# Multiple Documents

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**UNITED STATES DISTRICT COURT**
**DISTRICT OF NEW JERSEY**

| | | |
|---|---|---|
| **IN RE:** | ) | **Case No. 09-04371 (JAP)** |
| | ) | |
| **CONGOLEUM CORPORATION,** | ) | **Chapter 11** |
| **CONGOLEUM SALES, INC., and** | ) | **Case No. 03-51524** |
| **CONGOLEUM FISCAL, INC.,** | ) | |
| | ) | **Jointly Administered** |
| **Debtors.** | ) | |
| | ) | |

**ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE CONGOLEUM PLAN TRUST**
**FOR FISCAL YEAR ENDED DECEMBER 31, 2010**

The Honorable Alfred Wolin, Ret., the Plan Trustee of the Congoleum Plan Trust (the "Plan Trust"),[1] created pursuant to the Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code of the Debtors, the Official Asbestos Claimants' Committee, the Official Committee of Bondholders for Congoleum Corporation, *et al.* and the Futures Representative dated as of March 11, 2010 (as modified) (the "Plan"), submits this Annual Report, Financial Statements and Results of Operations of the Congoleum Plan Trust for Fiscal Year Ended December 31, 2010.

## I. Plan Trust Asbestos Claims

Section 2.2(c) of the Plan Trust Agreement requires the Plan Trustee to account to the District Court, regardless of whether the Reorganization Cases are closed, and file an annual report containing financial statements of the Plan Trust and a summary of the number and type of claims disposed of by the Plan Trust during the period covered by the financial statements.

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code of the Debtors, the Official Asbestos Claimants' Committee, the Official Committee of Bondholders for Congoleum Corporation, *et al.* and the Futures Representative dated as of March 11, 2010 (as modified).

**A. Asbestos Personal Injury Claims**

In 2010, there were no Asbestos Personal Injury Claims disposed of by the Plan Trust. The Plan Trustee estimates that the future liability of the Plan Trust Asbestos Claims is approximately $2.443 billion in 2011 dollars. However, the forecast of future liability of Plan Trust Asbestos Claims is currently being studied by the Plan Trustee and his professionals, therefore, the estimate of the future liability of the Plan Trust Asbestos Claims is a preliminary figure.

**B. Allowed Asbestos Property Damage Claims**

In 2010 there were no Allowed Asbestos Property Damage Claims paid by the Plan Trust. Property damage claims had to be filed with the Court by the applicable bar date. The Court resolved the property damage claims in 2011. The annual report for the year ending December 31, 2011, will detail the resolution and payment of the property damage claims.

## II. Compensation and Expenses of Trustees

Under Section 4.5(c) of the Plan Trust Agreement, the Plan Trust is required to report to the Court the amount of compensation and expenses paid to the Plan Trustee. The Plan Trustee received compensation in the amount of $134,550.00 and reimbursement of $555.61 for out-of-pocket costs and expenses during the fiscal year ending December 31, 2010.

The Delaware Trustee received compensation in the amount of $5,000 during the fiscal year ending December 31, 2010. The Delaware Trustee had no reimbursable out-of-pocket costs and expenses during the fiscal year ending December 31, 2010.

Under Section 5.6 of the Plan Trust Agreement, the Plan Trust is required to report to the Court the amount of compensation and expenses paid to the Trust Advisory Committee. The



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Trust Advisory Committee received no compensation and had no reimbursable out-of-pocket costs and expenses during the fiscal year ending December 31, 2010.

Under Section 6.5 of the Plan Trust Agreement, the Plan Trust is required to report to the Court the amount of compensation and expenses paid to the Futures Representative. The Futures Representative received compensation in the amount of $10,150.00 and reimbursement of $1,604.08 for out-of-pocket costs and expenses during the fiscal year ending December 31, 2010.

## III. Financial Statements

A copy of the Plan Trust's audited financial statements for the year ending December 31, 2010, is attached here as Exhibit "A."

