

Edgar Filing: CHASE CORP - Form 10-K/A

General Development and Industry Segment.

Chase Corporation (the "Company") is a multi-divisional advanced manufacturing company providing industrial products to a wide variety of industries including wire and cable, construction and electronics. During fiscal 1991, the Company implemented a strategy of maximizing the core businesses while seeking future opportunities through selective acquisitions. During 1992, a facility that manufactures tape and related products in Webster, Massachusetts became operational. In April 1992, the Company acquired certain tape product lines and associated assets for cash from The Stewart Group, Ltd. This division, Chase Canada, maintains manufacturing operations in Winnipeg, Manitoba, Canada. Effective May 25, 1994, the Company purchased the electrical cable insulation tape product lines and certain associated assets from Haartz Mason, Inc. and these products were folded into the Chase & Sons division. On June 5, 1995, the Company formed a joint venture with The Stewart Group, Ltd. which was called The Stewart Group, Inc. This venture produced a variety of dielectric strength members from composite materials and sold into the fiber optic cable market. The original investment was increased on February 1, 1996 and at that time the Company owned 42% of the venture. It was announced on May 16, 1997 that the majority of the assets related to the original business were sold to Owens Corning. The venture will continue to provide consulting services to Owens Corning while pursuing other market opportunities. On June 29, 1995, certain assets of Fluid Polymers, Inc. of Las Vegas, Nevada were acquired and then relocated to the Royston facility. On August 7, 1996 the Company announced that it had purchased a 20% interest in DC Scientific and then purchased a controlling interest on January 16, 1997. On January 27, 1999 the Company acquired the remaining interest of DC Scientific Inc. and changed the name to Sunburst Electronic Manufacturing Solutions Inc., (Sunburst EMS). The Company expanded its electronic manufacturing holding on May 26, 1999 with the acquisition of RWA, Inc, Melrose, MA. and acquired the assets of NETCO Automation, Inc. effective February 1, 2000. Northeast Quality Products, Co. Inc., Newburyport, MA, a specialty printer producing custom pressure sensitive labels, was acquired July 29, 1999. There have not been any other material changes or developments since September 1, 2000.

As of October 31, 2000 the Company employed approximately 347 people.

Products and Markets.

The Company's principal products are protective coatings and tape products that are sold by Company salespeople and manufacturers' representatives. 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 and public utilities; (ii) protective pipe coating tapes and other protectants for valves, regulators, casings, joints, metals, concrete, and wood that are sold to oil companies, gas utilities, and pipeline companies; (iii) protectants for highway bridge deck metal supported surfaces sold to municipal transportation authorities; (iv) thermo-electric insulation for transformers, motors, and other electrical equipment that are sold to original equipment manufacturers; (v) moisture protective coatings that

- 2 -

are sold to the electronics industry. The Company's electronic manufacturing group, Sunburst EMS, RWA, Inc. and NETCO Automation, provide circuit board assembly services to electronic goods manufacturers. There are no material seasonal aspects to the Company's business and the Company has introduced no new products or segments requiring an investment of a material amount of the Company's

Edgar Filing: CHASE CORP - Form 10-K/A

assets.

Backlog, Customers and Competition.

As of October 31, 2000, the backlog of orders believed to be firm was about \$12,951,000, of which \$9,974,000 was related to our electronic contract-manufacturing group. This compared with a total of \$7,888,000 as of October 29, 1999 with \$5,949,000 associated with electronic manufacturing. The backlog is not seasonal. Prior to fiscal 1999, no domestic customer accounted for more than ten percent of sales. During fiscal years 2000 and 1999 one customer accounted for approximately 12% and 15%, respectively, of total sales. No material portion of the Company's business is subject to renegotiation or termination of profits or contracts at the election of the government.

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

Raw Materials.

The Company obtains raw materials from a wide variety of suppliers with alternative sources of all essential materials available within reasonable lead times.

Patents, Trademarks, Licenses, Franchises and Concessions.

Other than Humiseal, a trademark for moisture protective coatings sold to the electronics industry, Chase BLH2OCK, a trademark for water blocking compound sold to the wire and cable industry, and Rosphalt50, a trademark for an asphalt additive used predominantly on bridge decks for waterproofing protection, there are no material trademarks, licenses, franchises, or concessions. The Company holds various patents, but believes that at this time they are not material to the success of the business.

Working Capital and Research and Development.

There are no special practices followed by the Company relating to working capital. Approximately \$620,000, \$618,000, and \$574,000 was spent for Company-sponsored research and development during the fiscal years 2000, 1999 and 1998, respectively.

Financial Information about Foreign and Domestic Operations and Export Sales.

