CSS INDUSTRIES INC
Form 10-Q
August 08, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

or

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

For the transition period from to

Commission file number 1-2661

CSS INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-1920657**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1845 Walnut Street, Philadelphia, PA	**19103**
(Address of principal executive offices)	**(Zip Code)**

(215) 569-9900

(Registrant s telephone number, including area code)

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

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 period that the registrant was required to submit and post such files). x Yes ¨ No

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	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) ¨ Yes x No

As of July 25, 2012, there were 9,607,369 shares of common stock outstanding which excludes shares which may still be issued upon exercise of stock options or upon vesting of restricted stock unit grants.

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CSS INDUSTRIES, INC. AND SUBSIDIARIES

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CSS INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011
Sales	$ 61,067	$ 54,569
Costs and expenses		
Cost of sales	43,869	40,433
Selling, general and administrative expenses	18,570	19,559
Interest (income) expense, net	(53)	43
Other expense, net	14	18
	62,400	60,053
Loss from continuing operations before income taxes	(1,333)	(5,484)
Income tax benefit	(466)	(2,037)
Loss from continuing operations	(867)	(3,447)
Loss from discontinued operations, net of tax	(37)	(4,122)
Net loss	$ (904)	$ (7,569)
Basic and diluted net loss per common share:		
Continuing operations	$ (.09)	$ (.35)
Discontinued operations	$ (.00)	$ (.42)
Total	$ (.09)	$ (.78)
Weighted average basic and diluted shares outstanding	9,642	9,735
Cash dividends per share of common stock	$ 0.15	$ 0.15

See notes to consolidated financial statements.

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CSS INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)

	June 30, 2012	March 31, 2012	June 30, 2011
Assets			
Current assets			
Cash and cash equivalents	$ 37,444	$ 66,135	$ 3,878
Accounts receivable, net of allowances of $1,360, $1,764 and $1,652	55,521	45,026	45,771
Inventories	89,816	71,671	88,801
Deferred income taxes	3,241	3,595	3,787
Other current assets	18,400	15,441	20,858
Current assets of discontinued operations	142	183	21,318
Total current assets	204,564	202,051	184,413
Property, plant and equipment, net	29,249	29,582	31,577
Deferred income taxes	420	1,184	8,575
Other assets			
Goodwill	17,233	17,233	17,233
Intangible assets, net	29,275	29,689	30,980
Other	6,642	6,825	4,641
Total other assets	53,150	53,747	52,854
Total assets	$ 287,383	$ 286,564	$ 277,419
Liabilities and Stockholders Equity			
Current liabilities			
Accrued customer programs	$ 3,833	$ 3,298	$ 4,159
Other current liabilities	39,059	33,069	34,694
Current liabilities of discontinued operations	981	2,390	6,847
Total current liabilities	43,873	38,757	45,700
Long-term obligations	4,516	4,604	4,694
Stockholders equity	238,994	243,203	227,025
Total liabilities and stockholders equity	$ 287,383	$ 286,564	$ 277,419

See notes to consolidated financial statements.

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CSS INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Net loss	$ (904)	$ (7,569)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,972	2,046
Provision for accounts receivable allowances	325	600
Deferred tax provision	826	543
Stock-based compensation expense	410	463
Loss on sale or disposal of assets	17	36
Changes in assets and liabilities:		
Increase in accounts receivable	(10,820)	(3,960)
Increase in inventory	(18,145)	(19,708)
Increase in other assets	(2,777)	(7,465)
Increase (decrease) in other accrued liabilities	6,637	(3,444)
Decrease in accrued taxes	(200)	(296)
Total adjustments	(21,755)	(31,185)
Net cash used for operating activities - continuing operations	(22,659)	(38,754)
Net cash used for operating activities - discontinued operations	(1,368)	(3,467)
Net cash used for operating activities	(24,027)	(42,221)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,242)	(931)
Proceeds from sale of assets	0	45
Net cash used for investing activities - continuing operations	(1,242)	(886)
Cash flows from financing activities:		
Payments on long-term obligations	0	(66)
Dividends paid	(1,441)	(1,460)
Purchase of treasury stock	(1,923)	0
Proceeds from exercise of stock options	192	15
Payments for tax withholding on net restricted stock settlements	(244)	(54)
Tax effect on stock awards	(6)	(27)
Net cash used for financing activities continuing operations	(3,422)	(1,592)
Net decrease in cash and cash equivalents	(28,691)	(44,699)
Cash and cash equivalents at beginning of period	66,135	48,577

Cash and cash equivalents at end of period	$ 37,444	$ 3,878

See notes to consolidated financial statements.

