

CHASE CORP
Form 10-Q
January 09, 2012
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 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 November 30, 2011

Commission File Number: 1-9852

CHASE CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of incorporation
of organization)

11-1797126
(I.R.S. Employer Identification No.)

26 Summer Street, Bridgewater, Massachusetts 02324

(Address of Principal Executive Offices, Including Zip Code)

(508) 819-4200

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(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, and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o

Accelerated filer x

Non-accelerated filer o
(Do not check if a smaller reporting company)

Smaller reporting company o

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x

The number of shares of Common Stock outstanding as of December 31, 2011 was 9,040,266.

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CONSOLIDATED BALANCE SHEETS**

(UNAUDITED)

In thousands, except share and per share amounts

	November 30, 2011	August 31, 2011
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 12,773	\$ 14,982
Accounts receivable, less allowance for doubtful accounts of \$460 and \$473	18,111	19,103
Inventories	21,660	20,841
Prepaid expenses and other current assets	2,283	1,502
Assets held for sale (Note 12)	994	1,004
Deferred income taxes	559	559
Total current assets	56,380	57,991
Property, plant and equipment, net	29,343	28,594
Other Assets:		
Goodwill	17,834	18,060
Intangible assets, less accumulated amortization of \$10,639 and \$10,374	15,163	16,185
Cash surrender value of life insurance	6,979	6,915
Restricted investments	759	740
Deferred income taxes	330	332
Other assets	107	92
	\$ 126,895	\$ 128,909
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,504	\$ 7,276
Accrued payroll and other compensation	1,343	2,624
Accrued expenses	3,749	4,237
Accrued income taxes	897	1,387
Dividends payable	3,165	
Current portion of long-term debt	4,400	4,400
Total current liabilities	22,058	19,924
Long-term debt, less current portion	6,417	8,267
Deferred compensation	1,603	1,597
Accumulated pension obligation	6,456	6,713

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Other liabilities	103	528
Commitments and Contingencies (Note 8)		
Stockholders' Equity:		
First Serial Preferred Stock, \$1.00 par value: Authorized 100,000 shares; none issued		
Common stock, \$.10 par value: Authorized 20,000,000 shares; 9,042,153 shares at November 30, 2011 and 8,952,910 shares at August 31, 2011 issued and outstanding		
	904	895
Additional paid-in capital	11,167	10,678
Accumulated other comprehensive loss	(4,948)	(3,666)
Retained earnings	83,135	83,973
Total stockholders' equity	90,258	91,880
Total liabilities and stockholders' equity	\$ 126,895	\$ 128,909

See accompanying notes to the consolidated financial statements

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CHASE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

In thousands, except share and per share amounts

	Three Months Ended November 30,	
	2011	2010
Revenues		
Sales	\$ 31,654	\$ 30,838
Royalties and commissions	476	429
	32,130	31,267
Costs and Expenses		
Cost of products and services sold	21,999	20,060
Selling, general and administrative expenses	6,992	6,588
Operating income	3,139	4,619
Interest expense	(36)	(93)
Other income	477	116
Income before income taxes	3,580	4,642
Income taxes	1,253	1,717
Net income	\$ 2,327	\$ 2,925
Net income available to common shareholders, per common and common equivalent share		
Basic	\$ 0.26	\$ 0.33
Diluted	\$ 0.26	\$ 0.33
Weighted average shares outstanding		
Basic	8,754,020	8,696,727
Diluted	8,761,058	8,754,086
Cash dividends declared per share	\$ 0.35	\$ 0.35

See accompanying notes to the consolidated financial statements

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CHASE CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

THREE MONTHS ENDED NOVEMBER 30, 2011

(UNAUDITED)

In thousands, except share and per share amounts

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total Stockholders Equity	Comprehensive Income
Balance at August 31, 2011	8,952,910	\$ 895	\$ 10,678	\$ (3,666)	\$ 83,973	\$ 91,880	
Restricted stock grants, net of forfeitures	88,569	9	(9)				
Amortization of restricted stock grants			352			352	
Amortization of stock option grants			139			139	
Common stock issuance	674		7			7	
Cash dividend declared, \$0.35 per share					(3,165)	(3,165)	
Pension amortization, net of tax of \$30				57		57	\$ 57
Foreign currency translation adjustment				(1,337)		(1,337)	(1,337)
Net unrealized loss on restricted investments, net of tax of \$1				(2)		(2)	(2)
Net income					2,327	2,327	2,327
Comprehensive income							\$ 1,045
Balance at November 30, 2011	9,042,153	\$ 904	\$ 11,167	\$ (4,948)	\$ 83,135	\$ 90,258	