Export sales from continuing domestic operations to unaffiliated third parties were \$4,936,000, \$4,460,000, and \$5,207,000 for the years ended August 31, 2000, 1999 and 1998, respectively. The Company does not anticipate any material change to export sales during fiscal 2001. The Company's products are sold worldwide with no foreign geographic area accounting for more than 10% of revenues. The Company's Canadian operations accounted for 5.4% of consolidated sales and 2.0% of its

- 3 -

assets.

The Company has very limited currency exposure since all invoices, except those from the Canadian operation to Canadian customers, are denominated in US dollars. The Company maintains minimal cash balances in Canada and, other than the currency conversion effects on the fixed assets in Canada, which are deferred and recorded directly in equity per FAS52, and reported in the Statement of Changes in Equity per FAS 130, there are no significant assets held in foreign currencies. The Company does not engage in hedging activities. Foreign currency transaction gains or losses have not been material.

Edgar Filing: CHASE CORP - Form 10-K/A

Item 1A. Executive Officers of the Registrant.

The following table sets forth information concerning the Company's Executive officers. Each officer is selected by the Company's Board of Directors and holds office until his successor is elected and qualified.

Name	Age	Offices Held and Business Experience during Past Five Years.
Peter R. Chase	52	Chief Executive Officer of the Company since September 1993 and President of the Company since April 1992; Chief Operating Officer of the Company since September 1988.
Everett Chadwick, Jr.	59	Treasurer of the Company since September 1993 and Chief Financial Officer since September, 1992; Director of Finance of the Company from April 1991 to August 1993 and Controller of the Company from September 1988 to August 1993.

ITEM 2. Properties

During 1998 the Company purchased a building containing about 5,200 square feet located in Bridgewater, Massachusetts to which it relocated its principle executive office. The Company also rents a modern one-story building of approximately 5,000 square feet in Woodside, New York, which is used by the conformal coatings division.

Chase & Sons, a division engaged in the manufacture and sale of electrical protective coatings and tape products, uses offices and plants owned by the Company that are located on seven acres in Randolph, Massachusetts and consist of a three-story building containing about 10,500 square feet and ten one-story buildings, aggregating about 67,000 square feet. Also, this division had previously leased about 25,000 square feet of manufacturing space in Webster, Massachusetts. During March, 2000, the Company executed its option to purchase the facility. This plant manufactures tape and related products for the electronic and telecommunication industries.

The Canadian division of the Company is engaged in the process of laminating and slitting film, foils and papers primarily for the wire and cable industry. This division leases about 14,000 square feet of

- 4 -

manufacturing space in Winnipeg, Manitoba, Canada.

The Royston and Fluid Polymers divisions use offices and a plant, owned by the Company, that are located on three acres in Pittsburgh, Pennsylvania. The facilities consist of thirteen buildings, three of which are used for offices, one of which is rented as a residence and the rest of which are used as manufacturing and warehouse facilities. These facilities, excluding the residence, contain about 44,000 square feet and are used in the manufacture and sale of protective coatings and tape products.

A subsidiary of the Company, Northeast Quality Products Co., Inc., is a specialty printer producing custom pressure-sensitive labels and leases about 15,000 square foot of space in Newburyport, Ma.

Edgar Filing: CHASE CORP - Form 10-K/A

Sunburst EMS, RWA, Inc. and NETCO Automation provide electronic manufacturing services. Sunburst EMS leases 35,700 square feet in West Bridgewater, MA. and RWA rents about 21,000 square feet in Melrose, MA. NETCO Automation leases about 7000 square feet in a building located in Haverhill, MA.

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. The company also owns equipment and machinery that is in good repair and, in the opinion of management, adequate and suitable for present operations. The Company could significantly add to its capacity by increasing shift operations. Availability of machine hours through additional shifts would provide expansion of current product volume without significant additional capital investment.

Item 3. Legal Proceedings.

The Company has no material legal matters to report.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of the Company's security holders during the fourth quarter of the Company's last fiscal year.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

The Company's common stock is traded on the American Stock Exchange (Symbol CCF). The approximate number of shareholder's of common stock on October 31, 2000 was 1735.

The quarterly high and low sales prices for the Company's common stock over the last two years were as follows:

- 5 -

Quarter Ended	Year ended August 31, 2000 Sales Price		Year ended August 31, 1999 Sales Price	
	High	Low	High	Low
November 30	12 1/2	9 1/8	16 5/8	8 7/8
February 29 & 28	12 1/8	9 13/16	13 1/4	11
May 31	11 3/4	9 5/8	12 1/2	9 1/8
August 31	11 3/8	9	12 3/4	10 3/4

Edgar Filing: CHASE CORP - Form 10-K/A

Item 6. Selected Financial Data.

