

CHASE CORP  
Form 10-Q  
April 09, 2013  
Table of Contents

**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 February 28, 2013

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)

Edgar Filing: CHASE CORP - Form 10-Q

(508) 819-4200

(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 March 31, 2013 was 9,073,949.

Table of Contents

**CHASE CORPORATION**

**INDEX TO FORM 10-Q**

**For the Quarter Ended February 28, 2013**

**Part I - FINANCIAL INFORMATION**

Item 1 Unaudited Financial Statements

Consolidated Balance Sheets as of February 28, 2013 and August 31, 2012 3

Consolidated Statements of Operations for the three and six months ended February 28, 2013 and February 29, 2012 4

Consolidated Statements of Comprehensive Income for the three and six months ended February 28, 2013 and February 29, 2012 5

Consolidated Statement of Equity for the six months ended February 28, 2013 6

Consolidated Statements of Cash Flows for the six months ended February 28, 2013 and February 29, 2012 7

Notes to Consolidated Financial Statements 8

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations 18

Item 3 Quantitative and Qualitative Disclosures About Market Risk 26

Item 4 Controls and Procedures 26

**Part II OTHER INFORMATION**

Item 1 Legal Proceedings 28

Item 1A Risk Factors 28

Item 6 Exhibits 29

**SIGNATURES** 30

Table of Contents**Part 1 FINANCIAL INFORMATION****Item 1 Unaudited Financial Statements**

**CHASE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(UNAUDITED)

*In thousands, except share and per share amounts*

	February 28, 2013	August 31, 2012
<b>ASSETS</b>		
Current Assets:		
Cash & cash equivalents	\$ 12,152	\$ 15,180
Accounts receivable, less allowance for doubtful accounts of \$572 and \$817	28,214	31,621
Inventories	36,824	32,323
Prepaid expenses and other current assets	2,456	1,810
Deferred income taxes	2,739	2,855
Total current assets	82,385	83,789
Property, plant and equipment, net	47,669	49,279
Other Assets:		
Goodwill	38,704	38,793
Intangible assets, less accumulated amortization of \$14,983 and \$12,847	33,817	36,363
Cash surrender value of life insurance	7,131	7,145
Restricted investments	999	874
Other assets	226	244
	\$ 210,931	\$ 216,487
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 10,763	\$ 11,559
Accrued payroll and other compensation	3,026	5,219
Accrued expenses	5,416	6,005
Accrued income taxes	11	1,892
Current portion of long-term debt	5,600	5,600
Total current liabilities	24,816	30,275
Long-term debt, less current portion	61,600	64,400
Deferred compensation	1,875	1,775
Accumulated pension obligation	8,012	7,702
Other liabilities	78	92
Deferred income taxes	12,600	12,598

Edgar Filing: CHASE CORP - Form 10-Q

Commitments and Contingencies (Note 10)

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; 9,073,949 shares at February 28, 2013 and 9,001,582 shares at August 31, 2012 issued and outstanding	907	900
Additional paid-in capital	12,949	12,109
Accumulated other comprehensive loss	(5,916)	(5,030)
Retained earnings	92,704	90,146
Chase Corporation stockholders' equity	100,644	98,125
Non-controlling interest related to NEPTCO joint venture	1,306	1,520
Total equity	101,950	99,645
Total liabilities and equity	\$ 210,931	\$ 216,487