See accompanying notes to the consolidated financial statements

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CHASE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Dollars in thousands

	Three Months Ended November 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,327	\$ 2,925
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	676	526
Amortization	571	577
Provision for losses on accounts receivable	(2)	(96)
Stock based compensation	498	372
Realized loss (gain) on restricted investments	(3)	(5)
Decrease (increase) in cash surrender value life insurance	(15)	15
Excess tax benefit from stock based compensation		(5)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	769	2,030
Inventories	(965)	(3,288)
Prepaid expenses & other assets	(837)	(244)
Accounts payable	1,380	1,063
Accrued expenses	(2,682)	(2,059)
Accrued income taxes	(472)	(1,724)
Deferred compensation	6	69
Net cash provided by operating activities	1,251	156
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,200)	(202)
Contingent purchase price for acquisition	(87)	
Net proceeds from sale of fixed assets	3	
Additional proceeds from sale of discontinued operations		1,478
Net withdrawals (contributions) from restricted investments	(19)	(18)
Payments for cash surrender value life insurance	(46)	(46)
Net cash (used in) provided by investing activities	(1,349)	1,212
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on long-term debt	4,315	
Payments of principal on debt	(6,165)	(1,850)
Payments of statutory minimum taxes on stock options and restricted stock		(13)
Excess tax benefit from stock based compensation		5
Net cash used in financing activities	(1,850)	(1,858)
DECREASE IN CASH		
Effect of foreign exchange rates on cash	(261)	45
CASH, BEGINNING OF PERIOD	14,982	17,340
CASH, END OF PERIOD	\$ 12,773	\$ 16,895

Non-cash Investing and Financing Activities

Common stock received for payment of stock option exercises	\$		\$	373
Property, plant & equipment additions included in accounts payable	\$	369	\$	243
Cash dividend declared	\$	3,165	\$	3,131
Gain on sale leaseback transaction (Note 11)	\$	425	\$	

See accompanying notes to the consolidated financial statements

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CHASE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

In thousands, except share and per share amounts

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Therefore, they do not include all information and footnote disclosure necessary for a complete presentation of Chase Corporation's financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. Chase Corporation (the Company, Chase, we, or us) filed audited financial statements which included all information and notes necessary for such presentation for the three years ended August 31, 2011 in conjunction with its 2011 Annual Report on Form 10-K.

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary for a fair statement of the Company's financial position as of November 30, 2011, the results of operations and cash flows for the interim periods ended November 30, 2011 and 2010, and changes in stockholders' equity for the interim period ended November 30, 2011.

The financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company uses the US dollar as the reporting currency for financial reporting. The financial position and results of operations of the Company's UK based operations are measured using the UK pound sterling as the functional currency and the financial position and results of operations of the Company's operations based in France are measured using the euro as the functional currency. Foreign currency translation gains and losses are determined using current exchange rates for monetary items and historical exchange rates for other balance sheet items and are recorded as a change in other comprehensive income. Translation gains and losses generated from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of our foreign operations are included in other (expense) / income on the consolidated statements of operations.

The Company has evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, and other than the sale of its Webster, MA property as detailed in Note 12, the Company is not aware of any events or transactions that occurred subsequent to the balance sheet date but prior to filing that would require recognition or disclosure in its consolidated financial statements.

The results of operations for the interim period ended November 30, 2011 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2011, which are contained in the Company's 2011 Annual Report on Form 10-K.

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In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income*, (ASU 2011-05) which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. The adoption of ASU 2011-05 will not have an impact on the Company's consolidated financial position, results of operations or cash flows as it only requires a change in the format of the current presentation.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles - Goodwill and Other (ASC Topic 350) - Testing Goodwill for Impairment*, (ASU 2011-08) which gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step test mandated prior to this update. ASU 2011-08 also provides companies with a revised list of examples of events and circumstances to consider, in their totality, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a company concludes that this is the case, it must perform the two-step test. Otherwise, a company may skip the two-step test. Companies are not required to perform the qualitative assessment and may instead proceed directly to the first step of the two-part test. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of ASU 2011-08 will not have an impact on the Company's consolidated financial position, results of operations or cash flows.