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CSS INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CSS Industries, Inc. (collectively with its subsidiaries, CSS or the Company) has prepared the consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission. The Company has condensed or omitted certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States pursuant to such rules and regulations. In the opinion of management, the statements include all adjustments (which include normal recurring adjustments) required for a fair presentation of financial position, results of operations and cash flows for the interim periods presented. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2012. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

On September 9, 2011, the Company and its Cleo Inc (Cleo) subsidiary sold the Christmas gift wrap portion of Cleo s business and certain Cleo assets relating to such business, including certain equipment, contract rights, customer lists, intellectual property and other intangible assets to Impact Innovations, Inc. (Impact). Cleo s remaining assets, including accounts receivable and inventory, were excluded from the sale. Various prior period amounts contained in these unaudited condensed consolidated financial statements include assets, liabilities and cash flows related to Cleo s Christmas gift wrap business which are presented as current assets and liabilities of discontinued operations. The results of operations for the three months ended June 30, 2012 and 2011, as well as the accompanying notes, reflect the historical operations of Cleo s Christmas gift wrap business as discontinued operations. The discussions in this quarterly report are presented on the basis of continuing operations, unless otherwise noted.

The Company s fiscal year ends on March 31. References to a particular fiscal year refer to the fiscal year ending in March of that year. For example, fiscal 2013 refers to the fiscal year ending March 31, 2013.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Nature of Business

CSS is a consumer products company primarily engaged in the design, manufacture, procurement, distribution and sale of seasonal and all occasion social expression products, principally to mass market retailers. These all occasion and seasonal products include decorative ribbons and bows, boxed greeting cards, gift tags, gift wrap, gift bags, gift boxes, gift card holders, decorative tissue paper, decorations, classroom exchange Valentines, floral accessories, Halloween masks, costumes, make-up and novelties, Easter egg dyes and novelties, craft and educational products, stickers, memory books, stationery, journals, notecards, infant and wedding photo albums, scrapbooks, and other gift items that commemorate life s celebrations. The seasonal nature of CSS business has historically resulted in lower sales levels and operating losses in the first and fourth quarters and comparatively higher sales levels and operating profits in the second and third quarters of the Company s fiscal year, which ends March 31, thereby causing significant fluctuations in the quarterly results of operations of the Company.

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Foreign Currency Translation and Transactions

Translation adjustments are charged or credited to a separate component of stockholders equity. Gains and losses on foreign currency transactions are not material and are included in other expense, net in the consolidated statements of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Judgments and assessments of uncertainties are required in applying the Company s accounting policies in many areas. Such estimates pertain to revenue, the valuation of inventory and accounts receivable, the assessment of the recoverability of goodwill and other intangible and long-lived assets, income tax accounting, the valuation of stock-based awards and resolution of litigation and other proceedings. Actual results could differ from these estimates.

Impairment of Long-Lived Assets including Goodwill and Other Intangible Assets

The Financial Accounting Standards Board (FASB) issued updated authoritative guidance in September 2011 to amend previous guidance on the annual and interim testing of goodwill for impairment; the guidance became effective for the Company at the beginning of its 2013 fiscal year. The guidance provides entities with the option of first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is determined, on the basis of the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two step impairment test would still be required. The first step of the test compares the fair value of a reporting unit to its carrying amount, including goodwill, as of the date of the test. The Company uses a dual approach to determine the fair value of its reporting units including both a market approach and an income approach. We believe the use of multiple valuation techniques results in a more accurate indicator of the fair value of each reporting unit. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the goodwill to the implied fair value of the goodwill. If the implied fair value of the goodwill is less than the carrying amount of the goodwill, an impairment loss would be reported. Annual impairment tests are performed by the Company in the fourth quarter of each year. The adoption of this updated authoritative guidance had no impact on the Company s Consolidated Financial Statements. See Note 6 for further information on goodwill and other intangible assets.

