CHASE CORP
Form 10-K
November 15, 2012

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended August 31, 2012**

**Commission File Number: 1-9852**

# CHASE CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Massachusetts** | **11-1797126** |
| (State or other jurisdiction of incorporation of organization) | (I.R.S. Employer Identification No.) |

**26 Summer Street, Bridgewater, Massachusetts 02324**
(Address of Principal Executive Offices, Including Zip Code)

**(508) 819-4200**
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to section 12(b) of the Act:

| Title of Each Class: | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock ($0.10 Par Value) | NYSE MKT |

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). YES o NO ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES o NO ý

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 ý 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 ý NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by checkmark 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 ý | Non-accelerated filer o<br>(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 ý

The aggregate market value of the common stock held by non-affiliates of the registrant, as of February 29, 2012 (the last business day of the registrant's second quarter of fiscal 2012), was approximately $92,953,599.

As of October 31, 2012, the Company had outstanding 9,065,676 shares of common stock, $.10 par value, which is its only class of common stock.

**Documents Incorporated By Reference:**

Portions of the registrant's definitive proxy statement for the Annual Meeting of Shareholders, which is expected to be filed within 120 days after the registrant's fiscal year ended August 31, 2012, are incorporated by reference into Part III hereof.

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**CHASE CORPORATION**

**INDEX TO ANNUAL REPORT ON FORM 10-K**

**For the Year Ended August 31, 2012**

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## PART I

### ITEM 1 BUSINESS

**Primary Operating Divisions and Facilities and Industry Segment**

Chase Corporation (the "Company," "Chase," "we," or "us") is a leading manufacturer of protective materials for high reliability applications. Our strategy is to maximize the performance of our core businesses and brands while seeking future opportunities through strategic acquisitions. We are organized into two operating segments, an Industrial Materials segment and a Construction Materials segment. The basis for our segmentation is distinguished by the nature of the products we manufacture and how they are delivered to their respective markets. The Industrial Materials segment represents our specified products which are used in or integrated into another company's product with demand dependent upon general economic conditions. The Construction Materials segment reflects our construction project oriented product offerings which are primarily sold and used as "Chase" branded products in final form. Our manufacturing facilities are distinct to their respective segments with the exception of our O'Hara Township, PA facility which produces products related to both operating segments. A summary of our operating structure as of August 31, 2012 is as follows:

***INDUSTRIAL MATERIALS SEGMENT***

| Key Products & Services | Primary Manufacturing Location(s) | Background/History |
|---|---|---|
| Electrical cable insulation tapes using the brand name Chase & Sons® and related products such as Chase BLH$_2$OCK®, a water blocking compound sold to the wire and cable industry.<br><br>Insulating and conducting materials for the manufacture of electrical and telephone wire and cable, electrical splicing, and terminating and repair tapes, which are marketed to wire and cable manufacturers and public utilities. | Randolph, MA | This was one of our first operating facilities and has been producing products for the wire and cable industry for more than fifty years.<br><br>In October 2011, we announced the planned closing of this manufacturing facility effective December 1, 2012. The manufacturing of products produced in this facility is being transitioned to our other facilities over the course of a 15 month transition period. |
| Specialty tapes and related products for the electronic and telecommunications industries using the brand name Chase & Sons®.<br><br>PaperTyger® is a trademark for laminated durable papers sold to the envelope converting and commercial printing industries. | Oxford, MA | In August 2011, we moved our manufacturing processes that had been previously conducted at our Webster, MA facility to this location.<br><br>In December 2003, we acquired the assets of PaperTyger, LLC ("PaperTyger"). The PaperTyger product lines are also manufactured at this facility. |

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| Key Products & Services | Primary Manufacturing Location(s) | Background/History |
|---|---|---|
| Flexible packaging for industrial and retail use. Slit film for the building wire market and for telecommunication cable.<br><br>Flexible composites and laminates for the wire & cable, aerospace and industrial laminate markets including Insulfab®, an insulation material used in the aerospace industry. | Taylorsville, NC | In January 2004, we purchased certain manufacturing equipment and began operations at this facility.<br><br>In March 2009, we moved the majority of our manufacturing processes that had been conducted at our Paterson, NJ facility to this location. |
| Protective conformal coatings under the brand name HumiSeal®, moisture protective electronic coatings sold to the electronics industry. | O'Hara Township, PA | The HumiSeal business and product lines were acquired in the early 1970's. |
| Laminated film foils for the electronics and cable industries and cover tapes essential to delivering semiconductor components via tape and reel packaging. | Pawtucket, RI & Lenoir, NC | In June 2012, we acquired all of the capital stock of NEPTCO Incorporated. |
| Pulling and detection tapes used in the installation, measurement and location of fiber optic cables, water and natural gas lines.<br><br>Flexible, rigid and semi-rigid fiber optic strength elements designed to allow fiber optic cables to withstand mechanical and environmental strain and stress, produced by NEPTCO's joint venture. | Granite Falls, NC | |
| Cover tapes essential to delivering semiconductor components via tape and reel packaging. | Suzhou, China | |
| Protective conformal coatings under the brand name HumiSeal®, moisture protective electronic coatings sold to the electronics industry.<br><br>HumiSeal Europe SARL operates a sales/technical service office and warehouse near Paris. This business works closely with the HumiSeal operation in Winnersh, Wokingham, England allowing direct sales and service to the French market. | Winnersh, Wokingham, England | In October 2005, we acquired all of the capital stock of Concoat Holdings Ltd. and its subsidiaries. In 2006 Concoat was renamed HumiSeal Europe.<br><br>In March 2007, we expanded our international presence with the formation of HumiSeal Europe SARL in France. In conjunction with establishing the new company, certain assets were acquired from Metronelec SARL, a former distributor of HumiSeal products. |

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***CONSTRUCTION MATERIALS SEGMENT***

| Key Products & Services | Primary Manufacturing Location(s) | Background/History |
|---|---|---|
| Protective pipe coating tapes and other protectants for valves, regulators, casings, joints, metals, concrete, and wood which are sold under the brand name Royston®, to oil companies, gas utilities, and pipeline companies.<br><br>Rosphalt50® is a polymer additive that provides long term cost effective solutions in many applications such as waterproofing of approaches and bridges, ramps, race tracks, airports and specialty road applications. | Blawnox, PA | The Royston business was acquired in the early 1970's. |
| Waterproofing sealants, expansion joints and accessories for the transportation, industrial and architectural markets. | O'Hara Township, PA | In April 2005, we acquired certain assets of E-Poxy Engineered Materials. Additionally, in September 2006, we acquired all of the capital stock of Capital Services Joint Systems. Both of these acquisitions were combined to form the Expansion Joints product line which is now manufactured at our O'Hara Township, PA facility. |
| Manufacturer of technologically advanced products, including the brand Tapecoat®, for demanding anti-corrosion applications in the gas, oil and marine pipeline market segments, as well as tapes and membranes for roofing and other construction related applications. | Evanston, IL | In November 2001, we acquired substantially all of the assets of Tapecoat, a division of T.C. Manufacturing Inc. |
| Specialized manufacturer of high performance coating and lining systems used worldwide in the liquid storage and containment applications. | Houston, TX | In September 2009, we acquired all of the outstanding capital stock of C.I.M. Industries Inc. ("CIM"). |
| Manufacturer of waterproofing and corrosion protection systems for oil, gas and water pipelines and a supplier to Europe, the Middle East and Southeast Asia. This facility joins Chase's North American based Tapecoat® and Royston® brands to broaden the protective coatings product line and better address increasing global demand.<br><br>The ServiWrap® product line complements the portfolio of our pipeline protection tapes, coatings and accessories to extend our global customer base. | Rye, East Sussex, England | In September 2007, we purchased certain product lines and a related manufacturing facility in Rye, East Sussex, England through our wholly owned subsidiary, Chase Protective Coatings Ltd.<br><br>In December 2009, we acquired the full range of ServiWrap® pipeline protection products ("ServiWrap") from Grace Construction Products Limited, a UK based unit of W.R. Grace & Co. |

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**Other Business Developments**

*Acquisition of NEPTCO Incorporated*

On June 27, 2012, we 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, we also acquired NEPTCO's 50% ownership stake in a joint venture. The purchase price for this acquisition, net of cash received, was $62,217,000, subject to the finalization of purchase accounting, which is nearly complete pending the final working capital true up and deferred tax positions.

**Products and Markets**

Our principal products are specialty tapes, laminates, sealants and coatings that are sold by our salespeople, manufacturers' representatives and distributors. In our Industrial Materials segment, these products consist of:

(i) insulating and conducting materials for the manufacture of electrical and telephone wire and cable, electrical splicing, and terminating and repair tapes, which are marketed to wire and cable manufacturers;

(ii) laminated film foils, composite strength elements, anti-static packaging tape and pulling tapes for the electronics and cable industries;

(iii) moisture protective coatings, which are sold to the electronics industry including circuitry used in automobiles and home appliances;

(iv) laminated durable papers, including laminated paper with an inner security barrier used in personal and mail-stream privacy protection, which are sold primarily to the envelope converting and commercial printing industries;

(v) pulling and detection tapes used in the installation, measurement and location of fiber optic cables, water and natural gas lines, and power, data, and video cables for commercial buildings;

(vi) cover tapes with reliable adhesive and anti-static properties essential to delivering semiconductor components via tape and reel packaging; and

(vii) flexible, rigid and semi-rigid fiber optic strength elements designed to allow fiber optic cables to withstand mechanical and environmental strain and stress, produced by NEPTCO's joint venture.

