy to settle its asbestos liability, (v) the Company's ability to maintain debtor-in-possession financing sufficient to provide it with funding that maybe needed during the pendency of its Chapter 11 case and to obtain exit financing sufficient to provide it with funding that maybe needed for its operations after emerging from the bankruptcy process, in each case, on reasonable terms, (vi) timely obtaining sufficient creditor and court approval of any reorganization plan pursued by the Company, (vii) developments in, and the outcome of, insurance coverage litigation pending in New Jersey State Court involving Congoleum, ABI, and certain insurers, and (viii) compliance with the Bankruptcy Code, including Section 524(g). In any event, if the Company is not successful in obtaining sufficient creditor and court approval of its pre-packaged plan of reorganization, such failure would have a material adverse effect upon its business, results of operations and financial condition.

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In addition, there has been federal legislation proposed that, if adopted, would establish a national trust to provide compensation to victims of asbestos-related injuries and channel all current and future asbestos-related personal injury claims to that trust. Due to the uncertainties involved with the pending legislation, the Company does not know what effects any such legislation, if adopted, may have upon its business, results of operations or financial condition, or upon any plan of reorganization it may decide to pursue. To date, the Company has expended significant amounts pursuant to resolving its asbestos liability relating to its proposed prepackaged Chapter 11 plan of reorganization. To the extent any federal legislation is enacted, which does not credit the Company for amounts paid by the Company pursuant to its plan of reorganization or requires the Company to pay significant amounts to any national trust or otherwise, such legislation could have a material adverse effect on the Company's business, results of operations and financial condition. As a result of the Company's significant liability and funding exposure for asbestos claims, there can be no assurance that if it were to incur any unforecasted or unexpected liability or disruption to its business or operations it would be able to withstand that liability or disruption and continue as an operating company.

For further information regarding the Company's asbestos liability, insurance coverage and strategy to resolve its asbestos liability, please see Notes 1 and 6 of Notes to Consolidated Financial Statements, which are included in this report.

The Company may incur substantial liability for environmental, product and general liability claims in addition to asbestos-related claims, and its insurance coverage and its likely recoverable insurance proceeds may be substantially less than the liability incurred by the Company for these claims.

Environmental Liabilities. Due to the nature of the Company's business and certain of the substances which are or have been used, produced or discharged by the Company, the Company's operations are subject to extensive federal, state and local laws and regulations relating to the generation, storage, disposal, handling, emission, transportation and discharge into the environment of hazardous substances. 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 for costs related to prior activities at its facilities and third party sites, and for ongoing costs to comply with existing environmental laws; such amounts may be substantial. There is no certainty that these amounts will not have a material adverse effect on its business, results of operations and financial condition 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. 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 and financial condition.

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

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.

The Company's business is dependent upon a continuous supply of raw materials from third party suppliers. The principal raw materials used by the Company in its manufacture of sheet and tile flooring are vinyl resins, plasticizers, latex, limestone, stabilizers, cellulose paper fibers, urethane and transfer print paper. The Company purchases most of these raw materials from multiple sources. Although the Company has generally not had difficulty in obtaining its requirements for these materials, it has occasionally experienced significant price increases for some of these materials.

The Company believes that suitable alternative suppliers are available for substantially all of its raw material requirements. However, the Company does not have readily available alternative sources of supply for specific designs of transfer print paper, which are produced utilizing print cylinders engraved to the Company's specifications. Although no loss of this source of supply is anticipated, replacement could take a considerable period of time and interrupt production of some of the Company's products. In an attempt to protect against this risk of loss of supply, the Company maintains a raw material inventory and continually seeks to develop new sources, which will provide continuity of supply for its raw material requirements. However, there is no certainty that the Company's maintenance of its raw material inventory or its ongoing efforts to develop new sources of supply would be successful in avoiding a material adverse effect on its business, results of operations and financial condition if it were to realize an extended interruption in the supply of its raw materials.

In addition, the Company could incur significant increases in the costs of its raw materials. Although the Company generally attempts to pass on increases in the costs of its raw materials to its customers, the Company's ability to do so is, to a large extent, dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for its products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be recovered. During those periods of time, there could be a material adverse effect on the Company's business, results of operations and financial condition.

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The Company operates in a highly competitive flooring industry and some of its competitors have greater resources and broader distribution channels than the Company.

The market for the Company's products is highly competitive. The Company encounters competition from three other manufacturers in North America and, to a much lesser extent, foreign manufacturers. Some of the Company's competitors have greater financial and other resources and access to capital than the Company. Furthermore, like the Company, one of the Company's major competitors has sought protection under Chapter 11 of the Bankruptcy Code. When such competitor emerges from bankruptcy as a continuing operating company it may have shed much of its pre-filing liabilities and have a competitive cost advantage over the Company as a result of having shed those liabilities. In addition, in order to maintain its competitive position, the Company may need to make substantial investments in its business, including its product development, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for the Company's products and in the loss of the Company's market share for its products. Moreover, due to the competitive nature of the Company's industry, the Company may be commercially restricted from raising or even maintaining the sales prices of its products, which could result in the Company incurring significant operating losses if its expenses were to increase or otherwise represent an increased percentage of the Company's sales.

The Company's business is subject to general economic conditions and conditions specific to the remodeling and housing industries.

The Company is subject to the effects of general economic conditions. A sustained general economic slowdown could have serious negative consequences for the Company's business, results of operations and financial condition. Moreover, the Company's business is cyclical and is affected by the economic factors that affect the remodeling and housing industries in general and the manufactured housing industry specifically, including the availability of credit, consumer confidence, changes in interest rates, market demand and general economic conditions.

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's business depends upon its ability to timely manufacture and deliver products that meet the needs of its customers and the end users of the Company's 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 and financial condition.