	2000	1999	1998	1997	1996
Net Sales and other operating revenues	\$68,551,490	\$49,569,430	\$46,639,338	\$40,991,125	\$34,366,029
Inc from operations	5,443,923	4,870,677	4,101,643	2,811,460	2,194,985
Equity in earnings of unconsolidated joint venture	326,000	238,000	195,000	195,375	82,965
Minority Participation in Subsidiary	-	-	99,633	107,585	303,680
Gain in sale of assets from unconsolidated joint venture	-	-	1,718,425	-	-
Net Income	5,769,923	5,208,310	6,122,653**	3,312,515	2,277,950
Total Assets	45,352,786	38,984,136	25,261,786	22,635,761	19,786,824
Long-term portion of debt and capital leases	6,273,478	6,508,471	682,576	3,020,708	4,481,071
Per Common Share:					
Diluted	1.44	1.30	1.56**	.84	.61
Basic	1.46	1.34	1.58**	.84	.61
Cash dividends*	.36		.32	.28	.21

*Single annual payments declared and paid subsequent to fiscal year end.

** Includes a non-recurring gain of \$1,718,425 (\$0.44 per share) related to the sale of certain assets by The Stewart Group, Inc. joint venture.

- 6 -

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

SELECTED RELATIONSHIPS WITHIN THE CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended August 31,		
	2000	1999	1998
	(Dollars in thousands)		
Net revenue.....	\$68,551	\$49,569	\$46,639
Net Income from Operations.....	\$ 5,770	\$ 5,208	\$ 4,404
Increase in net revenue from previous year.....			

Edgar Filing: CHASE CORP - Form 10-K/A

Amount.....	\$18,982	\$ 2,930	\$ 5,648	
Percentage.....	38%	6%	14%	
Increase in net income from				
Operations from previous year.....	\$ 562	\$ 804	\$ 1,091	
Percentage of net revenue:				
Net revenue.....	100.0%	100.0%	100.0%	
Expenses:				
Cost of Sales.....	69.5	65.9	64.3	
Selling, general and administrative expenses....		17.2	18.1	20.8
Other expenses.....	1.4	0.5	0.5	
Income from operations before income taxes.....	11.9	15.5	14.3	
Provision for income taxes.....	0.4	5.7	5.5	
Income from operations.....	7.9%	9.8%	8.8%	
Minority participation in subsidiary	-	.2	.2	
Equity in earnings of unconsolidated joint venture.....	.5	.5	.4	
Gain on sales of assets by Unconsolidated joint venture....	-	-	3.7	
Net Income.....	8.4%	10.5%	13.1%	

- 7 -

Overview

During fiscal 1999, the Company acquired the remaining interest in its subsidiary, Sunburst Electronics Manufacturing Services and also completed its acquisition of RWA, Inc. Effective February 1, 2000 the Company acquired the assets of NETCO Automation, Inc. These companies participate within the electronic manufacturing services industry. To align the requirements of the Financial Accounting Standards with the Company's operational and organizational structure, the Company now has two reportable segments, the Specialized Manufacturing segment and the Electronic Manufacturing Services segment.

Results of Operations.

Total revenues for fiscal 2000 increased \$19 million to \$68.6 million, an increase of 38% over the prior year. A significant portion of this increase relates to the Company's electronic contract manufacturing investments. Seventy-five percent of the current year sales increase was attributed to the EMS group. The consolidated compounded rate of revenue growth over the past three years has been 19%.

Sales and Operating Profit by Segment

	Sales	Operating Profit	%
Fiscal 2000 (\$-000's)			

Edgar Filing: CHASE CORP - Form 10-K/A

Specialized Manufacturing	\$ 47,110	\$ 10,019	21.3
Electronic Manufacturing Services	\$ 20,870	\$ 1,809	8.7
	\$ 67,980	\$ 11,828	17.4

Fiscal 1999
(\$-000's)

Specialized Manufacturing	\$ 43,033	\$ 9,182	21.5
Electronic Manufacturing Services	\$ 6,536	\$ 164	2.5
	\$ 49,248	\$ 9,346	19.0

Prior to the year ended August 31, 1999, the electronic manufacturing services segment accounted for less than 10% of operations and assets.

Fiscal 1999 revenue increased about 6% to \$49.6 million when compared to 1998. A significant portion of that increase related to the Company's improvement within the electronic cable tape market and the benefits received from growth as a result of the investments and acquisitions made in electronic manufacturing services during fiscal 1999.

The dollar value of cost of products was higher in fiscal 2000 compared to both 1999 and 1998. These increases were mostly volume related. As a percent of sales, cost of products increased to 70.1% in 2000 when compared to 66.3% and 64.9% during 1999 and 1998 respectively. The increase this year as a percent of sales relates to the increased volume and change of business philosophy within our electronic manufacturing service segment. The raw material cost as a percent of sales is typically higher in this market segment than in the Company's more traditional Specialized Manufacturing segment. Also, during the current year, electronic manufacturing service customers require that the Company provide a full service operation. This requires complete ownership and control of inventory, which while improving overall gross margin dollars, it also increased the Company's cost of products as a percent of sales.