In our Construction Materials segment, these products consist of:

(i) protective pipe coating tapes and other protectants for valves, regulators, casings, joints, metals, concrete and wood, which are sold to oil companies, gas utilities and pipeline companies;

(ii) protectants for highway bridge deck metal supported surfaces, which are sold to municipal transportation authorities;

(iii) fluid applied coating and lining systems for use in the water and wastewater industry; and

(iv) expansion and control joint systems designed for roads, bridges, stadiums and airport runways.

There is some seasonality with our product offerings sold into the construction market as increased demand is often experienced when temperatures are warmer (April through October) with less demand occurring when temperatures are colder (typically our second fiscal quarter). Other than the acquisition of NEPTCO, we did not introduce any new products requiring an investment of a material amount of our assets during fiscal year 2012.

**Employees**

As of October 31, 2012, we employed approximately 719 people (including union employees). We consider our employee relations to be good. In the U.S., we offer our employees a wide array of company-paid benefits, which we believe are competitive relative to others in our industry. In our operations outside the U.S., we offer benefits that may vary from those offered to our U.S. employees due to customary local practices and statutory requirements.

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**Backlog, Customers and Competition**

As of October 31, 2012, the backlog of customer orders believed to be firm was approximately $13,722,000. This compared with a total of $9,599,000 as of October 31, 2011. The increase in backlog over the prior year amount is primarily due to the increased business resulting from the NEPTCO acquisition. The backlog of orders has some seasonality due to the construction season. During fiscal 2012, 2011 and 2010, no customer accounted for more than 10% of sales. No material portion of our business is subject to renegotiation or termination of profits or contracts at the election of the United States Federal Government.

There are other companies that manufacture or sell products and services similar to those made and sold by us. Many of those companies are larger and have greater financial resources than we have. We compete principally on the basis of technical performance, service reliability, quality and price.

**Raw Materials**

We obtain raw materials from a wide variety of suppliers with alternative sources of most essential materials available within reasonable lead times.

**Patents, Trademarks, Licenses, Franchises and Concessions**

We own the following trademarks that we believe are of material importance to our business: Chase Corporation®, C-Spray (Logo), a trademark used in conjunction with most of the Company's business segment and product line marketing material and communications; HumiSeal®, a trademark for moisture protective coatings sold to the electronics industry; Chase & Sons® and Chase Facile®, trademarks for barrier and insulating tapes sold to the wire and cable industry; Chase BLH$_2$OCK®, a trademark for a water blocking compound sold to the wire and cable industry; Rosphalt50®, a trademark for an asphalt additive used predominantly on bridge decks for waterproofing protection; Insulfab®, a trademark for insulation material used in the aerospace industry; PaperTyger®, a trademark for laminated durable papers sold to the envelope converting and commercial printing industries; Tapecoat®, a trademark for corrosion preventative surface coatings and primers; Royston®, a trademark for corrosion inhibiting coating composition for use on pipes; Eva-Pox® and Ceva®, trademarks for epoxy pastes/gels/mortars and elastomeric concrete used in the construction industry; CIM® trademarks for fluid applied coating and lining systems used in the water and wastewater industry; ServiWrap® trademarks for pipeline protection tapes, coatings and accessories; NEPTCO®, a trademark used in conjunction with most of NEPTCO's business and product line marketing material and communications; Muletape®, a trademark for pulling and installation tapes sold to the telecommunications industry; and Tracesafe®, a trademark for detection tapes sold to the water and gas industry. We do not have any other material trademarks, licenses, franchises, or concessions. While we do hold various patents, at this time, we do not believe that they are material to the success of our business.

**Working Capital**

We fund our business operations through a combination of available cash and cash equivalents, short-term investments and cash flows generated from operations. In addition, our revolving credit facility is available for additional working capital needs or investment opportunities.

**Research and Development**

Approximately $2,958,000, $2,452,000 and $1,748,000 was spent for Company-sponsored research and development during fiscal 2012, 2011 and 2010, respectively. Research and development increased by $506,000 in fiscal 2012 primarily due to our continued product development efforts that are directed towards seizing new business opportunities for our established product lines.

**Available Information**

Chase maintains a website at *http://www.chasecorp.com*. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as section 16 reports on Form 3, 4, or 5, are available free of charge on this site as soon as is reasonably practicable after they are filed or furnished with the SEC. Our Financial Code of Ethics and the charters for the Audit Committee, the Nominating and Governance Committee and the Compensation and Management Development Committee of our Board of Directors are also

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available on our Internet site. The Code of Ethics and charters are also available in print to any shareholder upon request. Requests for such documents should be directed to Paula Myers, Shareholder and Investor Relations Department, at 26 Summer Street, Bridgewater, Massachusetts 02324. Our Internet site and the information contained on it or connected to it are not part of or incorporated by reference into this Form 10-K. Our filings with the SEC are also available on the SEC's website at *http://www.sec.gov*.

**Financial Information About Segment and Geographic Areas**

Please see Notes 11 and 12 to the Company's Consolidated Financial Statements for financial information about the Company's operating segments and domestic and foreign operations for each of the last three fiscal years.

## ITEM 1A RISK FACTORS

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. We feel that any of the following risks could materially adversely affect our business, operations, industry, financial position or our future financial performance. While we believe that we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operations, industry, financial position and financial performance in the future.

**We currently operate in mature markets where increases or decreases in market share could be significant.**

Our sales and net income are largely dependent on recurring sales from a consistent and well established customer base. Organic growth opportunities are minimal; however, we have used and will continue to use strategic acquisitions as a means to build and grow the business. In this business environment, increases or decreases in market share could have a material effect on our business condition or results of operation. We face intense competition from a diverse range of competitors, including operating divisions of companies much larger and with far greater resources than we have. If we are unable to maintain our market share, our business could suffer.

**Our business strategy includes the pursuit of strategic acquisitions, which may not be successful if they happen at all.**

From time to time, we engage in discussions with potential target companies concerning potential acquisitions. In executing our acquisition strategy, we may be unable to identify suitable acquisition candidates. In addition, we may face competition from other companies for acquisition candidates, making it more difficult to acquire suitable companies on favorable terms.

Even if we do identify a suitable acquisition target and are able to negotiate and close a transaction, the integration of an acquired business into our operations involves numerous risks, including potential difficulties in integrating an acquired company's product line with ours; the diversion of our resources and management's attention from other business concerns; the potential loss of key employees; limitations imposed by antitrust or merger control laws in the United States or other jurisdictions; risks associated with entering a new geographical or product market; and the day-to-day management of a larger and more diverse combined company. During the fiscal year ended August 31, 2012, for example, we completed the acquisition of NEPTCO Incorporated, which represents approximately 39% of our consolidated total assets as of the end of fiscal 2012, making it the largest acquisition in the Company's history.

We may not realize the synergies, operating efficiencies, market position or revenue growth we anticipate from acquisitions and our failure to effectively manage the above risks and other problems associated with acquisitions could have a material adverse effect on our business, growth prospects and financial performance.

**Our results of operations could be adversely affected by uncertain economic and political conditions and the effects of these conditions on our customers' businesses and levels of business activity.**

Global economic and political conditions can affect the businesses of our customers and the markets they serve. A severe or prolonged economic downturn or a negative or uncertain political climate could adversely affect

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the levels of business activity of our customers and the industries they serve, including the automotive, aerospace, housing, construction, pipeline, energy, transportation infrastructure and electronics industries. This may reduce demand for our products or depress pricing of those products, either of which may have a material adverse effect on our results of operations. Changes in global economic conditions could also shift demand to products for which we do not have competitive advantages, and this could negatively affect the amount of business that we are able to obtain. In addition, if we are unable to successfully anticipate changing economic and political conditions, we may be unable to effectively plan for and respond to those changes and our business could be negatively affected.

**General economic factors, domestically and internationally, may also adversely affect our financial performance through increased raw material costs or other expenses and by making access to capital more difficult.**

The cumulative effect of higher interest rates, energy costs, inflation, levels of unemployment, healthcare costs, unsettled financial markets, and other economic factors could adversely affect our financial condition by increasing our manufacturing costs and other expenses at the same time that our customers may be scaling back demand for our products. Prices of certain commodity products, including oil and petroleum-based products, are historically volatile and are subject to fluctuations arising from changes in domestic and international supply and demand, labor costs, competition, weather events, market speculation, government regulations and periodic delays in delivery. Rapid and significant changes in commodity prices may affect our sales and profit margins. These factors can also increase our merchandise costs and/or selling, general and administrative expenses, and otherwise adversely affect our operations and results. Recent turmoil in the credit markets may limit our ability to access debt capital for use in acquisitions or other purposes on advantageous terms or at all. If we are unable to manage our expenses in response to general economic conditions and margin pressures, or if we are unable to obtain capital for strategic acquisitions or other needs, then our results of operations would be negatively affected.

**Fluctuations in the supply and prices of raw materials may negatively impact our financial results.**

We obtain raw materials needed to manufacture our products from a number of suppliers. Many of these raw materials are petroleum-based derivatives. Under normal market conditions, these materials are generally available on the open market and from a variety of producers. From time to time, however, the prices and availability of these raw materials fluctuate, which could impair our ability to procure necessary materials, or increase the cost of manufacturing our products. If the prices of raw materials increase, and we are unable to pass these increases on to our customers, we could experience reduced profit margins.

