

CHARTER OF THE AUDIT COMMITTEE OF THE  
BOARD OF DIRECTORS OF AMERICAN BILTRITE INC.  
AS AMENDED AND RESTATED BY THE BOARD ON MARCH 13, 2007

1. PURPOSE OF THE COMMITTEE

The purpose of the Audit Committee (the "Committee") is to provide oversight of matters involving the accounting, auditing of financial statements, financial reporting, and internal control functions of American Biltrite Inc. (the "Company") and its subsidiaries.

2. COMPOSITION OF THE COMMITTEE

The Committee shall be comprised of three or more independent directors as determined from time to time by resolution of the Company's board of directors (the "Board"). The Chairman of the Committee shall be designated by the Board, provided that if the Board does not so designate a Chairman, the members of the Committee, by majority vote, may designate a Chairman. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements, including any independence and financial expertise requirements, of the American Stock Exchange (the "AMEX"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Securities and Exchange Commission (the "SEC"), the Sarbanes-Oxley Act of 2002, and other regulations or regulatory bodies.

3. MEETINGS OF THE COMMITTEE

The Committee shall hold a meeting each fiscal quarter and additional meetings as it shall determine necessary to carry out its duties and responsibilities. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Committee shall maintain minutes of its meetings and records relating to those meetings and provide copies of such minutes to the Board.

4. RESPONSIBILITIES OF THE COMMITTEE

In order for the Committee to effectively carry out its purposes, its processes must remain flexible so it can best react to changing conditions, information, accounting rules, securities laws and regulations and other factors which bear on its responsibilities. The key responsibilities described in this Charter, therefore, shall define the principal recurring processes of the Committee. These processes are set forth as a guide with the understanding that the Committee may supplement them as it deems necessary or appropriate to accomplish its purposes, subject to applicable law and rules and regulations promulgated by the AMEX, the SEC or any other applicable regulatory authority.

The Company's management is responsible for preparing the Company's financial statements in accordance with generally accepted accounting principles ("GAAP") and its periodic reports as required by the Exchange Act, the rules under the Exchange Act and the SEC.

The Company's registered public accounting firm (hereinafter the "independent auditor") is responsible for auditing the Company's annual financial statements and reviewing the Company's interim financial statements. The Committee has direct and sole responsibility for the appointment, compensation, oversight and replacement of the independent auditor, including the resolution of disagreements between management and the independent auditor regarding financial reporting. It is not, however, the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in compliance with GAAP.

The Committee is expected to maintain free and open communication with the auditor and management of the Company. In order to facilitate such free and open communication, the Committee should meet with members of management, the internal auditor and the independent auditor, separately, at least once a year and at such other times as the members of the Committee deem it necessary or appropriate to accomplish its purposes.

Nothing contained in this Charter is intended to, or should be construed as, creating any responsibility or liability of the members of the Committee except to the extent otherwise provided under Delaware or federal law which shall continue to set the legal standard for the conduct of the members of the Committee.

## 5. DUTIES OF THE COMMITTEE

The Committee shall fulfill its oversight responsibilities by accomplishing the following:

### APPOINTMENT, COMPENSATION, RETENTION AND OVERSIGHT OF INDEPENDENT AUDITOR

- (a) At least annually evaluate, determine the selection, retention and compensation of, and if necessary, determine the replacement of or rotation of, the independent auditor.
- (b) Review, evaluate and discuss formal reports, at least annually, from the independent auditor regarding the auditor's independence, including a delineation of all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard 1. Actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor. Take or recommend that the Board take appropriate action to oversee the independence of the independent auditor.
- (c) Approve or pre-approve all auditing services (including comfort letters and statutory audits) and all permitted non-audit services by the independent auditor.
- (d) At least annually, receive a report from the independent auditor detailing the firm's internal quality control procedures and any material issues raised by the independent auditor's internal quality control review, peer review or any

governmental or other professional inquiry performed within the past five years and any remedial actions implemented by the firm.

- (e) Establish hiring policies for employees or former employees of the independent auditors.

#### OVERSIGHT OF AUDIT AND FINANCIAL REPORTING PROCESS AND COMPANY'S LEGAL COMPLIANCE PROGRAM

- (a) Review with management, the internal auditor and the independent auditor the overall scope and plans for audits. Review and resolve with management, the internal auditor, and the independent auditor any difficulties, disagreements or disputes with management encountered in connection with the audits or regarding financial reporting.
- (b) Review and discuss with management, the internal auditor, and independent auditor the Company's system of internal control, including information systems controls and security, its financial and critical accounting practices, and policies relating to risk assessment, including steps that management has taken to minimize risk to the Company.
- (c) Receive and review reports of the independent auditor discussing (i) all critical accounting policies and practices used in the preparation of the Company's financial statements, (ii) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (iii) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted audit differences.
- (d) Discuss with management and the independent auditor any changes in the Company's critical accounting policies and the effects of alternative GAAP methods, off-balance sheet structures and regulatory and accounting initiatives.
- (e) Review and discuss with management and the independent auditor the annual and quarterly financial statements and the Company's "Management's Discussion and Analysis of Financial Conditions and Results of Operations" prior to the filing of the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q with the SEC. Discuss any significant changes in the audit plan, results of the annual audit and quarterly review and any other matters required to be communicated to the committee by the independent auditor under generally accepted auditing standards. Discuss with management and the independent auditor their judgment about the quality of accounting principles, the reasonableness of significant judgments, including a description of any transactions as to which the management obtained Statement on Auditing Standards No. 50 letters, and the clarity of disclosures in the financial statements,

including the Company's disclosures of critical accounting policies and other disclosures.

- (f) Review, or establish standards for the type of information and the type of presentation of such information to be included in, earnings press releases and earnings guidance provided to any analysts.
- (g) Receive from the Chief Executive Officer and Chief Financial Officer a report of any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, and any fraud that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.
- (h) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

#### OTHER RESPONSIBILITIES

- (a) Review and concur in the appointment, replacement, reassignment, or dismissal of the internal auditor and other senior financial officers.
- (b) Review and approve a report for inclusion in the Company's annual proxy statement as required by the rules of the SEC.
- (c) Report to the Board on a regular basis.
- (d) Annually perform, or participate in, an evaluation of the performance of the Committee and a review and assessment of the adequacy of this Charter, the results of which shall be presented to the Board.
- (e) Review and provide oversight of proposed transactions or dealings with respect to which executive officers, directors, any nominee for director, any security holder who is the beneficial owner of more than 5 percent of any class of the Company's voting securities or their immediate family members have an interest (including all transactions required to be disclosed by Item 404(a) of Regulation S-K).
- (f) Perform any other activities consistent with the Charter, By-laws and governing law as the Board or the Committee shall deem appropriate.

#### 6. AUTHORITY AND RESOURCES OF THE AUDIT COMMITTEE

The Committee has the authority to retain legal, accounting or other advisers that it determines to be necessary to carry out its duties. It also has authority to determine compensation for such advisers as well as for the independent auditor. The Committee may determine appropriate funding needs for its own ordinary administrative expenses that are

necessary and appropriate to carrying out its duties. Funding for such retained services shall be provided for by the Company.