Other indefinite lived intangible assets consist primarily of tradenames which are also required to be tested annually. The fair value of the Company s tradenames is calculated using a relief from royalty payments methodology. Long-lived assets (including property, plant and equipment), except for goodwill and indefinite lived intangible assets, are reviewed for impairment when circumstances indicate the carrying value of an asset group may not be recoverable. If such asset group is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

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Inventories

The Company records inventory when title is transferred, which occurs upon receipt or prior to receipt dependent on supplier shipping terms. The Company adjusts unsaleable and slow-moving inventory to its estimated net realizable value. Substantially all of the Company s inventories are stated at the lower of first-in, first-out (FIFO) cost or market. The remaining portion of the inventory is valued at the lower of last-in, first-out (LIFO) cost or market. Inventories consisted of the following (in thousands):

	June 30, 2012	March 31, 2012	June 30, 2011
Raw material	$ 9,177	$ 9,194	$ 8,636
Work-in-process	16,339	15,470	18,272
Finished goods	64,300	47,007	61,893
	$ 89,816	$ 71,671	$ 88,801

Property, Plant and Equipment

Property, plant and equipment are stated at cost and include the following (in thousands):

	June 30, 2012	March 31, 2012	June 30, 2011
Land	$ 2,508	$ 2,508	$ 2,508
Buildings, leasehold interests and improvements	37,110	37,064	37,419
Machinery, equipment and other	101,052	101,076	100,313
	140,670	140,648	140,240
Less - Accumulated depreciation and amortization	(111,421)	(111,066)	(108,663)
Net property, plant and equipment	$ 29,249	$ 29,582	$ 31,577

Depreciation expense was $1,558,000 and $1,618,000 for the quarters ended June 30, 2012 and 2011, respectively.

Revenue Recognition

The Company recognizes revenue from product sales when the goods are shipped, title and risk of loss have been transferred to the customer and collection is reasonably assured. Provisions for returns, allowances, rebates to customers and other adjustments are provided in the same period that the related sales are recorded.

Net Loss Per Common Share

Due to the Company s net losses in the first quarter, potentially dilutive securities of 269,000 shares and 938,000 shares as of June 30, 2012 and 2011, respectively, consisting of outstanding stock options and non-vested restricted stock units, were excluded from the diluted loss per share calculation due to their antidilutive effect.

(2) DISCONTINUED OPERATIONS AND RESTRUCTURING CHARGES

On May 24, 2011, the Company approved a plan to close its Cleo manufacturing facility located in Memphis, Tennessee. The Company exited the Memphis facility in December 2011. In connection with this restructuring

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plan which was completed by March 31, 2012, the Company recorded restructuring charges of $6,749,000 during fiscal 2012 primarily related to severance of 433 employees and facility closure costs. Additionally, there was a non-cash reduction of $177,000 related to severance that was less than originally estimated, which was included in restructuring expenses in fiscal 2012. During the quarter ended June 30, 2012, the Company made payments of $425,000 primarily for costs related to severance. Additionally during the first quarter of fiscal 2013, there was a reduction in the restructuring accrual of $29,000 for costs that were less than originally estimated. As of June 30, 2012, the remaining liability of $376,000 was classified in current liabilities of discontinued operations in the accompanying condensed consolidated balance sheet and will be paid through fiscal 2013.

Selected information relating to the aforementioned restructuring follows (in thousands):

	Employee Termination Costs	Facility and Other Costs	Total
Restructuring reserve as of March 31, 2012	$ 750	$ 80	$ 830
Cash paid fiscal 2013	(400)	(25)	(425)
Non-cash reductions fiscal 2013	(10)	(19)	(29)
Restructuring reserve as of June 30, 2012	$ 340	$ 36	$ 376