See accompanying notes to the consolidated financial statements

Table of Contents

**CHASE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(UNAUDITED)

*In thousands, except share and per share amounts*

	Three Months Ended		Six Months Ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
<b>Revenues</b>				
Sales	\$ 47,714	\$ 28,836	\$ 100,690	\$ 60,490
Royalties and commissions	658	585	1,082	1,061
	48,372	29,421	101,772	61,551
<b>Costs and Expenses</b>				
Cost of products and services sold	33,468	21,022	70,739	43,021
Selling, general and administrative expenses	10,917	6,513	21,456	13,505
Operating income	3,987	1,886	9,577	5,025
Interest expense	(314)	(36)	(676)	(72)
Other income (expense)	215	(8)	284	469
Income before income taxes	3,888	1,842	9,185	5,422
Income taxes	1,395	645	3,215	1,898
Net income	\$ 2,493	\$ 1,197	\$ 5,970	\$ 3,524
Add: net loss attributable to non-controlling interest, net of tax of \$81 and \$115, respectively	151		214	
Net income attributable to Chase Corporation	\$ 2,644	\$ 1,197	\$ 6,184	\$ 3,524
<b>Net income available to common shareholders, per common and common equivalent share</b>				
Basic	\$ 0.29	\$ 0.13	\$ 0.68	\$ 0.39
Diluted	\$ 0.29	\$ 0.13	\$ 0.68	\$ 0.39
<b>Weighted average shares outstanding</b>				
Basic	8,854,801	8,758,063	8,853,038	8,756,030
Diluted	8,952,938	8,791,052	8,941,431	8,774,051
Cash dividends paid per share			\$ 0.40	\$ 0.35

See accompanying notes to the consolidated financial statements



Table of Contents

**CHASE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(UNAUDITED)

*In thousands, except share and per share amounts*

	Three Months Ended		Six Months Ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Net income	\$ 2,493	\$ 1,197	\$ 5,970	\$ 3,524
<b>Other comprehensive income:</b>				
Net unrealized gain on restricted investments, net of tax	33	38	34	36
Change in funded status of pension plans, net of tax	49	57	107	114
Foreign currency translation adjustment	(1,431)	454	(1,027)	(883)
Total other comprehensive income (loss)	(1,349)	549	(886)	(733)
Comprehensive income	1,144	1,746	5,084	2,791
Comprehensive loss attributable to non-controlling interest, net of tax	151		214	
Comprehensive income attributable to Chase Corporation	\$ 1,295	\$ 1,746	\$ 5,298	\$ 2,791

See accompanying notes to the consolidated financial statements



Table of Contents

**CHASE CORPORATION**  
**CONSOLIDATED STATEMENT OF EQUITY**  
**SIX MONTHS ENDED FEBRUARY 28, 2013**  
(UNAUDITED)

*In thousands, except share and per share amounts*

	Common Stock		Additional	Accumulated	Other	Retained	Chase	Non-controlling	Total
	Shares	Amount	Paid-In	Comprehensive	Income (loss)	Earnings	Stockholders	Interest	Equity
			Capital				Equity		Equity
Balance at August 31, 2012	9,001,582	\$ 900	\$ 12,109	\$ (5,030)	\$ 90,146	\$ 98,125	\$ 1,520	\$ 99,645	
Restricted stock grants, net of forfeitures	71,801	7	(7)						
Amortization of restricted stock grants			588			588		588	
Amortization of stock option grants			242			242		242	
Common stock issuance	566		10			10		10	
Excess tax benefit from stock based compensation			7			7		7	
Annual cash dividend paid, \$0.40 per share					(3,626)	(3,626)		(3,626)	
Change in funded status of pension plan, net of tax of \$58				107		107		107	
Foreign currency translation adjustment				(1,027)		(1,027)		(1,027)	
Net unrealized gain on restricted investments, net of tax of \$18				34		34		34	
Net income (loss)					6,184	6,184	(214)	5,970	
Balance at February 28, 2013	9,073,949	\$ 907	\$ 12,949	\$ (5,916)	\$ 92,704	\$ 100,644	\$ 1,306	\$ 101,950	