**If our products fail to perform as expected, or if we experience product recalls, we could incur significant and unexpected costs and lose existing and future business.**

Our products are complex and could have defects or errors presently unknown to us, which may give rise to claims against us, diminish our brands or divert our resources from other purposes. Despite testing, new and existing products could contain defects and errors and may in the future contain manufacturing or design defects, errors or performance problems when first introduced, or even after these products have been used by our customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, changes to our manufacturing processes, product recalls, significant increases in our maintenance costs, or exposure to liability for damages, any of which may result in substantial and unexpected expenditures, require significant management attention, damage our reputation and customer relationships, and adversely affect our business, our operating results and our cash flow.

**We are dependent on key personnel.**

We depend significantly on our executive officers including Chairman and Chief Executive Officer, Peter R. Chase, and on other key employees. The loss of the services of any of these key employees could have a material impact on our business and results of operations. In addition, our acquisition strategy will require that we attract, motivate and retain additional skilled and experienced personnel. The inability to satisfy such requirements could have a negative impact on our ability to remain competitive in the future.

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**If we cannot successfully manage the unique challenges presented by international markets, we may not be successful in expanding our international operations.**

Our strategy includes expansion of our operations in existing and new international markets by selective acquisitions and strategic alliances. Our ability to successfully execute our strategy in international markets is affected by many of the same operational risks we face in expanding our U.S. operations. In addition, our international expansion may be adversely affected by our ability to identify and gain access to local suppliers as well as by local laws and customs, legal and regulatory constraints, political and economic conditions and currency regulations of the countries or regions in which we currently operate or intend to operate in the future. Risks inherent in our international operations also include, among others, the costs and difficulties of managing international operations, adverse tax consequences and greater difficulty in enforcing intellectual property rights. Additionally, foreign currency exchange rates and fluctuations may have an impact on future costs or on future cash flows from our international operations.

**Financial market performance may have a material adverse effect on our pension plan assets and require additional funding requirements.**

Significant and sustained declines in the financial markets may have a material adverse effect on the fair market value of the assets of our pension plans. While these pension plan assets are considered non-financial assets since they are not carried on our balance sheet, the fair market valuation of these assets could impact our funding requirements, funded status or net periodic pension cost. Any significant and sustained declines in the fair market value of these pension assets could require us to increase our funding requirements which would have an impact on our cash flow, and could also lead to additional pension expense.

**We may experience difficulties in the redesign and consolidation of our manufacturing facilities which could impact shipments to customers, product quality, and our ability to realize cost savings.**

We currently have several ongoing projects to streamline our manufacturing operations, which include the redesign and consolidation of certain manufacturing facilities. We anticipate a reduction of overhead costs as a result of these projects, to the extent that we can effectively leverage assets, personnel, and operating processes in the transition of production between manufacturing facilities. However, uncertainty is inherent within the facility redesign and consolidation process, and unforeseen circumstances could offset the anticipated benefits, disrupt service to customers, and impact product quality.

**Failure of an operating or information system or a compromise of security with respect to an operating or information system or portable electronic device could adversely affect our results of operations and financial condition or the effectiveness of our internal controls over operations and financial reporting.**

We are highly dependent on automated systems to record and process our daily transactions and certain other components of our financial statements. We could experience either a failure of one or more of these systems, or a compromise of our security due to technical system flaws, data input or record-keeping errors, or tampering or manipulation of our systems by employees or unauthorized third parties. Information security risks also exist with respect to the use of portable electronic devices, such as laptops and smartphones, which are particularly vulnerable to loss and theft. We may also be subject to disruptions of any of these systems arising from events that are wholly or partially beyond our control (for example, natural disasters, acts of terrorism, epidemics, computer viruses, and electrical/telecommunications outages). All of these risks are also applicable wherever we rely on outside vendors to provide services. Operating system failures, disruptions, or the compromise of security with respect to operating systems or portable electronic devices could subject us to liability claims, harm our reputation, interrupt our operations, or adversely affect our internal control over financial reporting, business, results from operations, financial condition or cash flow.

## ITEM 1B UNRESOLVED STAFF COMMENTS

Not applicable

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**ITEM 2 PROPERTIES**

We own and lease office and manufacturing properties as outlined in the table below.

| Location | Square Feet | Owned/ Leased | Principal Use |
|---|---|---|---|
| Bridgewater, MA | 5,200 | Owned | Corporate headquarters and executive office |
| Westwood, MA | 20,200 | Leased | Global Operations Center including research and development, sales and administrative services |
| Randolph, MA (a) | 77,500 | Owned | Manufacture of electrical protective coatings and tape products |
| Oxford, MA | 73,600 | Owned | Manufacture of tape and related products for the electronic and telecommunications industries, as well as laminated durable papers |
| Paterson, NJ | 40,000 | Owned/Leased | We own the building and lease the land from the landowner. Currently, the building is being leased to a tenant and the land is being sub-leased. |
| Taylorsville, NC | 50,000 | Leased | Manufacture of flexible packaging for industrial and retail use, as well as tape and related products for the electronic and telecommunications industries |
| Blawnox, PA | 44,000 | Owned | Manufacture and sale of protective coatings and tape products |
| O'Hara Township, PA | 109,000 | Owned | Manufacture and sale of protective coatings, expansion joints and accessories |
| Evanston, IL | 100,000 | Owned | Manufacture and sale of protective coatings and tape products |
| Houston, TX | 45,000 | Owned | Manufacture of coating and lining systems for use in liquid storage and containment applications |
| Pawtucket, RI (b) | 70,400 | Owned | Manufacture and sale of laminated film foils for the electronics and cable industries |
| Granite Falls, NC (b) | 108,000 | Owned | Manufacture and sale of pulling and detection tapes, and fiber optic strength elements |
| Lenoir, NC (b) | 110,000 | Owned | Manufacture and sale of laminated film foils and cover tapes |
| Winnersh, Berkshire, England | 18,800 | Leased | Manufacture and sales of protective electronic coatings |
| Rye, East Sussex, England | 36,600 | Owned | Manufacture and sales of protective coatings and tape products |
| Paris, France | 1,350 | Leased | Sales/technical service office and warehouse allowing direct sales and service to the French market |
| Mississauga, Canada (b) | 2,500 | Leased | Distribution center for Canadian market supply chain demands |
| Rotterdam, Netherlands (b) | 2,500 | Leased | Distribution center for European market supply chain demands |
| Suzhou, China (b) | 48,000 | Leased | Manufacture of packaging tape products for the electronics industries |

(a) In October 2011, we announced our intention to close our Randolph, MA facility effective December 1, 2012. The manufacturing of products produced in the Randolph, MA facility is being transitioned to our other facilities over the course of the 15 month transition period.

(b) Property and leases acquired as part of the NEPTCO acquisition in June 2012.

The above facilities range in age from new to about 100 years, are generally in good condition and, in the opinion of management, adequate and suitable for present operations. We also own equipment and machinery that is in good repair and, in the opinion of management, adequate and suitable for present operations. We could significantly add to our capacity by increasing shift operations. Availability of machine hours through additional shifts would provide expansion of current product volume without significant additional capital investment.

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**ITEM 3 LEGAL PROCEEDINGS**

We are 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 us in August 2005, to which we 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 October 2012, there have been no new developments as this Ohio lawsuit has been inactive with respect to us.

We were 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 sued seven alleged manufacturers or distributors of asbestos-containing products, including Royston Laboratories (formerly an independent company and now a division of Chase Corporation). The other defendants have each either settled or had the complaint against them dismissed. We have filed an answer to the claim denying the material allegations in the complaint. The parties are currently engaged in discovery and motion practice.

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

**ITEM 4 MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 4A EXECUTIVE OFFICERS OF THE REGISTRANT**

The following table sets forth information concerning our Executive Officers as of August 31, 2012. Each of our Executive Officers is selected by our Board of Directors and holds office until his successor is elected and qualified.

| Name | Age | Offices Held and Business Experience during the Past Five Years |
|---|---|---|
| Peter R. Chase | 64 | Chairman of the Board of the Company since February 2007, and Chief Executive Officer of the Company since September 1993. |
| Adam P. Chase | 40 | President of the Company since January 2008, Chief Operating Officer of the Company since February 2007, Vice President Operations February 2006 through February 2007. Adam Chase is the son of Peter Chase. |
| Kenneth L. Dumas | 41 | Chief Financial Officer and Treasurer of the Company since February 2007, Director of Finance February 2006 through January 2007. |

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# PART II

## ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NYSE MKT under the symbol CCF. As of October 31, 2012, there were 423 shareholders of record of our Common Stock and we believe that there were approximately 2,863 beneficial shareholders who held shares in nominee name. On that date, the closing price of our common stock was $18.43 per share as reported by the NYSE MKT.

The following table sets forth the high and low daily sales prices for our common stock as reported by the NYSE MKT for each quarter in the fiscal years ended August 31, 2012 and 2011:

| | Fiscal 2012 | | Fiscal 2011 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $ 15.20 | $ 9.83 | $ 18.59 | $ 12.23 |
| Second Quarter | 16.94 | 12.25 | 16.60 | 14.06 |
| Third Quarter | 16.46 | 11.49 | 19.00 | 15.27 |
| Fourth Quarter | 17.07 | 10.80 | 17.21 | 11.39 |

Single annual cash dividend payments were declared and paid subsequent to year end in the amounts of $0.40, $0.35, and $0.35 per common share, for the years ended August 31, 2012, 2011 and 2010, respectively. Certain of our borrowing facilities contain financial covenants which may have the effect of limiting the amount of dividends that we can pay.