On September 9, 2011, the Company sold the Cleo Christmas gift wrap business and certain Cleo assets to Impact. Impact acquired the Christmas gift wrap portion of Cleo s business and certain of Cleo s assets relating to such business, including certain equipment, contract rights, customer lists, intellectual property and other intangible assets. Cleo s remaining assets, including accounts receivable and inventory, were excluded from the sale. Cleo retained the right and obligation to fulfill all customer orders for Cleo Christmas gift wrap products for Christmas 2011. The purchase price was $7,500,000, of which $2,000,000 was paid to Cleo in cash at closing. The remainder of the purchase price was paid through the issuance by Impact of an unsecured subordinated promissory note, which provides for quarterly payments of interest at 7% and principal payments as follows: $500,000 on March 1, 2012; $2,500,000 on March 1, 2013; and all remaining principal and interest on March 1, 2014. All interest payments to date and the $500,000 principal payment due on March 1, 2012 were paid when due. As of June 30, 2012, $2,500,000 of this note receivable was recorded in other current assets and $2,500,000 of this note receivable was recorded in other long term assets in the accompanying condensed consolidated balance sheet.

The effective tax rates used to determine income tax expense of discontinued operations were based on the statutory tax rates in effect during the respective periods, adjusted for permanent differences related to the assets and liabilities not being transferred to Impact. The effective tax rates used in the calculations for each period were as follows:

Three Months Ended June 30, 2012	Three Months Ended June 30, 2011
35%	35%

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As a result of the sale of its Cleo Christmas gift wrap business, the Company has reported these operations, including the operating loss of the business and all exit activities, as discontinued operations, as shown in the following table (in thousands):

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011
Operating loss (A)	$ (57)	$ (3,297)
Exit costs	0	(3,042)
Discontinued operations, before income taxes	(57)	(6,339)
Income tax benefit	20	2,217
Discontinued operations, net of tax	$ (37)	$ (4,122)

(A) During the quarter ended June 30, 2011, the Company recorded a write down of inventory to net realizable value of $2,547,000, which was included in cost of sales of the discontinued operations.

The following table presents the carrying values of the major accounts of discontinued operations that are included in the condensed consolidated balance sheet (in thousands):

	June 30, 2012	March 31, 2012	June 30, 2011
Cash	$ 0	$ 0	$ 548
Accounts receivable, net	21	78	841
Inventories	121	105	19,152
Other current assets	0	0	777
Total current assets	$ 142	$ 183	$ 21,318
Total assets attributable to discontinued operations	$ 142	$ 183	$ 21,318
Customer programs	$ 237	$ 237	$ 250
Restructuring reserve	376	830	3,015
Other current liabilities	368	1,323	3,582
Total current liabilities	$ 981	$ 2,390	$ 6,847
Total liabilities associated with discontinued operations	$ 981	$ 2,390	$ 6,847

(3) BUSINESS RESTRUCTURING

On March 27, 2012, the Company combined the operations of its Berwick Offray and Paper Magic subsidiaries in order to drive sales growth by providing stronger management oversight and by reallocating sales and marketing resources in a more strategic manner. Involuntary termination benefits offered to terminated employees were in accordance with the applicable terms of the Company s applicable pre-existing severance plans. As part of the restructuring plan, the Company recorded a restructuring reserve of $706,000 related to employee severance charges in the fourth quarter of fiscal 2012. During the quarter ended June 30, 2012, the Company made payments of $185,000 for costs related to severance. Additionally during the first quarter of fiscal 2013, there was a reduction in the restructuring accrual of $50,000 for costs that were less than originally estimated. The remaining liability of $355,000 and $590,000 is classified in other accrued liabilities in the accompanying condensed consolidated balance sheet as of June 30, 2012 and March 31, 2012. This amount will be paid in fiscal 2013.

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(4) STOCK-BASED COMPENSATION

2004 Equity Compensation Plan

Under the terms of the Company s 2004 Equity Compensation Plan (2004 Plan), the Human Resources Committee (Committee) of the Board of Directors (Board) may grant incentive stock options, non-qualified stock options, restricted stock grants, stock appreciation rights, stock bonuses and other awards to officers and other employees. Grants under the 2004 Plan may be made through August 3, 2014. The term of each grant is at the discretion of the Committee, but in no event greater than ten years from the date of grant. The Committee has discretion to determine the date or dates on which granted options become exercisable. Service-based options outstanding as of June 30, 2012 become exercisable at the rate of 25% per year commencing one year after the date of grant. Market-based stock options outstanding as of such date will become exercisable only if certain market conditions and service requirements are satisfied, and the date(s) on which they become exercisable will depend on the period in which such market conditions and service requirements are met, if at all. Market-based restricted stock units (RSUs) outstanding at June 30, 2012 will vest only if certain market conditions and service requirements have been met, and the date(s) on which they vest will depend on the period in which such market conditions and service requirements are met, if at all. Subject to limited exceptions, service-based RSUs outstanding as of June 30, 2012 vest at the rate of 50% of the shares underlying the grant on each of the third and fourth anniversaries of the grant date.