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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 all of its products against manufacturing defects. In addition, as a part of its efforts to differentiate mid and high-end products through color, design and other attributes, the Company offers enhanced warranties with respect to wear, moisture discoloration and other performance characteristics, which generally increase with the price of such products. If the Company were to incur a significant number of warranty claims, the resulting warranty costs could be substantial.

The Company is heavily dependent upon its distributors to sell the Company's products and the loss of a major distributor of the Company could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company currently sells its products through approximately 17 distributors providing approximately 53 distribution points in the United States and Canada, as well as directly to a limited number of mass market retailers. The Company considers its distribution network very important to maintaining its competitive position. Although the Company has more than one distributor in some of its distribution territories and actively manages its credit exposure to its distributors, the loss of a major distributor could have a materially adverse impact on the Company's business, results of operations and financial condition. The Company derives a significant percentage of its sales from two of its distributors, LaSalle-Bristol Corporation and Mohawk Industries, Inc. LaSalle-Bristol Corporation serves as the Company's distributor in the manufactured housing market, and Mohawk Industries, Inc. serves as a retail market distributor of the Company. These two distributors have historically accounted for 60% to 65% of the Company's net sales.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to changes in prevailing market interest rates affecting the return on its investments but does not consider this risk exposure to be material to its financial condition or results of operations. The Company invests primarily in highly liquid debt instruments with strong credit ratings and short-term (less than one year) maturities. The carrying amount of these investments approximates fair value due to the short-term maturities. Over 87% of the Company's outstanding long-term debt as of June 30, 2004 consisted of indebtedness with a fixed rate of interest which is not subject to change based upon changes in prevailing market interest rates. Under its current policies, the Company does not use derivative financial instruments, derivative commodity instruments or other financial instruments to manage its exposure to changes in interest rates, foreign currency exchange rates, commodity prices or equity prices and does not hold any instruments for trading purposes.

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Item 4. CONTROLS AND PROCEDURES

- (a) Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have 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) as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on this evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company required to be included in the Company's reports filed or submitted under the Exchange Act.
- (b) Changes in Internal Control Over Financial Reporting. There have not been any changes in the Company's internal controls over financial reporting during the last quarter covered by this annual report that has materially affected, or is reasonably likely to materially

affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings: The information contained in Note 5 "Environmental and Other Liabilities" and Note 6 "Asbestos Liabilities" of the Notes to Unaudited Condensed Consolidated Financial Statements is incorporated herein by reference.
- Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities: None
- Item 3. Defaults Upon Senior Securities: The commencement of the Chapter 11 proceedings constituted an event of default under the indenture governing the Company's 8 5/8% Senior Notes. In addition, due to the Chapter 11 proceedings, the Company was precluded from making the interest payment due February 1, 2004 on the Senior Notes. The amount of accrued interest that was not paid on the Senior Notes on that date is approximately \$4.3 million. As of June 30, 2004, the principal amount of the Senior Notes is approximately \$100 million. These amounts, plus \$155,000 of accrued interest on the interest due on February 1, 2004 are included in "Liabilities Subject to Compromise."
- Item 4. Submission of Matters to a Vote of Security Holders: At the Annual Meeting of Stockholders held on May 10, 2004, the following actions were taken:

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Three nominees were elected as Class B Directors who will hold office until the Annual Meeting of Stockholders in 2007 and until their successors are duly elected and qualify.

Name ----	Votes For -----	Votes Withheld -----
Mark N. Kaplan	12,189,010	44,260
Richard G. Marcus	12,195,862	37,408
Mark S. Newman	12,197,139	36,131

The following persons are the other Directors of the Company whose terms of office as a Director continued after the meeting:

Roger S. Marcus	John N. Irwin	Cyril C. Baldwin
William M. Marcus	C. Barnwell Straut	

Item 5. Other Information: None

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits

Exhibit Number -----	Exhibits -----
3.1	Amended Certificate of Incorporation of the Company
3.2	Amended and Restated Bylaws of the Company
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of

(b) Reports on Form 8-K

(i) On May 10, 2004, the Company filed a Current Report on Form 8-K, dated the same date under Item 12, related to the press release dated May 10, 2004, announcing its financial results for the quarter ended March 31, 2004.

(ii) On June 4, 2004, the Company filed a Current Report on Form 8-K, dated June 2, 2004, under Item 5, announcing that the Bankruptcy Court rescheduled of the Confirmation Hearing previously set for July 22, 2004.

CONGOLEUM CORPORATION

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.

CONGOLEUM CORPORATION
(Registrant)

Date: August 12, 2004

By: /s/ Howard N. Feist III

(Signature)

Howard N. Feist III
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial & Accounting Officer)

Exhibit Index

Exhibit Number -----	Exhibits -----
3.1	Amended Certificate of Incorporation of the Company (1)
3.2	Amended and Restated Bylaws of the Company (1)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to the exhibit bearing the same description filed with the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1996.

CERTIFICATION

I, Roger S. Marcus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Congoleum Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based

on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2004

/s/ Roger S. Marcus

Roger S. Marcus
Chief Executive Officer

CERTIFICATION

I, Howard N. Feist, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Congoleum Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of immaterial fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based

on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2004

/s/ Howard N. Feist

Howard N. Feist
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Congoleum Corporation (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger S. Marcus, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 12, 2004

/s/ Roger S. Marcus

Roger S. Marcus
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Congoleum Corporation and will be retained by Congoleum Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of ss. 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Congoleum Corporation (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Howard N. Feist III, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 12, 2004

/s/ Howard N. Feist III

Howard N. Feist III
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Congoleum Corporation and will be retained by Congoleum Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of ss. 18 of the Securities Exchange Act of 1934, as amended.