Dated: April 29, 2011

**LAW OFFICES OF**
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**CONGOLEUM PLAN TRUST**



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# EXHIBIT A

# CONGOLEUM PLAN TRUST

## SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010



**CONGOLEUM PLAN TRUST**

DECEMBER 31, 2010

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Trustee of
Congoleum Plan Trust

We have audited the special-purpose balance sheet of Congoleum Plan Trust (the "Trust") as of December 31, 2010, and the related special-purpose statements of changes in assets and liabilities, and cash flows for the period from inception (July 1, 2010) to December 31, 2010. These financial statements are the responsibility of the Congoleum Plan Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the accompanying financial statements were prepared on a special-purpose basis of accounting in order to communicate the amount of net assets presently available for current and future claimants and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and trust equity of the Congoleum Plan Trust as of December 31, 2010, and the results of its operations and its cash flows for the period from inception (July 1, 2010) to December 31, 2010 in conformity with the special-purpose basis of accounting described in Note 2.

This report is intended solely for the information and use of the management of the Trust, the Trustees, the beneficiaries of the Trust, and the United States Bankruptcy Court for the District of New Jersey, and should not be used for any other purpose.

BEDERSON & COMPANY LLP

Bederson & Company LLP

West Orange, New Jersey
March 31, 2011



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# CONGOLEUM PLAN TRUST

SPECIAL-PURPOSE BALANCE SHEET

DECEMBER 31, 2010

## ASSETS

| | |
|---|---|
| Cash and Cash Equivalents: | |
| CitiBank | $ 72,945,419 |
| Insurance Settlements Receivable | 166,533,950 |
| Investments: | |
| Equity investments - Congoleum Corporation | 5,331,000 |
| Other Assets: | |
| Prepaid assets | 40,610 |
| **TOTAL ASSETS** | $ 244,850,979 |

## LIABILITIES AND NET CLAIMANTS' EQUITY

| | |
|---|---|
| **LIABILITIES:** | |
| Accounts payable | $ 77,652 |
| **NET CLAIMANTS' EQUITY:** | |
| Trust corpus | 244,773,327 |
| **TOTAL LIABILITIES AND NET CLAIMANTS' EQUITY** | $ 244,850,979 |

The accompanying notes are an integral part of these financial statements.




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# CONGOLEUM PLAN TRUST

## SPECIAL-PURPOSE STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
## FOR THE PERIOD FROM INCEPTION (JULY 1, 2010) TO DECEMBER 31, 2010

| | |
|---|---|
| **ADDITIONS:** | |
| Contributions: | |
| Insurance | $ 240,563,487 |
| Congoleum, Inc. | 5,331,000 |
| Total contributions | 245,894,487 |
| Investment income, net: | |
| Interest income | 51,295 |
| Investment advisory fees | (5,000) |
| Total investment income, net | 46,295 |
| TOTAL ADDITIONS | 245,940,782 |
| **DEDUCTIONS:** | |
| Claims settled | 105,000 |
| General and administrative: | |
| Trustee | 148,425 |
| Insurance | 29,640 |
| Accounting | 3,170 |
| Professional services: | |
| Trust general counsel | 445,015 |
| Trust insurance counsel | 329,086 |
| Future claims representative fees | 11,754 |
| Future claims representative attorney fees | 43,133 |
| TAC attorney fees | 52,232 |
| TOTAL DEDUCTIONS | 1,167,455 |
| **NET INCREASE IN TRUST CORPUS** | 244,773,327 |
| **TRUST CORPUS** - beginning | - |
| **TRUST CORPUS** - ending | $ 244,773,327 |

The accompanying notes are an integral part of these financial statements.