- 8 -

When comparing 1999 to 1998, the change as a percent of sales was due to some higher raw material costs, product mix and some selling price erosion created by competitive pressure.

During fiscal 2001 the Company expects its margins in both segments to be relatively stable as long as current market trends prevail. However, no assurances can be given in this regard. Competitive pressures prevent the Company from recovering any significant amount of related cost increases.

Selling and administrative expenses increased \$2.9 million to \$11.8 million during fiscal 2000 compared to fiscal 1999. Expenses in 1999 were lower than 1998 by \$800,000. As a percent of sales, expenses were lower by 0.7% and 2.9% respectively, when compared to the prior two years. Fiscal 1999 expenses were lower than fiscal 1998 due to a reduction in certain warranty and administrative related costs associated with a large bridge construction contract and the elimination of the need to further adjust the values of certain investments. The Company will continue to be focused on expense reduction while maintaining and improving the quality of its products and services to the marketplace.

Interest expense increased to \$910,000 in fiscal 2000 as compared to \$341,000 and \$258,000 respectively against the 1999 and 1998 fiscal years. The increase is related to the borrowing required to complete the investments and acquisitions, as well as the cost of borrowing associated with interest rate adjustments. During fiscal 1998 the Company received the benefit of a large cash dividend that was declared and paid by our joint venture partner, The Stewart Group, Inc. The Company continued to benefit from this cash dividend during fiscal 1998. The Company expects to benefit from solid earnings and favorable borrowing rates from its financial institutions.

Edgar Filing: CHASE CORP - Form 10-K/A

A majority of the earnings improvement this fiscal year as compared to last year was related to the financial benefits received from the investments in the Electronic Manufacturing Services segment primarily concluded over the last few months of fiscal 1999. Sales and profitability from the Company's traditional Specialized Manufacturing group remained solid although somewhat affected by certain economic factors, which created a higher cost structure that had not been passed on to customers.

When comparing 1999 to 1998 the Company benefited during the last quarter from the acquisition of RWA, Inc. The Company was also able to eliminate the need to adjust the value of certain investments during 1999.

The effective tax rates for fiscal 2000 when compared to the prior two years are lower. In all three years the Company received the benefit of solid export sales through the Chase Export Corporation subsidiary. Also, effective January 1999, the Company acquired 100% ownership of Sunburst EMS that enabled consolidating of historical losses for income tax purposes.

Minority participation in subsidiaries during the prior two years represented the Company's 49.9% equity in the losses of Sunburst EMS, Inc. January 1999, the Company acquired 100% ownership of Sunburst EMS.

The equity in earnings of unconsolidated joint ventures over the past few years is from the Company's 42% ownership position in The Stewart Group Inc., Toronto, Canada.

- 9 -

The gain on sales of assets by unconsolidated joint venture during fiscal 1998 is a non-recurring gain and the result of the sales of certain assets by The Stewart Group, Inc. joint venture to Owens Corning.

Liquidity and Sources of Capital

Cash flow generated from operations was \$4,520,000 in 2000 as compared to \$3,264,000 and \$5,551,000 during 1999 and 1998 respectively. Receivable and inventory increases during both 2000 and 1999 were the result of increased sales and acquisitions. During fiscal 1998 a cash dividend was received from our joint venture partner, The Stewart Group, Inc., which was related to the sale of assets to Owens Corning.

The ratio of current assets to current liabilities was 1.7 at the end of fiscal 2000 as compared to 1.5 and 1.9 for 1999 and 1998, respectively.

The unused available long-term credit amounted to \$2,740,000 as compared to \$5,140,000 at the previous year-end. Current financial resources and anticipated funds from operations are expected to be adequate to meet requirements for funds in the year ahead.

Forward-Looking Information

From time to time, the Company may publish, verbally or in written form, forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. In fact, this Form 10-K (or any other periodic reporting documents required by the 1934 Act) may contain forward-looking statements reflecting the current views of the Company concerning potential future events or developments. The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for forward-looking statements. In order to comply with the terms of the "safe harbor," the Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance and that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's

Edgar Filing: CHASE CORP - Form 10-K/A

forward-looking statements. The risks and uncertainties which may affect the operations, performance, development and results of the Company's business include, but are not limited to, the following: uncertainties relating to economic conditions; uncertainties relating to government and regulatory policies; uncertainties relating to customer plans and commitments; the pricing and availability of equipment, materials and inventories; technological developments; performance issues with key suppliers and subcontractors; worldwide political stability and economic growth; regulatory uncertainties; delays in testing of new products; rapid technology changes and the highly competitive environment in which the Company operates. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

Impact of Inflation.

Inflation has not had a significant long-term impact on earnings. In the event of significant inflation, the Company's efforts to recover cost increases would be hampered as a result of the competitive nature of its products.