On May 24, 2011, our Board approved an amendment to the 2004 Plan to reduce the number of shares of the Company s common stock authorized for issuance under the 2004 Plan by 500,000 shares. As a result of this reduction, the 2004 Plan now provides that 1,500,000 shares of the Company s common stock may be issued as grants under the 2004 Plan. Prior to this amendment, the 2004 Plan provided that 2,000,000 shares of the Company s common stock could be issued as grants under the 2004 Plan. At June 30, 2012, 759,657 shares were available for grant under the 2004 Plan.

The fair value of each market-based stock option and each market-based RSU granted under the above plans for the quarter ended June 30, 2012 and 2011 was estimated on the date of grant using Monte Carlo simulation. The fair value of each service-based RSU granted during the quarter ended June 30, 2011 was estimated on the day of grant based on the closing price of the Company s common stock reduced by the present value of the expected dividend stream during the vesting period using the risk-free interest rate. There were no service-based RSUs granted during the quarter ended June 30, 2012.

The weighted average fair value of stock options granted during the three months ended June 30, 2012 and 2011 was $7.27 and $6.88, respectively. The weighted average fair value of restricted stock units granted during the three months ended June 30, 2012 and 2011 was $14.78 and $16.25.

2011 Stock Option Plan for Non-Employee Directors

Under the terms of the Company s 2011 Stock Option Plan for Non-Employee Directors (2011 Plan), non-qualified stock options to purchase up to 150,000 shares of common stock are available for grant to non-employee directors at exercise prices of not less than fair market value of the underlying common stock on the date of grant. Under the 2011 Plan, options to purchase 4,000 shares of the Company s common stock are granted automatically to each non-employee director on the last day that the Company s common stock is traded in November of each year from 2011 to 2015. Each option will expire five years after the date the option is granted and options may be exercised at the rate of 25% per year commencing one year after the date of grant. At June 30, 2012, 130,000 shares were available for grant under the 2011 Plan.

As of June 30, 2012, there was $1,985,000 of total unrecognized compensation cost related to non-vested stock option awards granted under the Company s equity incentive plans which is expected to be recognized over a weighted average period of 2.7 years. As of June 30, 2012, there was $2,380,000 of total unrecognized compensation cost related to non-vested RSUs granted under the Company s equity incentive plans which is expected to be recognized over a weighted average period of 2.7 years.

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Compensation cost related to stock options and RSUs recognized in operating results (included in selling, general and administrative expenses) was $410,000 and $463,000 in the quarters ended June 30, 2012 and 2011, respectively.

(5) DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into foreign currency forward contracts in order to reduce the impact of certain foreign currency fluctuations on sales denominated in a foreign currency. Derivatives are not used for trading or speculative activities. Firmly committed transactions and the related receivables may be hedged with forward exchange contracts. Gains and losses arising from foreign currency forward contracts are recorded in other expense (income), net as offsets of gains and losses resulting from the underlying hedged transactions. As of June 30, 2012 and 2011, the notional amount of open foreign currency forward contracts was $3,919,000 and $2,522,000, respectively. The related unrealized gain was $51,000 and $1,000 at June 30, 2012 and 2011, respectively. We believe we do not have significant counterparty credit risks as of June 30, 2012.

The following table shows the fair value of the foreign currency forward contracts designated as hedging instruments and included in the Company s condensed consolidated balance sheet as of June 30, 2012 and 2011 (in thousands):

	Fair Value of Derivative Instruments		
		Fair Value	
	Balance Sheet Location	June 30, 2012	June 30, 2011
Foreign currency forward contracts	Other current assets	$ 51	$ 1

(6) GOODWILL AND INTANGIBLES

The Company performs an annual impairment test of the carrying amount of goodwill and indefinite-lived intangible assets in the fourth quarter of its fiscal year. Additionally, the Company would perform its impairment testing at an interim date if events or circumstances indicate that goodwill or intangibles might be impaired. During the three months ended June 30, 2012, there have not been any such events.