See accompanying notes to the consolidated financial statements

Table of Contents

**CHASE CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(UNAUDITED)

*In thousands, except share and per share amounts*

	Six Months Ended	
	February 28, 2013	February 29, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 5,970	\$ 3,524
Adjustments to reconcile net income to net cash provided by operating activities		
Loss on disposal/sale of fixed assets	(1)	30
Depreciation	2,942	1,393
Amortization	2,410	1,137
Cost of sale of inventory step-up	564	
Provision for allowance for doubtful accounts	(258)	(44)
Stock based compensation	840	965
Realized gain on restricted investments	(40)	(8)
Decrease (increase) in cash surrender value life insurance	97	(30)
Excess tax benefit from stock based compensation	(7)	
Pension curtailment and settlement loss	(1,223)	
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	3,616	2,508
Inventories	(5,235)	(1,228)
Prepaid expenses & other assets	(639)	(397)
Accounts payable	(744)	651
Accrued compensation and other expenses	(1,260)	(2,744)
Accrued income taxes	(1,771)	(1,122)
Deferred compensation	100	71
Net cash provided by operating activities	5,361	4,706
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(1,483)	(2,707)
Cost to acquire intangible assets	(146)	
Contingent purchase price paid for acquisition		(155)
Payments for acquisitions, net of cash acquired	84	
Net proceeds from sale of fixed assets	24	1,032
Net contributions from restricted investments	(33)	(33)
Payments for cash surrender value life insurance	(92)	(92)
Net cash used in investing activities	(1,646)	(1,955)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on debt	313	9,115
Payments of principal on debt	(3,113)	(11,138)
Dividend paid	(3,626)	(3,165)
Excess tax benefit from stock based compensation	7	
Net cash used in financing activities	(6,419)	(5,188)
<b>DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(2,704)</b>	<b>(2,437)</b>

Edgar Filing: CHASE CORP - Form 10-Q

Effect of foreign exchange rates on cash		(324)		(162)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD		15,180		14,982
CASH & CASH EQUIVALENTS, END OF PERIOD	\$	12,152	\$	12,383
<b>Non-cash Investing and Financing Activities</b>				
Accrued contingent payments related to acquisitions	\$	141	\$	
Property, plant & equipment additions included in accounts payable	\$	84	\$	470
Gain on sale leaseback transaction	\$		\$	425

See accompanying notes to the consolidated financial statements

Table of Contents

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*In thousands, except share and per share amounts*

**Note 1 - Basis of Presentation**

The accompanying unaudited condensed 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 consolidated financial statements, which included all information and notes necessary for such presentation for the three years ended August 31, 2012 in conjunction with its 2012 Annual Report on Form 10-K.

The results of operations for the interim periods ended February 28, 2013 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2012, which are contained in the Company's 2012 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 February 28, 2013, the results of operations, comprehensive income and cash flows for the interim periods ended February 28, 2013 and February 29, 2012, and changes in equity for the interim period ended February 28, 2013.

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, 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.

**Note 2 Recent Accounting Policies**

*Recently Issued Accounting Pronouncements*

In July 2012, the Financial Accounting Standards Board ( FASB ) issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment. This ASU amends ASC 350, Intangibles Goodwill and Other to allow entities an option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. Under that option, an entity no longer would be required to calculate the fair value of the intangible asset unless the entity determines, based on that

Table of Contents

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*In thousands, except share and per share amounts*

qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments in this ASU are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of ASU 2012-02 will not have an impact on the Company's consolidated financial position, results of operations or cash flows.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU expands the presentation of changes in accumulated other comprehensive income. The new guidance requires an entity to disaggregate the total change of each component of other comprehensive income either on the face of the net income statement or as a separate disclosure in the notes. ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The Company does not believe that the adoption of this ASU will have a significant impact on its consolidated financial position, results of operations or cash flows.

**Note 3 Inventories**

Inventories consist of the following as of February 28, 2013 and August 31, 2012:

	February 28, 2013		August 31, 2012	
Raw materials	\$	15,855	\$	12,388
Work in process		8,454		7,384
Finished goods		12,515		12,551
Total Inventories	\$	36,824	\$	32,323

**Note 4 Net Income Per Share**

The Company has unvested share-based payment awards with a right to receive nonforfeitable dividends which are considered participating securities under ASC Topic 260, Earnings Per Share. The Company allocates earnings to participating securities and computes earnings per share using the two class method. The determination of earnings per share under the two-class method is as follows:

Three Months Ended		Six Months Ended	
February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012

**Basic Earnings per Share**

Edgar Filing: CHASE CORP - Form 10-Q

Net income attributable to Chase Corporation	\$	2,644	\$	1,197	\$	6,184	\$	3,524
Less: Allocated to participating securities		62		38		140		111
Net income available to common shareholders	\$	2,582	\$	1,159	\$	6,044	\$	3,413