- 10 -

Item 8. Financial Statements and Supplementary Data.

Financial statements and supplementary financial information required to be filed hereunder may be located through the List of Financial Statements and Schedules attached to this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information with respect to the names, ages, positions with the Company, terms of office, periods of service, business experience, and other directorships of the Company's Directors and Executive Officers is incorporated herein by reference to Item 1A of the report and to the Definitive Proxy Statement (under the caption "Election of Directors").

Item 11. Executive Compensation

The information required in Item 10 is contained in the Definitive Proxy Statement (under the caption "Executive Compensation"). Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information regarding the ownership of the Company's common stock by certain beneficial owners and by management is incorporated herein by reference to the Definitive Proxy Statement (under the captions "Principal Holders of Voting Securities" and "Election of Director's").

Item 13. Certain Relationships and Related Transactions.

Information regarding certain relationships and related transactions with the Company's Directors and Executive Officers is incorporated herein by reference to the Definitive Proxy Statement under the captions "Election of Directors" and "Remuneration of Directors and Executive Officers."

Edgar Filing: CHASE CORP - Form 10-K/A

PART IV

Item 14. Exhibits, Financial Statements, Schedules and Reports on Form 8-K

See the List of Financial Statements and Schedules included in this report for a list of the financial statements and schedules included with this report and see the Exhibit Index included in this report for a list of the exhibits required to be filed with this report.

- 11 -

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHASE CORPORATION		Date
By /s/ Peter R. Chase Peter R. Chase	President and Chief Executive Officer	November 21, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Capacity	Date
By /s/ Peter R. Chase Peter R. Chase	President, Chief Executive Officer and Director (Principal Executive Officer)	November 21, 2000
By /s/ Everett Chadwick, Jr. Everett Chadwick, Jr.	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	November 21, 2000
By /s/ Edward L. Chase Edward L. Chase	Director	November 21, 2000
By /s/ Sarah Chase Sarah Chase	Director	November 21, 2000
By /s/ William H. Dykstra William H. Dykstra	Director	November 21, 2000
By /s/ George M. Hughes George M. Hughes	Director	November 21, 2000

Edgar Filing: CHASE CORP - Form 10-K/A

By /s/ Ronald Levy
Ronald Levy

Director

November 21, 2000

By /s/ Ernest E. Siegfriedt, Jr. Director
Ernest E. Siegfriedt, Jr.

November 21, 2000

- 12 -

EXHIBIT INDEX

Exhibit
Number

Description

3.1 Articles of Organization (incorporated by reference from Exhibit 3 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1988)

3.2 By-Laws (incorporated by reference from Exhibit 3 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1988)

3.3 Amendment to By-Laws (adding Article IV, Section 7) (incorporated by reference from Exhibit 3.3 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1990)

10.1 Split Dollar Insurance Agreement dated December 2, 1983 by and between the Company and Edward L. Chase (incorporated by reference from Exhibit 10.1 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1990)

10.2 Split Dollar Insurance Agreement dated December 2, 1983 by and between the Company and Francis M. Chase (incorporated by reference from Exhibit 10.2 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1990)

10.11 Purchase and Sale Agreement dated October 26, 1990 by and between the Company and Avon Custom Mixing Service, Inc. (incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K dated October 26, 1990)

10.17 Amendment dated April 30, 1992 to Split Dollar Insurance Agreement dated December 2, 1983 by and between the Company and Edward L. Chase (incorporated by reference from Exhibit 10.17 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1992)

10.18 Amendment dated April 30, 1992 to Split Dollar Insurance Agreement dated November 10, 1987 by and between the Company and Edward L. Chase and Claire Chase (incorporated by reference from Exhibit 10.18 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1992)

10.20 Amendment dated August 31, 1992 to Split Dollar Insurance Agreement dated December 2, 1983 by and between the Company and Francis M. Chase (incorporated by reference from Exhibit 10.20 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1992)

10.21 Amendment dated August 31, 1992 to Split Dollar Insurance Agreement dated November 10, 1987 by and between the Company and Francis M. Chase and Barbara Chase (incorporated by reference from Exhibit 10.21 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1992)

10.25 Endorsement Split-Dollar Agreement dated June 8, 1995 by and between the Company and Edward L. Chase and Claire Chase.

Edgar Filing: CHASE CORP - Form 10-K/A

10.26 Amendment to and Confirmation of Split Dollar Insurance Agreement dated June 8, 1995 by and between the Company and Edward L. Chase and Claire Chase.

10.27 Stock Purchase Agreement effective May 25, 1999 by and between the Company and RWA, Inc., (incorporated by reference from Exhibit 2.1 to the

- 13 -

Company's current report on Form 8K dated 6/8/99 and amended on 8/12/99 to include financials).