# CONGOLEUM PLAN TRUST

## SPECIAL-PURPOSE STATEMENT OF CASH FLOWS

## FOR THE PERIOD FROM INCEPTION (JULY 1, 2010) TO DECEMBER 31, 2010

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Net increase in trust corpus | $ 244,773,327 |
| Adjustments to reconcile net increase to net trust corpus from operating activities: | |
| Decrease in: | |
| Insurance settlement receivable | (166,533,950) |
| Prepaid assets | (40,610) |
| Increase in: | |
| Accounts payable | 77,652 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 78,276,419 |
| **CASH FLOWS USED BY INVESTING ACTIVITIES:** | |
| Contribution of Congoleum Corporation | (5,331,000) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 72,945,419 |
| **CASH AND CASH EQUIVALENTS** - beginning | - |
| **CASH AND CASH EQUIVALENTS** - ending | $ 72,945,419 |

The accompanying notes are an integral part of these financial statements.




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## NOTE 1 - ORGANIZATION

The Congoleum Plan Trust (the "Trust") was established on July 1, 2010 and is a "qualified settlement fund" pursuant to the meaning of Section 1.468B-1 et seq. to the Treasury Regulations promulgated under section 468B of the Internal Revenue Code. The Trust assumed all Asbestos Personal Injury Claims (whether now existing or arising at any time hereafter) of Congoleum, Inc. and will use the Trust assets to pay holders of such Asbestos Personal Injury Claims in accordance with the Congoleum Plan Trust Agreement and the Congoleum Plan Trust Distribution procedures.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees which differ from accounting principles generally accepted in the United States of America. The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net assets available for the payment of claims and related operating expenses of the Trust. Since the accompanying financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount.

The special-purpose accounting methods include the following:

#### Trust Equity

Trust equity represents funds available to pay asbestos and bankruptcy related claims that have been submitted but not processed or not yet submitted. Trust expenses are also paid from Trust equity. Under GAAP, trust equity would be reduced for estimates of amounts to be paid for claims that have been submitted, but not processed or not yet submitted.

#### Claim Expense

Claims are expensed in the period in which the confirmed claims are settled. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.

#### Payments for Services

Payments for services to be received over an extended period in the future are expensed as paid since these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.

### Cash Equivalents

The Trust considers all short-term investments with a maturity of three (3) months, or less to be cash equivalents.

The Trust maintains its cash and cash equivalents, which at times may exceed federally insured limits, with financial institutions. The Trust has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risk on cash and cash equivalents.






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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Investments are classified as available for sale and stated at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In accordance with FASB ASC 820-10-50, *Fair Value Measurements* establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

**Income Taxes**

The Trust has elected to be treated as a Qualified Settlement Fund under the Internal Revenue Code and Regulations. As a result, the Trust is subject to federal income taxes based on modified gross income. In the opinion of management, the Trust is not subject to state income taxes, and, therefore, the financial statements do not include any provision or liability for state income taxes. There was no federal income tax expense for the period from inception (July 1, 2010) to December 31, 2010.





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## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income Taxes (Continued)**
Since the Trust was formed during 2010, no U.S. federal income tax returns are closed under statute of limitations.

Net operating losses expiring in 2030, which approximate $1,028,000, are available to offset future taxable income generated by the Trust.

**Estimates**
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to Trust Corpus during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**
The Trust has evaluated subsequent events through March 31, 2011, which is the date the financial statements were available to be issued.

## NOTE 3 - INVESTMENTS

**Congoleum Corporation**
In accordance with the terms of the settlement agreements, the Trust acquired 2,008,017 shares (50.3%) of Congoleum Corporation common stock. This investment is recorded at the fair market value of Congoleum Corporation in accordance with the special-purpose basis of accounting.

Fair value of this investment is based on unobservable inputs (Level 3).

The table below sets forth a summary of changes in the fair value of the Trust's Level 3 assets for the year ended December 31, 2010:

| | |
|---|---|
| Beginning balance | $ - |
| Settlements | 5,331,000 |
| Ending balance | $5,331,000 |




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