Basic weighted average shares outstanding		8,854,801		8,758,063		8,853,038		8,756,030
Net income per share - Basic	\$	0.29	\$	0.13	\$	0.68	\$	0.39

**Diluted Earnings per Share**

Net income attributable to Chase Corporation	\$	2,644	\$	1,197	\$	6,184	\$	3,524
Less: Allocated to participating securities		61		38		138		111
Net income available to common shareholders	\$	2,583	\$	1,159	\$	6,046	\$	3,413

Basic weighted average shares outstanding		8,854,801		8,758,063		8,853,038		8,756,030
Additional dilutive common stock equivalents		98,137		32,989		88,393		18,021
Diluted weighted average shares outstanding		8,952,938		8,791,052		8,941,431		8,774,051
Net income per share - Diluted	\$	0.29	\$	0.13	\$	0.68	\$	0.39

Table of Contents

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*In thousands, except share and per share amounts*

For the three and six months ended February 28, 2013 and February 29, 2012, stock options to purchase 0 and 258,451 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 portions of restricted stock and stock options.

**Note 5 Stock Based Compensation**

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 fiscal 2012 LTIP is an equity based plan with a grant date of September 1, 2011 and contains 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. Based on the fiscal year 2012 financial results, 33,798 additional shares of restricted stock (total of 67,596 shares) were earned and granted subsequent to the end of fiscal year 2012 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 October 2012, the Board of Directors of the Company approved the fiscal year 2013 Long Term Incentive Plan ( 2013 LTIP ) for the executive officers and other members of management. The 2013 LTIP is an equity based plan with a grant date of October 22, 2012 and contains the following equity components:

*Restricted Shares* (a) performance and service based restricted stock grant of 11,861 shares in the aggregate, subject to adjustment, with a vesting date of August 31, 2015. 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 16,505 and 1,931 shares in the aggregate, with vesting dates of August 31, 2015 and August 31, 2013, respectively. Compensation expense is being recognized on a ratable basis over the vesting period.

*Stock options* options to purchase 43,964 shares of common stock in the aggregate with an exercise price of \$16.00 per share. The options will vest in three equal annual allotments beginning on August 31, 2013 and ending on August 31, 2015. The options will expire on October 22, 2022. Compensation expense is being recognized over the period of the award on an annual basis consistent with the vesting terms.

As part of their annual retainer, non-employee members of the Board of Directors receive a combined total of \$144 of Chase Corporation common stock, in the form of restricted stock valued in conjunction with the start of the new year of Board service which generally coincides with the Company's annual shareholder meeting. The stock award vests one year from the date of grant. In February 2013, non-employee members of the Board received a total grant of 7,706 shares of restricted stock for service for the period from January 31, 2013 through



Edgar Filing: CHASE CORP - Form 10-Q

January 31, 2014. The shares of restricted stock will vest at the conclusion of this service period. Compensation is being recognized on a ratable basis over the twelve month vesting period.

Table of Contents

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*In thousands, except share and per share amounts*

**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. Effective with its acquisition in fiscal 2012, the full listing of NEPTCO products is included in the Industrial Materials segment. The Construction Materials segment reflects construction project oriented product offerings that are primarily sold and used as Chase branded products. 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		Six Months Ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
<b>Revenues from external customers</b>				
Industrial Materials	\$ 37,900	\$ 18,487	\$ 77,750	\$ 37,973
Construction Materials	10,472	10,934	24,022	23,578
Total	\$ 48,372	\$ 29,421	\$ 101,772	\$ 61,551
<b>Income (loss) before income taxes</b>				
Industrial Materials	\$ 5,162(a)	\$ 3,430(c)	\$ 10,692(d)	\$ 7,184(e)
Construction Materials	717	(143)	2,147	383
Total for reportable segments	5,879	3,287	12,839	7,567
Corporate and Common Costs	(1,991)(b)	(1,445)	(3,654)(b)	(2,145)(f)
Total	\$ 3,888	\$ 1,842	\$ 9,185	\$ 5,422