22 Subsidiaries of the Company

List of Financial Statements and Schedules

Report of Independent Certified Public Accountants.....	16
Consolidated Balance Sheets as of August 31, 2000 and August 31, 1999.....	17
Consolidated Statements of Operations for each of the three fiscal years in the period ended August 31, 2000.....	19
Consolidated Statements of Shareholders' Equity for each of the three fiscal years in the period ended August 31, 2000.....	20
Consolidated Statements of Cash Flows for each of the three Fiscal years in the period ended August 31, 2000.....	22
Notes to Consolidated Financial Statements.....	23

CHASE CORPORATION AND SUBSIDIARIES

BRIDGEWATER, MASSACHUSETTS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

AUGUST 31, 2000 AND 1999

Edgar Filing: CHASE CORP - Form 10-K/A

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
Chase Corporation
Bridgewater, Massachusetts

We have audited the consolidated balance sheets of Chase Corporation and subsidiaries as of August 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each year in the three year period ended August 31, 2000 and the Schedule II, Valuation and Qualifying Accounts and Reserves. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chase Corporation and subsidiaries at August 31, 2000 and 1999, and the consolidated results of their operations and cash flows for each year in the three year period ended August 31, 2000, in conformity with generally accepted accounting principles, and the schedule referred to above presents fairly, in all material respects, when read in conjunction with the related financial statements, the information therein set forth.

Wellesley, Massachusetts

- 16 -

CHASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2000 AND 1999

ASSETS	2000	1999
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 65,289	\$ 185,269
Trade receivables, less allowance for Doubtful accounts of \$292,443 and \$257,049, at August 31,		

Edgar Filing: CHASE CORP - Form 10-K/A

2000 and 1999, respectively	11,880,228	8,870,786
Inventories:		
Finished and in process	1,321,210	2,041,496
Raw materials	7,621,750	5,407,813
	-----	-----
	8,942,960	7,449,309
Prepaid expenses	376,694	330,710
Receivable from related parties	147,000	107,582
Deferred income taxes	116,977	90,294
	-----	-----
TOTAL CURRENT ASSETS	21,529,148	17,033,950
PROPERTY, PLANT AND EQUIPMENT		
Land and improvements	514,423	322,423
Buildings	4,625,764	3,587,304
Machinery and equipment	16,688,701	14,609,754
Construction in progress	559,188	835,445
	-----	-----
	22,388,076	19,354,926
Less allowances for depreciation	13,272,188	12,047,487
	-----	-----
	9,115,888	7,307,439
OTHER ASSETS		
Excess of cost over net assets of acquired businesses, less amortization of \$1,255,344 and \$595,270 at August 31, 2000 and 1999, respectively	8,731,486	9,304,559
Patents, agreements and trademarks, less amortization of \$792,213 and \$694,530 at August 31, 2000 and 1999, respectively	848,510	946,193
Cash surrender value of life insurance, net of loans of \$47,618 and \$158,049 at August 31, 2000 and 1999, respectively	3,473,091	2,931,984
Deferred income taxes	172,483	81,266
Investments in minority interests	1,208,797	1,044,797
Other\	643,849	333,948
	-----	-----
	15,078,216	14,642,747
	-----	-----
	\$45,723,252	\$38,984,136
	=====	=====

See accompanying notes to the consolidated financial statements.

- 17 -

LIABILITIES AND SHAREHOLDERS' EQUITY

2000	1999	
CURRENT LIABILITIES		
Accounts payable	\$ 5,790,018	\$ 4,387,943
Notes payable to bank	2,050,726	1,576,477
Accrued payroll and other compensation	1,029,506	1,292,816
Accrued pension expense - current	231,507	251,273
Other accrued expenses	1,297,508	1,164,022
Federal Taxes payable	(68,452)	53,008
Deferred compensation	-	41,999
Current portion of long-term debt	2,605,284	2,540,457
	-----	-----

Edgar Filing: CHASE CORP - Form 10-K/A

TOTAL CURRENT LIABILITIES	12,936,097	11,307,995
LONG-TERM DEBT, less current portion	6,569,352	6,508,471
DEFERRED COMPENSATION	636,849	338,582
ACCRUED PENSION EXPENSE	351,859	294,023
COMMITMENTS (See Note G)	-	-
CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY		
First Serial Preferred Stock, par value \$1.00 a share:		
Authorized 100,000 shares; none issued	-	-
Common Stock, par value \$.10 a share:		
Authorized 10,000,000 shares; issued and outstanding 5,073,613 and 4,994,928 shares at August 31, 2000 and 1999, respectively	507,361	499,493
Additional paid-in capital	3,625,023	3,466,834
Treasury Stock, 1,088,584 shares of Common Stock at August 31, 2000 and 1999	(4,687,565)	(4,687,565)
Cumulative effect of currency translation	(180,073)	(188,331)
Retained earnings	25,964,349	21,444,634
	-----	-----
	25,229,095	20,535,065
	-----	-----
	\$45,723,252	\$38,984,136
	=====	=====