Note 3 Inventories

Inventories consist of the following as of November 30, 2011 and August 31, 2011:

	November 30, 2011		August 31, 2011	
Raw materials	\$	10,493	\$	10,206
Finished and in process		11,167		10,635
Total Inventories	\$	21,660	\$	20,841

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CHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In thousands, except share and per share amounts

Note 4 Net Income Per Share

The determination of earnings per share under the two-class method is as follows:

	Three Months Ended November 30,	
	2011	2010
Basic Earnings per Share		
Net income	\$ 2,327	\$ 2,925
Less: Allocated to participating securities	74	74
Net income available to common shareholders	\$ 2,253	\$ 2,851
Basic weighted average shares outstanding	8,754,020	8,696,727
Net income per share - Basic	\$ 0.26	\$ 0.33
Diluted Earnings per Share		
Net income	\$ 2,327	\$ 2,925
Less: Allocated to participating securities	74	73
Net income available to common shareholders	\$ 2,253	\$ 2,852
Basic weighted average shares outstanding	8,754,020	8,696,727
Additional dilutive common stock equivalents	7,038	57,359
Diluted weighted average shares outstanding	8,761,058	8,754,086
Net income per share - Diluted	\$ 0.26	\$ 0.33

For the three months ended November 30, 2011 and 2010, stock options to purchase 408,002 and 250,000 shares of common stock, respectively, were outstanding, but were not included in the calculation of diluted net income per share because the options' exercise prices were greater than the average market price of the common stock and thus would be anti-dilutive. Included in the calculation of dilutive common stock equivalents are the unvested portion of restricted stock, restricted stock units and stock options.

As previously reported in the prior year, the Company identified an immaterial error in the calculation of previously reported basic and diluted shares outstanding resulting in earnings per share being understated in certain periods in fiscal 2010, and the three months ended November 30, 2010 in fiscal 2011. The Company has revised the prior period financial statements to reflect the appropriate earnings per share. This immaterial change resulted in basic and diluted earnings per share increasing from \$.32 to \$.33 for the three months ended November 30, 2010.

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CHASE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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Note 5 Stock Based Compensation

In August 2010, the Board of Directors of Chase Corporation approved the fiscal year 2011 Long Term Incentive Plan (2011 LTIP) for the executive officers. The 2011 LTIP is an equity based plan with a grant date of September 1, 2010 and contains a performance and service based restricted stock grant of 32,835 shares in the aggregate, subject to adjustment, with a vesting date of August 31, 2013. Based on the fiscal year 2011 financial results, 32,835 additional shares of restricted stock (total of 65,670 shares) were earned and granted subsequent to the end of fiscal year 2011 in accordance with the performance measurement criteria. No further performance-based measurements apply to this award. Compensation expense is being recognized on a ratable basis over the vesting period.

In August 2011, the Board of Directors of the Company approved the fiscal year 2012 Long Term Incentive Plan (2012 LTIP) for the executive officers. The 2012 LTIP is an equity based plan with a grant date of September 1, 2011 and containing the following components:

Restricted Shares (a) performance and service based restricted stock grant of 33,798 shares in the aggregate, subject to adjustment, with a vesting date of August 31, 2014. Compensation expense is being recognized on a ratable basis over the vesting period based on quarterly probability assessments; (b) time-based restricted stock grant of 16,899 shares in the aggregate, and a vesting date of August 31, 2014. Compensation expense is being recognized on a ratable basis over the vesting period.

Stock options options to purchase 59,493 shares of common stock in the aggregate with an exercise price of \$12.77 per share. The options will vest in three equal annual allotments beginning on August 31, 2012 and ending on August 31, 2014. The options will expire on August 31, 2021. Compensation expense is being recognized over the period of the award on an annual basis consistent with the vesting terms.

In August 2011, the Board of Directors of the Company approved a plan for issuing a time-based restricted stock grant of 5,037 shares in the aggregate to certain non-executive officer employees, with an issue date of August 31, 2011 and a vesting date of August 31, 2014. Compensation expense is being recognized on a ratable basis over the vesting period.