The gross carrying amount and accumulated amortization of other intangible assets is as follows (in thousands):

	June 30, 2012		March 31, 2012		June 30, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tradenames and trademarks	$ 12,793	$ 0	$ 12,793	$ 0	$ 12,793	$ 0
Customer relationships	22,057	6,734	22,057	6,358	22,057	5,233
Non-compete	200	200	200	200	200	180
Trademarks	403	220	403	213	403	190
Patents	1,301	325	1,301	294	1,337	207
	$ 36,754	$ 7,479	$ 36,754	$ 7,065	$ 36,790	$ 5,810

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Amortization expense related to intangible assets was $414,000 and $428,000 for the quarters ended June 30, 2012 and 2011, respectively. Based on the current composition of intangibles, amortization expense for the remainder of fiscal 2013 and each of the succeeding four years is projected to be as follows (in thousands):

Remainder of fiscal 2013	$1,243
Fiscal 2014	1,658
Fiscal 2015	1,639
Fiscal 2016	1,638
Fiscal 2017	1,638

(7) TREASURY STOCK TRANSACTIONS

Under a stock repurchase program authorized by the Company s Board of Directors, the Company repurchased 101,706 shares of the Company s common stock for $1,923,000 during the three months ended June 30, 2012. There were no repurchases of the Company s common stock by the Company during the three months ended June 30, 2011. As of June 30, 2012, the Company had 123,084 shares remaining available for repurchase under the Board s authorization.

(8) COMMITMENTS AND CONTINGENCIES

CSS and its subsidiaries are involved in ordinary, routine legal proceedings that are not considered by management to be material. In the opinion of Company counsel and management, the ultimate liabilities resulting from such legal proceedings will not materially affect the consolidated financial position of the Company or its results of operations or cash flows.

(9) FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

The Company uses certain derivative financial instruments as part of its risk management strategy to reduce foreign currency risk. The Company recorded all derivatives on the condensed consolidated balance sheet at fair value based on quotes obtained from financial institutions as of June 30, 2012.

The Company maintains a Nonqualified Supplemental Executive Retirement Plan for highly compensated employees and invests assets to mirror the obligations under this Plan. The invested funds are maintained at a third party financial institution in the name of CSS and are invested in publicly traded mutual funds. The Company maintains separate accounts for each participant to reflect deferred contribution amounts and the related gains or losses on such deferred amounts. The investments are included in other current assets and the related liability is recorded as deferred compensation and included in other long-term obligations in the condensed consolidated balance sheets. The fair value of the investments is based on the market price of the mutual funds as of June 30, 2012.

The Company maintains two life insurance policies in connection with deferred compensation arrangements with two former executives. The cash surrender value of the policies is recorded in other long-term assets in the condensed consolidated balance sheets and is based on quotes obtained from the insurance company as of June 30, 2012.

To increase consistency and comparability in fair value measurements, the Financial Accounting Standards Board (FASB) established a fair value hierarchy that prioritizes the inputs to valuation techniques, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial assets and liabilities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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The Company s recurring assets and liabilities recorded on the condensed consolidated balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2 Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Examples of Level 2 inputs include quoted prices for identical or similar assets or liabilities in non-active markets and pricing models whose inputs are observable for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table presents the Company s fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis in its condensed consolidated balance sheet as of June 30, 2012 and March 31, 2012 (in thousands):

		Fair Value Measurements at June 30, 2012 Using		
	June 30, 2012	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities	$ 657	$ 657	$ 0	$ 0
Cash surrender value of life insurance policies	923	0	923	0
Foreign exchange contracts	51	0	51	0
Total assets	$ 1,631	$ 657	$ 974	$ 0
Liabilities				
Deferred compensation plans	$ 657	$ 657	$ 0	$ 0
Total liabilities	$ 657	$ 657	$ 0	$ 0

		Fair Value Measurements at March 31, 2012 Using		
	March 31, 2012	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities	$ 680	$ 680	$ 0	$ 0
Cash surrender value of life insurance policies	917	0	917	0
Total assets	$ 1,597	$ 680	$ 917	$ 0