- 18 -

CHASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

	2000	1999	1998
Revenue:			
Sales	\$67,980,176	\$49,247,915	\$46,228,818
Commissions and other income	546,673	272,320	331,354
Interest	24,641	49,195	79,166
	-----	-----	-----
	68,551,490	49,569,430	46,639,338
Costs and expenses:			
Costs of products and services sold	47,656,084	32,695,014	30,003,343
Selling, general and administrative Expenses	11,809,638	8,931,753	9,731,083
Bad debt expense-net of recoveries	5,733	(88,940)	(5,807)
Interest expense	910,499	340,977	258,476
	-----	-----	-----
	60,381,954	41,878,804	39,987,095
	-----	-----	-----

Edgar Filing: CHASE CORP - Form 10-K/A

INCOME FROM OPERATIONS BEFORE INCOME TAXES	8,169,536	7,690,626	6,652,243
Income taxes	2,725,613	2,819,949	2,550,600
INCOME FROM OPERATIONS	5,443,923	4,870,677	4,101,643
Minority participation in subsidiary Equity in earnings of unconsolidated joint venture	-	99,633	107,585
Gain on sales of assets by unconsolidated joint venture	326,000	238,000	195,000
	-	-	1,718,425
NET INCOME	\$ 5,769,923	\$5,208,310	\$6,122,653*
Net income per share of Common Stock Basic	\$1.46	\$1.34	\$1.58*
Fully diluted	\$1.44	\$1.30	\$1.56*

* Includes a non-recurring gain of \$1,718,425 (\$0.44 per share) related to the sale of certain unconsolidated assets by The Stewart Group, Inc. joint venture.

See accompanying notes to the consolidated financial statements.

- 19 -

CHASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	
	SHARES	AMOUNT		SHARES	AMOUNT
Balance at August 31, 1997	4,873,797	\$487,380	\$3,191,328	1,040,473	\$(4,017,850)
Cash dividend paid, \$0.21 per share adjustment	-	-	-	-	-
Exercise stock options	103,853	10,385	80,301	-	-
Compensatory stock issuance	-	-	98,437	-	-
Purchase of Treasury Stock	-	-	-	31,611	(517,626)
Net income	-	-	-	-	-
Balance at August 31, 1998	4,977,650	497,765	3,370,066	1,072,084	\$(4,535,476)
Cash dividend paid \$0.28 per share	-	-	-	-	-
Currency translation Adjustment	-	-	-	-	-

Edgar Filing: CHASE CORP - Form 10-K/A

Exercise of stock options	17,278	1,728	(1,728)	-	-
Compensatory stock issuance	-	-	98,496	-	-
Purchase of Treasury Stock	-	-	-	16,500	(152,089)
Net income	-	-	-	-	-
<hr/>					
Balance at August 31, 1999	4,994,928	499,493	3,466,834	1,088,584	\$(4,687,565)
Cash dividend paid, \$0.32 per share adjustment	-	-	-	-	-
Exercise of stock Options	78,685	7,868	46,788	-	-
Compensatory stock Issuance	-	-	98,496	-	-
Gain on stock sales	-	-	12,905	-	-
Net income	-	-	-	-	-
<hr/>					
Balance at August 31, 2000	5,073,613	\$507,361	\$3,625,023	1,088,584	\$(4,687,565)
	=====	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

- 20 -

CHASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

	RETAINED EARNINGS	CUMULATIVE EFFECT OF CURRENCY TRANSLATION	SHAREHOLDERS' EQUITY
Balance at August 31, 1997	\$12,014,566	\$(122,121)	\$11,553,303
Cash dividend paid, \$0.21 per share	(807,180)	-	(807,180)
Currency translation Adjustment	-	(116,607)	(116,607)
Exercise of stock options	-	-	90,686
Compensatory stock Issuance	-	-	98,437
Purchase of Treasury Stock	-	-	(517,626)
Net income	6,122,653	-	6,122,653
<hr/>			
Balance at August 31, 1998	17,330,039	(238,728)	16,423,666
Cash dividend paid, \$0.28 per share	(1,093,715)	-	(1,093,715)
Currency translation Adjustment	-	50,397	50,397
Exercise of stock Options	-	-	-
Compensatory stock Issuance	-	-	98,496
Purchase of Treasury			