In August 2011, the Board of Directors of the Company authorized a grant of stock options to certain non-executive officer employees to purchase 20,883 shares of common stock in the aggregate with an exercise price of \$12.77 per share. The options will vest in three equal annual allotments beginning on August 31, 2012 and ending on August 31, 2014. The options will expire on August 31, 2021. Compensation expense is being recognized over the period of the award on an annual basis consistent with the vesting terms.

Note 6 Segment Data & Foreign Operations

The Company is organized into two operating segments, an Industrial Materials segment and a Construction Materials segment. The basis for this segmentation is distinguished by the nature of the products and how they are delivered to their respective markets. The Industrial Materials segment reflects specified products that are used in or integrated into another company's product with demand dependent upon general economic conditions. Industrial Materials products include insulating and conducting materials for wire and cable manufacturers, moisture protective coatings for electronics and printing services, laminated durable papers, and flexible composites and laminates for the aerospace, packaging and industrial laminate markets. The Construction Materials segment reflects construction project

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In thousands, except share and per share amounts

oriented product offerings which are primarily sold and used as Chase branded products in final form. Construction Materials products include protective coatings for pipeline applications, coating and lining systems for use in liquid storage and containment applications, high performance polymeric asphalt additives, and expansion and control joint systems for use in the transportation and architectural markets.

The following tables summarize information about the Company's reportable segments:

	Three Months Ended November 30,	
	2011	2010
Revenues from external customers		
Industrial Materials	\$ 19,486	\$ 18,170
Construction Materials	12,644	13,097
Total	\$ 32,130	\$ 31,267
Income before income taxes		
Industrial Materials	\$ 3,644 (a)	\$ 3,824 (b)
Construction Materials	395	1,823
Total for reportable segments	4,039	5,647
Corporate and Common Costs	(459) (c)	(1,005)
Total	\$ 3,580	\$ 4,642

(a) Includes idle facility costs of \$277 from our Paterson, NJ and Webster, MA facilities

(b) Includes idle facility costs of \$116 from our Paterson, NJ and Oxford, MA facilities

(c) Includes gain of \$425 on Evanston sale leaseback transaction

The Company's products are sold world-wide. For the three months ended November 30, 2011 and 2010, sales from its operations located in the United Kingdom accounted for 16% and 12%, respectively, of total Company revenues. No other foreign geographic area accounted for more than 10% of consolidated revenues for the three months ended November 30, 2011 and 2010.

	November 30, 2011	August 31, 2011
Total assets		
Industrial Materials	\$ 50,159 (a)	\$ 49,306 (b)

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Construction Materials	53,564	54,329
Total for reportable segments	103,723	103,635
Corporate and Common Assets	23,172	25,274
Total	\$ 126,895	\$ 128,909

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- (a) Includes assets held for sale of \$994 from our Webster, MA property
- (b) Includes assets held for sale of \$1,004 from our Webster, MA property

As of November 30, 2011 and August 31, 2011, the Company had long-lived assets (defined as tangible assets providing the Company with a future economic benefit beyond the current year or operating period, including buildings, equipment and leasehold improvements) of \$3,562 and \$2,796, respectively, located in the United Kingdom. These balances exclude goodwill and intangibles of \$12,333 and \$13,267, as of November 30, 2011 and August 31, 2011, respectively.

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CHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In thousands, except share and per share amounts

Note 7 Goodwill and Other Intangibles

The changes in the carrying value of goodwill, by reportable segment, are as follows:

	Construction Materials		Industrial Materials		Consolidated
Balance at August 31, 2011	\$ 10,661	\$	7,399	\$	\$ 18,060
Acquisition of Capital Services - additional earnout	87				87
FX translation adjustment	(13)		(300)		(313)
Balance at November 30, 2011	\$ 10,735	\$	7,099	\$	\$ 17,834

The Company evaluates the possible impairment of goodwill annually each fourth quarter and whenever events or circumstances indicate the carrying value of goodwill may not be recoverable.