**Comparative Stock Performance**

The following line graph compares the yearly percentage change in our cumulative total shareholder return on the Common Stock for the last five fiscal years with the cumulative total return on the Standard & Poor's 500 Stock Index (the "S&P 500 Index"), and a composite peer index that is weighted by market equity capitalization (the "Peer Group Index"). The companies included in the Peer Group Index are American Biltrite Inc., Material Sciences Corporation, H.B. Fuller Company, Quaker Chemical Corporation and RPM International, Inc. Cumulative total returns are calculated assuming that $100 was invested on August 31, 2007 in each of the Common Stock, the S&P 500 Index and the Peer Group Index, and that all dividends were reinvested.

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| Chase Corp | $ 100 | $ 101 | $ 68 | $ 78 | $ 80 | $ 104 |
| S&P 500 Index | $ 100 | $ 89 | $ 73 | $ 76 | $ 90 | $ 107 |
| Peer Group Index | $ 100 | $ 99 | $ 77 | $ 83 | $ 104 | $ 143 |

The information under the caption "Comparative Stock Performance" above is not deemed to be "filed" as part of this Annual Report, and is not subject to the liability provisions of Section 18 of the Securities Exchange Act of 1934. Such information will not be deemed to be incorporated by reference into any filing we make under the Securities Act of 1933 unless we explicitly incorporate it into such a filing at the time.

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## ITEM 6 SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8 Financial Statements and Supplementary Data."

| | Fiscal Years Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| | (In thousands, except per share amounts) | | | | |
| **Statement of Operations Data** | | | | | |
| Revenues from continuing operations | $ 148,919 | $ 123,040 | $ 118,743 | $ 91,236 | $ 113,177 |
| Income from continuing operations, net of taxes | $ 9,264 | $ 10,931 | $ 10,726 | $ 5,315 | $ 11,061 |
| Income from discontinued operations, net of taxes | | | 1,790 | 1,070 | 1,313 |
| Net income | $ 9,264 | $ 10,931 | $ 12,516 | $ 6,385 | $ 12,374 |
| Add: net loss attributable to non-controlling interest, net of taxes | 74 | | | | |
| Net income attributable to Chase Corporation | $ 9,338 | $ 10,931 | $ 12,516 | $ 6,385 | $ 12,374 |
| Net income available to common shareholders, per common and common equivalent share: | | | | | |
| Basic: | | | | | |
| Continuing operations | $ 1.03 | $ 1.22 | $ 1.22 | $ 0.62 | $ 1.32 |
| Discontinued operations | | | 0.20 | 0.13 | 0.16 |
| Net income per common and common equivalent share | $ 1.03 | $ 1.22 | $ 1.42 | $ 0.75 | $ 1.48 |
| Diluted: | | | | | |
| Continuing operations | $ 1.03 | $ 1.22 | $ 1.21 | $ 0.60 | $ 1.27 |
| Discontinued operations | | | 0.20 | 0.12 | 0.15 |
| Net income per common and common equivalent share | $ 1.03 | $ 1.22 | $ 1.41 | $ 0.72 | $ 1.42 |
| **Balance Sheet Data** | | | | | |
| Total assets | $ 216,603 | $ 128,909 | $ 123,201 | $ 91,066 | $ 90,297 |
| Long-term debt and capital leases | 64,415 | 8,267 | 12,667 | | |
| Total stockholders' equity | 99,645 | 91,880 | 81,531 | 70,213 | 66,186 |
| Cash dividends paid per common and common equivalent share | $ 0.35 | $ 0.35 | $ 0.20 | $ 0.35 | $ 0.25 |

As further detailed in Note 16 to the Consolidated Financial Statements included in this Report, the Electronic Manufacturing Services business was sold in June 2010 and the financial results of this previously reported segment are classified as discontinued operations. We have reflected the results of this business as discontinued operations in the consolidated statement of operations for all periods presented.

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## ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides an analysis of our financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and notes thereto included in Item 8 of this Annual Report on Form 10-K.

***Selected Relationships within the Consolidated Statements of Operations***

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| | (Dollars in thousands) | | |
| Revenues from continuing operations | $ 148,919 | $ 123,040 | $ 118,743 |
| Income from continuing operations, net of taxes | $ 9,264 | $ 10,931 | $ 10,726 |
| Income from discontinued operations, net of taxes | | | 1,790 |
| Net income | 9,264 | 10,931 | 12,516 |
| Add: net loss attributable to non-controlling interest, net of taxes | 74 | | |
| Net income attributable to Chase Corporation | $ 9,338 | $ 10,931 | $ 12,516 |
| Increase in revenues from continuing operations from prior year | | | |
| Amount | $ 25,879 | $ 4,297 | $ 27,507 |
| Percentage | 21% | 4% | 30% |
| Increase/(Decrease) in net income from continuing operations, net of taxes from prior year | | | |
| Amount | $ (1,667) | $ 205 | $ 5,411 |
| Percentage | (15)% | 2% | 102% |
| Percentage of revenues from continuing operations: | | | |
| Revenues from continuing operations | 100% | 100% | 100% |
| Expenses: | | | |
| Cost of products and services sold | 68% | 65% | 63% |
| Selling, general and administrative expenses | 21 | 22 | 23 |
| Acquisition related costs | 2 | | |
| Income from continuing operations before income taxes | 9 | 13 | 14 |
| Income taxes | 3 | 4 | 5 |
| Income from continuing operations, net of taxes | 6 | 9 | 9 |
| Income from discontinued operations, net of taxes | | | 2 |
| Net income | 6% | 9% | 11% |

**Recent Developments**

On June 27, 2012, we 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, we also acquired NEPTCO's 50% ownership stake in a joint venture. The purchase price for the acquisition, net of cash received, was $62,217,000, subject to the finalization of purchase accounting, which is nearly complete pending the final working capital true up and deferred tax positions.

**Overview**

We completed the largest acquisition in the Company's history in June 2012. That coupled with continued strong demand for our wire and cable products contributed to increased revenues. Net income fell below prior year results primarily due to the expenses related to our acquisition of NEPTCO as well as defined benefit pension settlement costs and continued plant transition expenses related to our Randolph plant closing. Adjusting for these noted expenses, net income for the year exceeded prior year results. Increased revenue from the Industrial Materials

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segment was due to our acquisition of NEPTCO which contributed $14.8 million in fiscal 2012 as well as increased sales of our wire and cable products and greater demand for our laminated paper products. These increased revenues in fiscal 2012 were partially offset by decreased sales in our aerospace and transportation product markets. Additionally, the European Union economy continues to have a negative impact on the results of our European operations.

Revenues from our Construction Materials segment surpassed the prior year primarily due to sales of our pipeline products as well as increased sales of highway construction products over the final half of the fiscal year. Additionally, there was increased demand from our key private label customers in fiscal 2012 over the prior fiscal year.

In the upcoming fiscal year, our key objectives continue to be focused on our marketing and R&D efforts, and integrating the recently acquired NEPTCO operations. We will also be completing the move of our Randolph operations to our Oxford and Blawnox manufacturing plants. Our balance sheet continues to remain strong, with cash on hand of $15.2 million and a current ratio of 2.8. Our $15 million line of credit is fully available, while the balance of our unsecured term debt is $70 million.

The Company has two reportable segments summarized below:

| Segment | Product Lines | Manufacturing Focus and Products |
|---|---|---|
| Industrial Materials | Wire and Cable<br>Electronic Coatings<br>Custom Products<br>NEPTCO Products | Protective coatings and tape products including insulating and conducting materials for wire and cable manufacturers, moisture protective coatings for electronics and printing services, laminated durable papers, flexible composites and laminates for the aerospace, packaging and industrial laminate markets, pulling and detection tapes used in the installation, measurement and location of fiber optic cables, water and natural gas lines, and cover tapes essential to delivering semiconductor components via tape and reel packaging; the joint venture also produces fiber optic strength elements designed to allow fiber optic cables to withstand mechanical and environmental strain and stress. |
| Construction Materials | Pipeline<br>Construction Products<br>Private Label | Protective coatings and tape products including coating and lining systems for use in liquid storage and containment applications, protective coatings for pipeline and general construction applications, high performance polymeric asphalt additives, and expansion and control joint systems for use in the transportation and architectural markets. |

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**Results of Operations**

***Revenues and Operating Profit by Segment are as follows:***

| | Revenues | | Income from Continuing Operations Before Income Taxes | % of Revenues |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **Fiscal 2012** | | | | |
| Industrial Materials | $ | 95,988 | $ 17,203 (a) | 18% |
| Construction Materials | | 52,931 | 4,393 | 8% |
| | $ | 148,919 | 21,596 | 15% |
| Less corporate and common costs | | | (7,600)(b) | |
| Income from continuing operations before income taxes | | | $ 13,996 | |
| **Fiscal 2011** | | | | |
| Industrial Materials | $ | 75,744 | $ 16,450 (c) | 22% |
| Construction Materials | | 47,296 | 3,972 | 8% |
| | $ | 123,040 | 20,422 | 17% |
| Less corporate and common costs | | | (4,249) | |
| Income from continuing operations before income taxes | | | $ 16,173 | |
| **Fiscal 2010** | | | | |
| Industrial Materials | $ | 64,645 | $ 16,328 (d) | 25% |
| Construction Materials | | 54,098 | 6,367 (e) | 12% |
| | $ | 118,743 | 22,695 | 19% |
| Less corporate and common costs | | | (6,239) | |
| Income from continuing operations before income taxes | | | $ 16,456 | |

(a) Includes $828 of expenses related to inventory step up in fair value as part of the NEPTCO acquisition, and idle facility costs of $270 from our Paterson, NJ and Webster, MA facilities

(b) Includes $3,206 in acquisition related expenses

(c) Includes idle facility costs of $706 from our Paterson, NJ and Oxford, MA facilities

(d) Includes idle facility costs of $392 from our Paterson, NJ and Oxford, MA facilities

(e) Includes $434 in acquisition related expenses

***Total Revenues***

Total revenues in fiscal 2012 increased $25,879,000 or 21% to $148,919,000 from $123,040,000 in the prior year. Revenues in our Industrial Materials segment increased $20,244,000 or 27% to $95,988,000 for the year ended August 31, 2012 compared to $75,744,000 in fiscal 2011. The increase in revenues from our Industrial Materials segment in fiscal 2012 was primarily due to: (a) sales of $14,826,000 from NEPTCO operations which we acquired in June 2012; (b) increased sales of $4,912,000 from our wire & cable product line as we continue to benefit from strong demand in the power cable and communication cable markets; and (c) increased sales of $1,492,000 from our laminated durable paper products. These increases were partially offset by decreased sales in the aerospace and transportation market of $1,948,000.