- 
- (a) Includes \$254 of pension related settlement costs due to the timing of lump sum distributions
- (b) Includes \$595 of pension related settlement costs due to the timing of lump sum distributions
- (c) Includes \$150 of Webster, MA and Randolph, MA plant closing expenses

## Edgar Filing: CHASE CORP - Form 10-Q

- (d) Includes \$564 of costs of products sold related to inventory step up in fair value as part of the NEPTCO acquisition, \$521 of pension related settlement costs due to the timing of lump sum distributions, and \$150 of Randolph, MA plant closing expenses
- (e) Includes \$483 of Webster, MA and Randolph, MA plant closing expenses
- (f) Includes gain of \$425 related to Evanston, IL sale leaseback transaction

The Company's products are sold world-wide. For the quarters ended February 28, 2013 and February 29, 2012, sales from its operations located in the United Kingdom accounted for 7% and 16% of total Company revenues, respectively. In the fiscal year to date period, sales from its operations located in the United Kingdom accounted for 8% of total Company revenues compared to 16% in the same period in fiscal 2012. No other foreign geographic area accounted for more than 10% of consolidated revenues for the three or six month periods ended February 28, 2013 or February 29, 2012.

Table of Contents**CHASE CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)***In thousands, except share and per share amounts*

	February 28, 2013	August 31, 2012
<b>Total assets</b>		
Industrial Materials	\$ 136,406	\$ 135,322
Construction Materials	49,397	53,509
Total for reportable segments	185,803	188,831
Corporate and Common Assets	25,128	27,656
Total	\$ 210,931	\$ 216,487

As of February 28, 2013 and August 31, 2012, the Company had long-lived assets (that provide future economic benefit beyond the current year or operating period, including buildings, equipment and leasehold improvements) of \$4,160 and \$4,488, respectively, located in the United Kingdom. These balances exclude goodwill and intangibles of \$10,613 and \$11,652, as of February 28, 2013 and August 31, 2012, respectively, associated with its operations in the United Kingdom.

**Note 7 Goodwill and Other Intangibles**

The changes in the carrying value of goodwill are as follows:

	Construction Materials	Industrial Materials	Consolidated
Balance at August 31, 2012	\$ 10,740	\$ 28,053	\$ 38,793
Acquisition of NEPTCO, Inc. - working capital settlement		(84)	(84)
Acquisition of Paper Tyger - additional earnout		141	141
Foreign currency translation adjustment	(11)	(135)	(146)
Balance at February 28, 2013	\$ 10,729	\$ 27,975	\$ 38,704

The Company's goodwill is allocated by reporting unit driven by the respective business combinations that originally created the goodwill. The Company has identified separate reporting units within each of its two reportable segments based on components that have similar characteristics. These reporting units are used to evaluate the possible impairment of goodwill. Goodwill impairment exists when the carrying amount of goodwill exceeds its implied fair value. 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 February 28, 2013 and August 31, 2012:



Table of Contents**CHASE CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)***In thousands, except share and per share amounts*

	<b>Weighted-Average Amortization Period</b>	<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>
<b>February 28, 2013</b>				
Patents and agreements	12.1 years	\$ 2,984	\$ 2,177	\$ 807
Formulas	9.1 years	5,744	1,940	3,804
Trade names	5.7 years	6,324	1,519	4,805
Customer lists and relationships	10.2 years	33,748	9,347	24,401
		\$ 48,800	\$ 14,983	\$ 33,817
<b>August 31, 2012</b>				
Patents and agreements	12.1 years	\$ 2,849	\$ 2,177	\$ 672
Formulas	9.1 years	5,791	1,683	4,108
Trade names	5.7 years	6,360	1,022	5,338
Customer lists and relationships	10.2 years	34,210	7,965	26,245
		\$ 49,210	\$ 12,847	\$ 36,363

The decrease in gross carrying value of intangible assets for the six months ended February 28, 2013 is due to a foreign currency translation loss of \$556 related to the intangible assets associated with the Company's European operations. These decreases were partially offset by a \$146 increase in gross carrying value of intangible assets over the six months ended February 28, 2013 resulting from the capitalization of prepaid patent costs.