Intangible assets subject to amortization consist of the following as of November 30, 2011 and August 31, 2011:

	Weighted-Average Amortization Period		Gross Carrying Value		Accumulated Amortization		Net Carrying Value
November 30, 2011							
Patents and agreements	12.7 years	\$	2,242	\$	2,187	\$	55
Formulas	9.8 years		3,550		1,398		2,152
Trade names	4.7 years		1,369		731		638
Customer lists and relationships	10.4 years		18,641		6,323		12,318
		\$	25,802	\$	10,639	\$	15,163
August 31, 2011							
Patents and agreements	12.7 years	\$	2,243	\$	2,175	\$	68
Formulas	9.7 years		3,589		1,318		2,271
Trade names	4.7 years		1,413		693		720
Customer lists and relationships	10.4 years		19,314		6,188		13,126
		\$	26,559	\$	10,374	\$	16,185

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Aggregate amortization expense related to intangible assets for the three months ended November 30, 2011 and 2010 was \$571 and \$577, respectively. Estimated amortization expense for the remainder of fiscal year 2012 and for each of the five succeeding fiscal years is as follows:

Years ending August 31,		
2012 (remaining nine months)	\$	1,776
2013		2,256
2014		2,199
2015		2,001
2016		1,939
2017		1,502
	\$	11,673

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The Company is one of over 100 defendants in a lawsuit pending in Ohio which alleges personal injury from exposure to asbestos contained in certain Chase products. The case is captioned Marie Lou Scott, Executrix of the Estate of James T. Scott v. A-Best Products, et al., No. 312901 in the Court of Common Pleas for Cuyahoga County, Ohio. The plaintiff in the case issued discovery requests to Chase in August 2005, to which Chase timely responded in September 2005. The trial had initially been scheduled to begin on April 30, 2007. However, that date had been postponed and no new trial date has been set. As of November 2011, there have been no new developments as this Ohio lawsuit has been inactive with respect to Chase.

The Company was named as one of the defendants in a complaint filed on June 25, 2009, in a lawsuit captioned Lois Jansen, Individually and as Special Administrator of the Estate of Thomas Jansen v. Beazer East, Inc., et al., No: 09-CV-6248 in the Milwaukee County (Wisconsin) Circuit Court. The plaintiff alleges that her husband suffered and died from malignant mesothelioma resulting from exposure to asbestos in his workplace. The plaintiff has sued seven alleged manufacturers or distributors of asbestos-containing products, including Royston Laboratories (formerly an independent company and now owned by Chase Corporation). Chase has filed an answer to the claim denying the material allegations in the complaint. The parties are currently engaged in discovery.

In addition to the matters described above, the Company is involved from time to time in litigation incidental to the conduct of its business. Although the Company does not expect that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations, litigation is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where the Company assesses the likelihood of loss as probable.

Note 9 - Pensions and Other Post Retirement Benefits

The components of net periodic benefit cost for the three months ended November 30, 2011 and 2010 are as follows:

	November 30, 2011		November 30, 2010	
Service cost	\$	121	\$	131
Interest cost		130		108
Expected return on plan assets		(131)		(110)

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Amortization of prior service cost		18		18
Amortization of unrecognized loss		69		60
Net periodic benefit cost	\$	207	\$	207

When funding is required, the Company's policy is to contribute amounts that are deductible for federal income tax purposes. As of November 30, 2011, the Company has made contributions of \$375 in the current fiscal year to fund its obligations under its pension plan, and plans to make the necessary contributions over the remainder of fiscal 2012 to ensure the qualified plan continues to be adequately funded given the current market conditions.

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CHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In thousands, except share and per share amounts

Note 10 Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company uses a three-tier fair value hierarchy, which classifies the inputs used in measuring fair values. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that it does not have any financial liabilities measured at fair value and that its financial assets are currently all classified within Level 1 in the fair value hierarchy. The financial assets classified as Level 1 as of November 30, 2011 and August 31, 2011 represent investments which are restricted for use in a nonqualified retirement savings plan for certain key employees and directors.

The following tables set forth the Company's financial assets that were accounted for at fair value on a recurring basis as of November 30, 2011 and August 31, 2011:

	Fair value measurement date	Total	Fair value measurement category		
			Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Restricted investments	November 30, 2011	\$ 759	\$ 759	\$	\$
Restricted investments	August 31, 2011	\$ 740			