Revenues from our Construction Materials segment increased $5,635,000 or 12% to $52,931,000 for the year ended August 31, 2012 compared to $47,296,000 for fiscal 2011. The increased sales from our Construction Materials segment in fiscal 2012 was primarily due to increased sales of: (a) $2,923,000 from our pipeline products due to greater demand for products produced at our UK facility; (b) $1,805,000 from our highway construction products; and (c) $767,000 from our private label products due to increased demand from some of our key customers.

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Royalties and commissions in the Industrial Materials segment were $2,425,000, $2,122,000 and $1,664,000 for the years ended August 31, 2012, 2011 and 2010, respectively. The increase in royalties and commissions in fiscal 2012 over the prior two fiscal years was due to increased sales of electronic coatings by our licensed manufacturer in Asia.

Export sales from domestic operations to unaffiliated third parties were $21,204,000, $19,715,000 and $17,946,000 for the years ended August 31, 2012, 2011 and 2010, respectively. The growth in our export sales in fiscal 2012 was due to $3,328,000 in export sales from our recent NEPTCO acquisition.

Total revenues in fiscal 2011 increased $4,297,000 or 4% to $123,040,000 from $118,743,000 in the prior year. Revenues in our Industrial Materials segment increased $11,099,000 or 17% to $75,744,000 for the year ended August 31, 2011 compared to $64,645,000 in fiscal 2010. The increase in revenues from our Industrial Materials segment in fiscal 2011 was primarily due to increased sales of: (a) $6,967,000 from our wire & cable product line as we benefitted from increased demand in the electrical cable market; (b) $2,219,000 in the electronic coatings product line, primarily due to increased demand in the industrial controls and automotive markets; and (c) $1,793,000 from our custom products product lines. Revenues from our Construction Materials segment decreased $6,802,000 or 13% to $47,296,000 for the year ended August 31, 2011 compared to $54,098,000 for fiscal 2010. The reduced sales from our Construction Materials segment in fiscal 2011 were primarily due to decreased sales of: (a) $4,603,000 from our private label products due to less demand for these products; (b) $1,230,000 from pipeline products produced at our UK facility as we experienced production challenges in meeting heavy Middle East demand in the latter half of fiscal 2011; and (c) $999,000 from our construction product lines as a result of decreased demand in the transportation and architectural markets.

***Cost of Products and Services Sold***

Cost of products and services sold increased $20,932,000 or 26% to $101,249,000 for the fiscal year ended August 31, 2012 compared to $80,317,000 in fiscal 2011. As a percentage of revenues, cost of products and services sold increased to 68% in fiscal 2012 compared to 65% for fiscal 2011.

The following table summarizes the relative percentages of costs of products and services sold to revenues for both of our operating segments:

| | **Fiscal Years Ended August 31,** | | |
|---|---|---|---|
| **Cost of products and services sold** | **2012** | **2011** | **2010** |
| Industrial Materials | 67% | 64% | 61% |
| Construction Materials | 69% | 67% | 66% |
| Total | 68% | 65% | 63% |

Cost of products and services sold in our Industrial Materials segment was $64,539,000 for the fiscal year ended August 31, 2012 compared to $48,474,000 in fiscal 2011. As a percentage of revenues, cost of products and services sold in this segment increased due to the following items: (a) expense of $828,000 due to the fair value inventory step up related to the NEPTCO acquisition; (b) moving expenses of $324,000 related to our plant transition from Webster to Oxford and Camberley to Winnersh; (c) accrued transition costs of $550,000 related to our move from our Randolph plant; and (d) certain supplier inconsistencies that resulted in excess waste and incremental expenses of $345,000 related to the utilization of specialized testing facilities for analyzing incoming raw materials for proper specifications.

Cost of products and services sold in our Construction Materials segment was $36,710,000 for the fiscal year ended August 31, 2012 compared to $31,843,000 in fiscal 2011. As a percentage of revenues, cost of products and services sold in the Construction Materials segment increased primarily due to higher raw material costs, increased sales of lower margin products, and decreased sales of higher margin products.

In fiscal 2011, cost of products and services sold increased $5,489,000 or 7% to $80,317,000 compared to $74,828,000 in the prior fiscal year. As a percentage of revenues, cost of products and services sold increased to 65% in fiscal 2011 compared to 63% for fiscal 2010. Cost of products and services sold in our Industrial Materials segment were $48,474,000 for the fiscal year ended August 31, 2011 compared to $39,340,000 in fiscal 2010. The percentage of revenues increase in the cost of products and services sold for the Industrial Materials segment was primarily due to rising prices in certain commodity and petroleum based raw materials impacting many of our product lines throughout the year. Additionally, we incurred incremental one-time expenses in the latter half of fiscal 2011 related to the transition of our Webster, MA production processes over to the Oxford, MA facility. Cost of products and services sold in our Construction Materials segment were $31,843,000 for the fiscal year ended August 31, 2011 compared to $35,488,000 in fiscal 2010. The increase in cost of products and services sold as a percentage of revenues in the Construction Materials segment during fiscal 2011 was primarily due to higher raw material costs which were partially offset by increased sales of our higher margin products and the resulting lower share of total sales that were made up of lower margin products.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased $3,392,000 or 13% to $30,172,000 during fiscal 2012 compared to $26,780,000 in fiscal 2011. As a percentage of revenues, selling, general and administrative expenses decreased to 21% in fiscal 2012 compared to 22% for fiscal 2011. The percentage decrease is attributable to our continued emphasis on controlling costs and leveraging fixed overhead.

During fiscal 2011, selling, general and administrative expenses increased $63,000 to $26,780,000, compared to $26,717,000 in fiscal 2010. As a percentage of revenues, selling, general and administrative expenses decreased to 22% in fiscal 2011 compared to 23% for fiscal 2010. This decrease was primarily due to lower stock based compensation expense in fiscal 2011 as compared to fiscal 2010. This decrease was partially offset by increased research and development, sales commissions and other selling related expenses resulting from increased revenues in fiscal 2011.

In fiscal 2012, bad debt expense, net of recoveries, increased $28,000 or 22% to $155,000, compared to $127,000 in fiscal 2011. The increase in bad debt expense in fiscal 2012 was primarily due to financial difficulties for some of our international customers as well as overall increased receivable balances due to higher sales. During fiscal 2011, bad debt expense, net of recoveries, decreased $51,000 or 29% to $127,000, compared to $178,000 in fiscal 2010. We continue with our strict adherence to our established credit policies and continue to closely monitor the accounts receivable function while taking a proactive approach to the collections process.

***Acquisition related costs***

In fiscal 2012, we incurred $3,206,000 of acquisition costs related to our acquisition of NEPTCO. This acquisition was accounted for as a business combination in accordance with the appropriate accounting standards, as such all related professional service fees (i.e., banking, legal, accounting, actuarial, etc.) were expensed as they were incurred during the year ended August 31, 2012. In fiscal 2010, we incurred $434,000 of acquisition costs related to our acquisitions of CIM and ServiWrap.

***Interest Expense***

Interest expense increased $202,000 to $398,000 in fiscal 2012 compared to $196,000 in fiscal 2011. The increase in interest expense in fiscal 2012 compared to fiscal 2011 is a direct result of the $70,000,000 term note related to the acquisition of NEPTCO. Interest expense decreased $164,000 to $196,000 in fiscal 2011 compared to $360,000 in fiscal 2010. The decrease in interest expense in fiscal 2011 compared to the prior fiscal year was primarily due to the capitalization of imputed interest on construction in process projects related to our Oxford, MA and Blawnox, PA facilities.

***Other Income***

Other income decreased $324,000 to $102,000 in fiscal 2012 compared to $426,000 in fiscal 2011. Other income (expense) primarily includes interest income and foreign exchange gains and losses caused by changes in exchange rates on transactions or balances denominated in currencies other than the functional currency of our subsidiaries. In fiscal 2012, other income includes a gain of $425,000 recognized on deposit payments previously received on the sale of our Evanston, IL property. We took back control and ownership of this leased asset which was previously sold by us under a seller financing arrangement (see Note 3 to the consolidated financial statements). The increase in other income is partially offset by the foreign exchange losses caused by the continued weakening of both the sterling and euro.