Aggregate amortization expense related to intangible assets for the six months ended February 28, 2013 and February 29, 2012 was \$2,410 and \$1,137, respectively. Estimated amortization expense for the remainder of fiscal year 2013 and for future periods is as follows:

<b>Years ending August 31,</b>	
2013 (remaining 6 months)	\$ 2,483
2014	4,925
2015	4,727
2016	4,665
2017	4,227
2018	3,997
	\$ 25,024

**Note 8 Acquisition of NEPTCO Incorporated**

## Edgar Filing: CHASE CORP - Form 10-Q

On June 27, 2012, Chase acquired 100% of the capital stock of NEPTCO Incorporated ( NEPTCO ), a private company based in Pawtucket, RI, whose core products are sold primarily into the broadband communications and electronics packaging industries. NEPTCO operates three manufacturing facilities in the United States and one in China, as well as utilizing distribution facilities in Rotterdam, Netherlands and Mississauga, Ontario to assist in supply chain management. As part of this transaction, the Company also acquired NEPTCO s 50% ownership stake in a joint venture.

### *Supplemental Pro Forma Data (unaudited)*

The following table presents the pro forma results of the Company for the three and six month periods ended February 29, 2012, as though the NEPTCO acquisition occurred on September 1, 2011. The actual revenues and expenses for this NEPTCO acquisition have been included in the consolidated statements of operations since June 27, 2012, the acquisition date, and have been included for the three and six month

Table of Contents**CHASE CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)***In thousands, except share and per share amounts*

periods ended February 28, 2013. The pro forma results include adjustments for the estimated amortization of intangibles, estimated interest expense in connection with debt financing of the acquisition, and the income tax impact of the pro forma adjustments at the statutory rate of 35%. The following pro forma information is not necessarily indicative of the results of operations that would have been achieved if the acquisition had been effective on September 1, 2011.

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>February 29, 2012</b>		<b>February 29, 2012</b>	
Revenues	\$	52,258	\$	108,519
Net income attributable to Chase Corporation	\$	1,541	\$	4,081
Net income available to common shareholders, per common and common equivalent share				
Basic earnings per share	\$	0.17	\$	0.45
Diluted earnings per share	\$	0.17	\$	0.45

**Note 9 Joint Venture**

As part of the Company's purchase of NEPTCO, it also acquired NEPTCO's 50% ownership interest in its financially-controlled joint venture, NEPTCO JV LLC ( "JV" ). The JV was originally formed in 2003 by NEPTCO and a joint venture partner, an otherwise unrelated party (collectively, the "Members" ), whereby each member's fiber optic strength elements businesses were combined. This venture, which is 50% owned by each member, is managed and operated on a day-to-day basis by NEPTCO. The joint venture operates out of the Company's Granite Falls, NC facility.

The Company accounts for the joint venture partner's non-controlling interest in the JV under ASC Topic 810 Consolidations ( "ASC 810" ). Based on the criteria in ASC 810, the Company determined that the JV qualifies as a Variable Interest Entity ( "VIE" ). Because of the Company's controlling financial interest, the JV's assets and liabilities and results of operations have been fully consolidated within the Company's consolidated balance sheets and consolidated statements of operations since June 27, 2012, the NEPTCO acquisition date. An offsetting amount equal to 50% of net assets and net loss of the JV has been recorded within the Company's consolidated financial statements to the non-controlling interest, representing the joint venture partner's 50% ownership interest and pro rata share in the net loss of the JV.

At February 28, 2013 and August 31, 2012, the following amounts were consolidated in the Company's balance sheets related to the JV:





Table of Contents

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*In thousands, except share and per share amounts*

	<b>February 28, 2013</b>		<b>August 31, 2012</b>
<b><u>Assets</u></b>			
Cash	\$ 486	\$	1,008
Accounts receivable, net	1,140		1,540
Inventories, net	1,584		2,394
Prepaid expenses and other assets	479		