Other income increased $374,000 to $426,000 in fiscal 2011 compared to $52,000 in fiscal 2010. The increase in other income in fiscal 2011 from the prior year was primarily due to foreign exchange gains (losses) caused by the volatility of the pound sterling and the euro, and the subsequent revaluation of some of our European sales transactions completed in other functional currencies (and subsequently translated to the pound sterling and the euro).

***Income Taxes***

The effective tax rate for fiscal 2012 was 33.8% compared to 32.4% and 34.8% in fiscal 2011 and 2010, respectively. In all three years, we have received the benefit of the domestic production deduction and foreign rate differential. The increased effective tax rate in fiscal 2012 is primarily due to non-deductible acquisition related expenses offset by a continued favorable effective state income tax rate. The effective tax rate of 32.4% for fiscal 2011 compares favorably to 2010 due to an increase in the applicable domestic production deduction for the year to 9% (increased from 6% in fiscal 2010) and a more favorable effective state income tax rate in 2011.

***Non-controlling Interest***

The income (loss) from non-controlling interest relates to a joint venture in which we have, through our NEPTCO subsidiary, a 50% ownership stake. The joint venture, between NEPTCO and the joint venture partner (an otherwise unrelated party), is managed and operated on a day-to-day basis by NEPTCO. The purpose of this joint venture was to combine the elements of each member's fiber optic strength businesses.

***Net Income***

Consolidated net income in fiscal 2012 decreased $1,593,000 or 15% to $9,338,000 compared to $10,931,000 in fiscal 2011. The decrease in consolidated net income in fiscal 2012 was a result of the following factors: (a) $3,206,000 in acquisition related expenses; (b) expenses of $828,000 in inventory fair value step up related to the NEPTCO acquisition; and (c) acceleration of defined benefit plan settlement costs of $550,000 resulting from the timing of lump sum distributions to participants. In addition, there was an increase in plant transition and moving expenses of $874,000 during fiscal 2012.

Consolidated net income in fiscal 2011 decreased $1,585,000 or 13% to $10,931,000 compared to $12,516,000 in fiscal 2010. Income from continuing operations increased $205,000 or 2% to $10,931,000 for the year ended August 31, 2011 compared to $10,726,000 in fiscal 2010. The increase in net income from continuing operations in fiscal 2011 was a result of increased revenues offset by increased raw material costs. Income from discontinued operations of $1,790,000 for the year ended August 31, 2010 was from our Chase EMS business which was sold in June 2010.

**Other Important Performance Measures**

We believe that adjusted net income is a useful performance measure and is used by our executive management team and board of directors as a measure of operating performance, to allocate resources to enhance the financial performance of our business, to evaluate the effectiveness of our business strategies and in communications with our board of directors and investors concerning our financial performance. Adjusted net income is a non-GAAP financial measure.

We define adjusted net income as follows: net income attributable to Chase Corporation before costs related to our acquisitions, expenses related to inventory step-up to fair value, and settlement (gains) or losses resulting from lump sum distributions to participants from our defined benefit plan. Our definition of adjusted net income includes the current tax expense/(benefit) that would be payable/(realized) on our income tax return.

The use of adjusted net income has limitations and this performance measure should not be considered in isolation from, or as an alternative to, U.S. GAAP measures such as net income.

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The following unaudited table provides a reconciliation of net income attributable to Chase Corporation, the most directly comparable financial measure presented in accordance with U.S. GAAP, to adjusted net income for the periods presented:

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| Net income attributable to Chase Corporation | $ 9,338 | $ 10,931 | $ 12,516 |
| Acquisition related costs (a) | 3,206 | | 434 |
| Expense related to inventory step-up (b) | 828 | | 347 |
| Defined benefit plan settlement costs (c) | 550 | | |
| Tax effect of adjustments (d) | (1,377) | | (282) |
| Total adustments | 3,207 | | 499 |
| Adjusted net income | $ 12,545 | $ 10,931 | $ 13,015 |

(a) Represents costs related to our June 2012 acquisition of NEPTCO, September 2009 acquisition of CIM and December 2009 acquisition of ServiWrap

(b) Represents expenses related to the step-up in fair value of inventory through purchase accounting from the June 2012 acquisition of NEPTCO and September 2009 acquisition of CIM

(c) Represents pension related settlement costs due to the timing of lump sum distributions

(d) Represents the theoretical current income tax associated with the adjustments presented above. The theoretical current income tax was calculated by multiplying each adjustment, which relate to the jurisdictions where such items would provide tax expense/(benefit), by the applicable tax rates

**Liquidity and Sources of Capital**

Our overall cash balance increased $198,000 to $15,180,000 at August 31, 2012 from $14,982,000 at August 31, 2011. The increased cash balance at August 31, 2012 was a result of cash flows generated from operations during the fiscal year and $7,268,000 in cash acquired as part of the NEPTCO acquisition, offset by principal payments on outstanding debt, equipment purchases, and payment of our annual dividend. Our overall cash balance decreased $2,358,000 to $14,982,000 at August 31, 2011 from $17,340,000 at August 31, 2010. The decreased cash balance at August 31, 2011 was a result of cash on hand used for strategic purchases of key raw materials, payment of our annual dividend in December 2010, debt repayments and purchases of machinery and equipment including improvements made to our Oxford, MA facility. These cash outflows were partially offset by cash generated from operations during the fiscal 2011 year.

Cash provided by operations was $13,946,000 for the year ended August 31, 2012 compared to $9,303,000 in fiscal 2011 and $11,346,000 in fiscal 2010. Cash provided by operations during fiscal 2012 was primarily due to operating income and decreased inventory as a result of higher sales volumes, offset by decreased accounts payable and increased accounts receivable balances. Cash provided by operations during fiscal 2011 was primarily due to operating income offset by increased purchases of inventory, as we strategically built up our inventory to facilitate certain manufacturing plant transition plans as well as making bulk purchases of key raw materials to take advantage of favorable pricing terms. Cash provided by operations during fiscal 2010 was primarily due to operating income and increased accounts payable and accrued expense balances, offset by increased accounts receivable and inventory balances.

The ratio of current assets to current liabilities was 2.8 as of August 31, 2012 compared to 2.9 as of August 31, 2011. The decrease in our current ratio at August 31, 2012 was primarily attributable to the increase in the current debt as a result of the NEPTCO acquisition.

Cash used in investing activities was $67,090,000 for the year ended August 31, 2012 compared to $4,172,000 in fiscal 2011 and $17,329,000 in fiscal 2010. During fiscal 2012, cash used in investing activities was primarily due to payments totaling $62,217,000, net of cash acquired, for the acquisition of NEPTCO and $5,256,000 paid for purchases of machinery and equipment at our manufacturing locations. During fiscal 2011, cash used in investing activities was primarily due to $1,930,000 paid for machinery and equipment and improvements made for our Oxford, MA facility, $827,000 paid for machinery and equipment and improvements made for our facility in O'Hara Township, PA, $605,000 paid related to the build out of our leased property in Winnersh, UK, and cash paid for purchases of machinery and equipment at our other manufacturing locations.

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These cash outflows were partially offset by additional proceeds during fiscal 2011 of $1,478,000 received from the sale of our Chase EMS business. During fiscal 2010, cash used in investing activities was primarily due to payments totaling $25,592,000 for the acquisitions of CIM and ServiWrap, and $3,572,000 paid for purchases of machinery and equipment at our other manufacturing locations. This was partially offset by the $12,689,000 of net proceeds received from the sale of our discontinued operations.

Cash provided by financing activities was $53,508,000 for the year ended August 31, 2012 compared to cash used in financing activities of $7,729,000 in fiscal 2011 and cash provided by financing activities of $11,664,000 in fiscal 2010. During fiscal 2012, cash provided by financing activities resulted from $70,000,000 in term debt used to finance our acquisition of NEPTCO, offset by payments of $10,667,000 to retire our previously held term notes with Bank of America and RBS Citizens, payments on our line of credit arrangement, as well as payment of our annual dividend. Additionally, we paid the final two scheduled promissory note payments of $1,000,000 each to the CIM shareholders in accordance with the CIM stock purchase agreement, described in more detail below. During fiscal 2011, cash used in financing activities reflected our annual dividend payment and payments made on the bank loans we used to finance our prior year acquisitions of CIM and ServiWrap. Additionally, we paid the first of three scheduled promissory note payments of $1,000,000 to the CIM shareholders in accordance with the CIM stock purchase agreement. During fiscal 2010, cash provided by financing activities resulted from a total of $17,000,000 in term debt used to finance our acquisitions of CIM and ServiWrap. These were partially offset by payments made on the acquisition loans and our line of credit arrangement, as well as our annual dividend.

On October 13, 2011, we announced a cash dividend of $0.35 per share (totaling $3,165,000), to shareholders of record on October 31, 2011 and payable on December 5, 2011.

On October 23, 2012, we announced a cash dividend of $0.40 per share (totaling approximately $3,601,000), to shareholders of record on November 2, 2012 and payable on December 5, 2012.

We borrowed $10,000,000 from Bank of America in September 2009 in order to fund our acquisition of CIM. This borrowing involved an unsecured, three year term note (the "Term Note") with interest and principal payments due monthly. Interest was calculated at the applicable London Interbank Offered Rate (LIBOR) rate plus a margin of 175 basis points, with interest payments due on the last day of each month. In addition to monthly interest payments, we were repaying the principal in equal installments of $167,000 per month, beginning on September 30, 2009, and on the last day of each month thereafter until maturity. Prepayment of the Term Note was allowed at any time during the term of the loan. In November 2011, we executed an amendment to this Term Note, extending the maturity from August 31, 2012 to August 31, 2014. The Term Note was retired in June 2012, as described below.

As part of the CIM acquisition in September 2009, we also delivered an aggregate of $3,000,000 in non-negotiable promissory notes (the "Notes") payable to five CIM shareholders, who were the holders of all of the issued and outstanding shares of capital stock of CIM as of the acquisition date. The principal of the Notes was paid in three consecutive annual installments of $1,000,000 each. Interest on the unpaid principal balance of the Notes was accruing at a rate per annum equal to the applicable Federal rate, and was paid annually with each principal payment. We paid the first installment on the Notes in September 2010, the second installment was paid in September 2011, and the third and final installment was paid in August 2012.

In December 2009, we borrowed $7,000,000 from RBS Citizens in order to fund our acquisition of the ServiWrap product lines. This borrowing involved an unsecured, three year term note (the "Term Loan") with interest and principal payments due monthly. Interest was calculated at the applicable LIBOR rate plus a margin of 190 basis points, with interest payments due on the last day of each month. In addition to monthly interest payments, we were repaying the principal in equal installments of $117,000 each, beginning on January 15, 2010, and on the 15th day of each month thereafter until maturity. Prepayment of the Term Loan was allowed at any time. In February 2012, we executed an amendment to this Term Loan, extending the maturity from December 15, 2012 to December 15, 2014. The Term Loan was retired in June 2012, as described below.

In June 2012, as part of our acquisition of NEPTCO, Inc., we borrowed $70,000,000 under a five year term debt financing arrangement led and arranged by Bank of America, with participation from RBS Citizens (the "Credit Facility"). The applicable interest rate is based on the effective LIBOR plus a range of 1.75% to 2.25%, depending on our consolidated leverage ratio. At August 31, 2012, the applicable interest was 2.25% per annum and the outstanding principal amount was $70,000,000. We are required to repay the principal amount of the term loan in quarterly installments of $1,400,000 beginning in September 2012 through June 2014, increasing to $1,750,000

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per quarter thereafter through June 2015, and to $2,100,000 per quarter thereafter through March 2017. The Credit Facility matures in June 2017. Prepayment of the Credit Facility is allowed at any time.

As part of the financing for this acquisition, we retired all of our pre-existing debt (the Term Note and Term Loan noted above) with Bank of America and RBS Citizens. Additionally, we obtained a new revolving line of credit (the "Revolver") totaling $15,000,000 which replaced our then existing $10,000,000 line. The Revolver bears interest at LIBOR plus a range of 1.75% to 2.25%, depending on our consolidated leverage ratio, or, at our option, at the bank's base lending rate. As of August 31, 2012 and October 31, 2012, the entire amount of $15,000,000 was available for use. The Revolver is scheduled to mature in June 2017. This Revolver allows for increased flexibility for working capital requirements going forward, and we plan to use this availability to help finance our cash needs, including potential acquisitions, in fiscal 2013 and future periods.

The Credit Facility with Bank of America contains customary affirmative and negative covenants that, among other things, restrict our ability to incur additional indebtedness. It also requires us to maintain a ratio of consolidated indebtedness to consolidated EBITDA (each as defined in the facility) of no more than 3.00 to 1.00, and to maintain a consolidated fixed charge coverage ratio (as calculated in the facility) of at least 1.25 to 1.00. We were in compliance with our debt covenants as of August 31, 2012.

We currently have several on-going capital projects that are important to our long term strategic goals. We continue to renovate our Oxford, MA, and Blawnox, PA facilities in anticipation of the relocation of our operations from Randolph, MA. We expect that this transition will be completed by December 2012. Machinery and equipment will also be added as needed to increase capacity or enhance operating efficiencies in our other manufacturing plants.

We may consider the acquisition of companies or other assets this year or in future periods which are complementary to our business. We believe that our existing resources, including cash on hand and our Revolver, together with cash generated from operations and additional bank borrowings, will be sufficient to fund our cash flow requirements through at least the next twelve months. However, there can be no assurances that additional financing will be available on favorable terms, if at all.

To the extent that interest rates increase in future periods, we will assess the impact of these higher interest rates on the financial and cash flow projections of our potential acquisitions.

We have no significant off balance sheet arrangements.

**Contractual Obligations**

The following table summarizes our contractual cash obligations at August 31, 2012 and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

| **Contractual Obligations** | **Total** | **Payments Due Less than 1 Year** | **Payments Due 1 - 3 Years** | **Payments Due 4 - 5 Years** | **Payments After 5 Years** |
|---|---|---|---|---|---|
| | **(Dollars in thousands)** | | | | |
| Long-term debt including estimated interest | $ 76,010 | $ 7,128 | $ 15,254 | $ 53,628 | $ |
| Operating leases | 8,084 | 827 | 1,513 | 1,338 | 4,406 |
| Capital leases | 79 | 40 | 32 | 7 | |
| Purchase Obligations | 8,444 | 8,347 | 97 | | |
| **Total** (1) (2) | $ 92,617 | $ 16,342 | $ 16,896 | $ 54,973 | $ 4,406 |

(1) We may be required to make payments related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with these unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of $1,180,000 as of August 31, 2012 have been excluded from the contractual obligations table above. See Note 7 "Income Taxes" to the Consolidated Financial Statements for further information.

(2) This table does not include the expected payments for our obligations for pension and other post-retirement benefit plans. As of August 31, 2012, we had recognized an accrued benefit liability of $7,917,000 representing the unfunded benefit obligations of the pension benefit plans. See Note 9 "Benefits and Pension Plans" to the Consolidated Financial Statements for further information, including expected pension benefit payments for the next 10 years.

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**Recently Issued Accounting Standards**

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("ASU 2011-04"). This clarifies existing fair value measurement and disclosure requirements, amends certain fair value measurement principles and requires additional disclosures about fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have an impact on our consolidated financial position, results of operations or cash flows as it only required additional footnote disclosures.

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, we 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. The items that must be reported in other comprehensive income were not changed. In December 2011, the FASB issued ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05," ("ASU 2011-12") which amends ASU 2011-05 by indefinitely deferring the requirement under ASU 2011-05 to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. We adopted ASU 2011-05 with retrospective application as required, except for the components of ASU 2011-05 which were indefinitely deferred by ASU 2011-12, and have included in our consolidated financial statements separate statements of comprehensive income. The adoption of ASU 2011-05 did not have an impact on our consolidated financial position, results of operations or cash flows as it only required 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 did not have an impact on our consolidated financial position, results of operations or cash flows.

**Critical Accounting Policies, Judgments, and Estimates**

The U.S. Securities and Exchange Commission ("SEC") requires companies to provide additional disclosure and commentary on their most critical accounting policies. The SEC has defined the most critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and operating results, and requires management to make its most significant estimates and judgments in the preparation of its consolidated financial statements. Our critical accounting policies are described below.

*Accounts Receivable*

We evaluate the collectability of accounts receivable balances based on a combination of factors. In cases where we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations to us, a specific allowance against amounts due to us is recorded, and thereby reduces the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due, industry and geographic concentrations, the current business environment and our historical experience. If the financial condition of our customers deteriorates or if economic conditions worsen, additional allowances may be required in the future, which could have an adverse impact on our future operating results.

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*Inventories*

We value inventory at the lower of cost or market using the first-in, first-out (FIFO) method. Management assesses the recoverability of inventory based on types and levels of inventory held, forecasted demand and changes in technology. These assessments require management judgments and estimates, and valuation adjustments for excess and obsolete inventory may be recorded based on these assessments. We estimate excess and obsolescence exposures based upon assumptions about future demand, product transitions, and market conditions and record reserves to reduce inventories to their estimated net realizable value. The failure to accurately forecast demand may lead to additional excess and obsolete inventory and future charges.

*Business Combinations*

We assign the value of the consideration transferred to acquire a business to the tangible assets and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. We assess the fair value of assets, including intangible assets, using a variety of methods and each asset is measured at fair value from the perspective of a market participant. The method used to estimate the fair values of intangible assets incorporates significant assumptions regarding the estimates a market participant would make in order to evaluate an asset, including a market participant's use of the asset and the appropriate discount rates for a market participant. Assets recorded from the perspective of a market participant that are determined to not have economic use for us are expensed immediately. Any excess purchase price over the fair value of the net tangible and intangible assets acquired is allocated to goodwill. Transaction costs and restructuring costs associated with a transaction to acquire a business are expensed as incurred.

*Goodwill, Intangible Assets, and Other Long-Lived Assets*

Long-lived assets consist of goodwill, identifiable intangible assets, trademarks, patents and agreements and property, plant, and equipment. Intangible assets and property, plant, and equipment, excluding goodwill, are amortized using the straight-line method over their estimated useful life. We review long-lived assets and all intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Goodwill is also reviewed at least annually for impairment. Factors which we consider important and that could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. We determine whether an impairment has occurred based on gross expected future cash flows for each reporting unit and measure the amount of the impairment based on the related future discounted cash flows for the respective reporting unit. The cash flow estimates used to determine impairment, if any, contain management's best estimates, using appropriate and customary assumptions and projections at the time. (See Note 4 to the Consolidated Financial Statements included in this Report.)

The estimates of expected cash flows require us to make significant judgments regarding future periods that are subject to some factors outside of our control. Changes in these estimates can result in significant revisions to the carrying value of these assets and may result in material charges to the results of operations.

*Revenue Recognition*

We recognize revenue when persuasive evidence of an arrangement exists, performance of our obligation is complete, our price to the buyer is fixed or determinable, and we are reasonably assured of collecting. This is typically at the time of shipment, or upon receipt by the customer. If a loss is anticipated on any contract, a provision for the entire loss is made immediately. Revenue recognition involves judgments and assessments of expected returns, and the likelihood of nonpayment due to insolvent customers. We analyze various factors, including a review of specific customer contracts and shipment terms, historical experience, creditworthiness of customers and current market and economic conditions in determining when to recognize revenue. Changes in judgments on these factors could impact the timing and amount of revenue recognized with a resulting impact on the timing and amount of associated income. Commissions are recognized when earned and payments are received from the manufacturers represented. Royalty revenue is recognized based on licensee production statements received from the authorized manufacturers. Billed shipping and handling fees are recorded as sales revenue with the associated costs recorded as costs of products and services sold.

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*Contingent Income Tax Liabilities*

We are subject to routine income tax audits that occur periodically in the normal course of business. Our contingent income tax liabilities are estimated based on the methodology prescribed in the guidance for accounting for uncertain tax positions, which we adopted as of the beginning of fiscal 2008. The guidance prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Our liabilities related to uncertain tax positions require an assessment of the probability of the income-tax-related exposures and settlements and are influenced by our historical audit experiences with various state and federal taxing authorities as well as by current income tax trends. If circumstances change, we may be required to record adjustments that could be material to our reported financial condition and results of operations. See Note 7 to the Consolidated Financial Statements included in this Report for more information on our accounting for uncertain tax positions.

*Deferred Income Taxes*

We evaluate the need for a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

*Stock Based Compensation*

We measure compensation cost for share-based compensation at fair value, including estimated forfeitures, and recognize the expense over the period that the recipient is required to provide service in exchange for the award, which generally is the vesting period. We use the Black-Scholes option pricing model to measure the fair value of stock options. This model requires significant estimates related to the award's expected life and future stock price volatility of the underlying equity security. In determining the amount of expense to be recorded, we are also required to estimate forfeiture rates for awards, based on the probability that employees will complete the required service period. We estimate the forfeiture rate based on historical experience. If actual forfeitures differ significantly from our estimates, additional adjustments to compensation expense may be required in future periods.

*Pension Benefits*

We sponsor a non-contributory defined benefit pension plan covering employees of certain divisions of the Company. In calculating our retirement plan obligations and related expense, we make various assumptions and estimates. These assumptions include discount rates, benefits earned, expected return on plan assets, mortality rates, and other factors. While we believe that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our pension obligations and future expense.

Effective December 1, 2008, the defined benefit pension plan was amended to include a soft freeze whereby any employee hired after the effective date of December 1, 2008 will not be admitted to the plan. The only exception relates to employees of the International Association of Machinists and Aerospace Workers Union whose contract was amended recently to include a soft freeze whereby any employees hired after the effective date of July 15, 2012 will not be admitted to the plan. All eligible participants who were previously admitted to the plan prior to the December 1, 2008 and July 15, 2012 soft freeze dates, respectively, will continue to accrue benefits as detailed in the plan agreements.

NEPTCO has a defined benefit pension plan covering substantially all of our union employees at our Pawtucket, RI plant. This plan was frozen effective October 31, 2006, and as a result, no new participants can enter the plan and the benefits of current participants were frozen as of that date. The benefits are based on years of service and the employee's average compensation during the earlier of five years before retirement, or October 31, 2006.

We account for our pension plans following the requirements of ASC Topic 715, "Compensation Retirement Benefits" ("ASC 715"). ASC 715 requires an employer to: (a) recognize in its statement of financial position the funded status of a benefit plan; (b) measure defined benefit plan assets and obligations as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise but are not recognized as components of net periodic benefit costs pursuant to prior existing guidance.

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**Impact of Inflation**

Inflation has not had a significant long-term impact on our earnings. In the event of significant inflation, our efforts to recover cost increases would be hampered as a result of the competitive nature of the industries in which we operate.

**Forward-Looking Information**

From time to time, we may publish, verbally or in written form, forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, acquisition or consolidation strategies, anticipated sources of capital, research and development activities and similar matters. In fact, this Form 10-K (or any other periodic reporting documents required by the Securities Exchange Act of 1934, as amended) may contain forward-looking statements reflecting our current views concerning potential or anticipated future events or developments, including our strategic goals for future fiscal periods. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. We caution investors that any forward-looking statements made by us are not guarantees of future performance and that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. The risks and uncertainties which may affect the operations, performance, development and results of our business include, but are not limited to, the following: uncertainties relating to economic conditions; uncertainties relating to customer plans and commitments; the pricing and availability of equipment, materials and inventories; the impact of acquisitions on our business and results of operations; technological developments; performance issues with suppliers and subcontractors; our ability to renew existing credit facilities or to obtain new or additional financing as needed; economic growth; delays in testing of new products; rapid technology changes and the highly competitive environment in which we operate. These risks and uncertainties also include those risks outlined under Item 1A (Risk Factors) of this Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

## ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We limit the amount of credit exposure to any one issuer. At August 31, 2012, other than our restricted investments (which are restricted for use in a non-qualified retirement savings plan for certain key employees and members of the Board of Directors), all of our funds were either in demand deposit accounts or investment instruments that meet high credit quality standards such as money market funds, government securities, or commercial paper.

Our domestic operations have limited currency exposure since substantially all transactions are denominated in U.S. dollars. However, our European operations are subject to currency exchange fluctuations. We continue to review our policies and procedures to reduce this exposure while maintaining the benefit from these operations and sales to other European customers. As of August 31, 2012, the Company had cash balances in the following foreign currencies (with USD equivalents):

| Currency Code | Currency Name | USD Equivalent at August 31, 2012 | |
|---|---|---|---|
| GBP | British Pound | $ | 4,138,000 |
| EUR | Euro | $ | 1,075,000 |
| CNY | Chinese Yuan | $ | 204,000 |
| CAD | Canadian Dollar | $ | 174,000 |

We will continue to review our current cash balances denominated in foreign currency in light of current tax guidelines and potential acquisitions.

We recognized a foreign currency translation loss for the year ended August 31, 2012 in the amount of $904,000 related to our European operations which is recorded in other comprehensive income (loss) within our Statement of Equity. We do not have or utilize any derivative financial instruments.

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## ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements of Chase Corporation are filed as part of this Annual Report on Form 10-K:

Index to Consolidated Financial Statements:

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Chase Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, equity and cash flows present fairly, in all material respects, the financial position of Chase Corporation and its subsidiaries at August 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2012, based on criteria established in *Internal Control  Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Item 9A, "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in "Management's Report on Internal Control over Financial Reporting," included in Item 9A, management has excluded NEPTCO, Inc. from its assessment of internal control over financial reporting as of August 31, 2012, because it was acquired by the Company in a business combination during the fiscal year ended August 31, 2012. We have also excluded NEPTCO, Inc. from our audit of internal control over financial reporting. NEPTCO, Inc. is a wholly-owned subsidiary whose total assets and revenues represent 39% and 10%, respectively, of the related consolidated financial statement amounts as of and for the year ended August 31, 2012.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Boston, MA
November 14, 2012

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**CHASE CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

*In thousands, except share and per share amounts*

| | August 31, 2012 | August 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash & cash equivalents | $ 15,180 | $ 14,982 |
| Accounts receivable, less allowance for doubtful accounts of $817 and $473 | 31,621 | 19,103 |
| Inventories | 32,323 | 20,841 |
| Prepaid expenses and other current assets | 1,810 | 1,502 |
| Assets held for sale (Note 19) | | 1,004 |
| Deferred income taxes | 2,855 | 559 |
| Total current assets | 83,789 | 57,991 |
| Property, plant and equipment, net | 49,279 | 28,594 |
| Other Assets | | |
| Goodwill | 38,793 | 18,060 |
| Intangible assets, less accumulated amortization of $12,847 and $10,374 | 36,363 | 16,185 |
| Cash surrender value of life insurance | 7,145 | 6,915 |
| Restricted investments | 874 | 740 |
| Deferred income taxes | | 332 |
| Other assets | 244 | 92 |
| | $ 216,487 | $ 128,909 |
| **LIABILITIES AND EQUITY** | | |
| Current Liabilities | | |
| Accounts payable | $ 11,559 | $ 7,276 |
| Accrued payroll and other compensation | 5,219 | 2,624 |
| Accrued expenses | 6,005 | 4,237 |
| Accrued income taxes | 1,892 | 1,387 |
| Current portion of long-term debt | 5,600 | 4,400 |
| Total current liabilities | 30,275 | 19,924 |
| Long-term debt, less current portion | 64,400 | 8,267 |
| Deferred compensation | 1,775 | 1,597 |
| Accumulated pension obligation | 7,702 | 6,713 |
| Other liabilities | 92 | 528 |
| Deferred income taxes | 12,598 | |
| Commitments and Contingencies (Notes 6, 8 and 20) | | |
| 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; 9,001,582 shares at August 31, 2012 and 8,952,910 shares at August 31, 2011 issued and outstanding | 900 | 895 |
| Additional paid-in capital | 12,109 | 10,678 |
| Accumulated other comprehensive loss | (5,030) | (3,666) |
| Retained earnings | 90,146 | 83,973 |

| | | |
|---|---|---|
| Chase Corporation stockholders' equity | 98,125 | 91,880 |
| Non-controlling interest related to NEPTCO joint venture (Note 15) | 1,520 | |
| Total equity | 99,645 | 91,880 |
| Total liabilities and equity | $ 216,487 | $ 128,909 |

See accompanying notes to the consolidated financial statements.