Edgar Filing: CHASE CORP - Form 10-K/A

Stock	-	-	(152,089)
Net income	5,208,310	-	5,208,310
<hr/>			
Balance at August 31, 1999	21,444,634	(188,331)	20,535,065
Cash dividend paid, \$0.32 per share	(1,250,208)	-	(1,250,208)
Currency translation Adjustment	-	8,258	8,258
Exercise of stock Options	-	-	54,656
Compensatory stock Issuance	-	-	98,496
Gain on stock sales	-	-	12,905
Net income	5,769,923	-	5,769,923
<hr/>			
Balance at August 31, 2000	\$25,964,349	\$(180,073)	\$25,229,095
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

- 21 -

CHASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES	2000	1999	1998
Net income	\$5,769,923	\$5,208,310	\$6,122,653
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,224,701	1,019,715	844,237
Amortization	757,758	371,761	181,442
(Gain) on sale of assets	-	-	(1,718,425)
Stock issued for compensation	98,496	98,496	98,437
Change in provision for losses on trade receivables		35,394	(64,086)
Deferred federal tax	(117,900)	9,000	27,815
Revaluation of investments in minority interests		-	(300,000)
470,000			
Change in assets and liabilities:			
Trade receivables	(3,044,836)	(1,547,854)	(247,439)
Inventories	(1,493,650)	(2,712,855)	(457,122)
Prepaid expenses and other	(40,451)	49,352	211,777)
Accounts payable	1,402,075	1,539,744	461,809
Accrued expenses	91,754	(716,651)	358,307
Federal taxes payable	(121,460)	169,817	(343,725)
Deferred compensation	(41,999)	139,451	(83,388)
TOTAL ADJUSTMENTS	(1,250,118)	(1,944,110)	(571,194)
NET CASH FROM OPERATIONS	4,519,805	3,264,200	5,551,459
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds of note receivable	(39,418)	-	46,111
Capital expenditures including patents and agreements	(2,659,962)	(3,166,868)	(1,158,535)
Investment in trustee assets	(309,901)	(185,451)	(141,497)
(Increase) in net cash surrender value	(541,106)	(508,133)	(461,002)
Investments in minority interests	-	(258,002)	-
Dividend received from joint venture	-	-	1,757,693
Investment in subsidiaries	(141,777)	(8,530,570)	-
	(3,692,164)	(12,649,024)	42,770

Edgar Filing: CHASE CORP - Form 10-K/A

CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long-term debt	12,419,390	8,941,219	200,000
Payments of principal on debt	(12,658,613)	(862,184)	2,829,452)
Net borrowing under line-of-credit	474,249	440,477	473,937
Cash dividends paid	(1,250,208)	(1,093,714)	(807,180)
Purchase of Common Shares for Treasury	-	(152,089)	(517,626)
Cash received on options exercise		67,561	- 23,595
		(947,621)	7,273,709 (3,456,726)
NET CHANGE IN CASH	(119,980)	(2,111,115)	2,137,503
CASH AT BEGINNING OF YEAR	185,269	2,296,384	158,881
		\$ 65,289	\$ 185,269 \$ 2,296,384
CASH AT END OF YEAR	=====	=====	=====

See Note M for supplemental cash flow data.

See accompanying notes to the consolidated financial statements.

- 22 -

CHASE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE A - ACCOUNTING POLICIES

The principal accounting policies of Chase Corporation ("the Company") and its subsidiaries are as follows:

Basis of Presentation

The financial statements include the accounts of the Company and its wholly-owned subsidiaries. Investments in unconsolidated companies which are at least 20% owned are carried at cost plus equity in undistributed earnings since acquisition. All significant intercompany transactions and balances have been eliminated in consolidation. The Company uses the U.S. dollar as the functional currency for financial reporting.

Products and Markets

The Company's principal products are protective coatings and tape products that are sold in national and international markets. These products consist of: (i) insulating and conducting materials for the manufacture of electrical and telephone wire and cable, and electrical splicing, terminating and repair tapes which are marketed to wire and cable manufacturers and public utilities; (ii) protective pipe coating tapes and other protectants for valves, regulators, casings, joints, metals, concrete, and wood that are sold to oil companies, gas utilities and pipeline companies; (iii) protectants for highway bridge deck metal supported surfaces which are sold to municipal transportation authorities; (iv) thermo-electric insulation for transformers, motors, and other electrical equipment that are sold to original equipment manufacturers, and (v) moisture protective coatings that are sold to the electronics industry. The Company's electronics manufacturing services group provides assembly and contract manufacturing services to the electronics industry.

Use of Estimates

The preparation of financial statements in conformity with

Edgar Filing: CHASE CORP - Form 10-K/A

generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

- 23 -

CHASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE A - ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at first-in, first-out cost, which is not in excess of market.

Investment in Minority Interests

The Company makes investments in closely held companies. These investments are recorded on the equity method reflecting the Company's original investment and a proportional interest in the net operations of these companies since no public quotations exist for these investments. The carrying values of these investments are periodically reviewed based upon estimated market values.

Property, Plant and Equipment

These assets are reflected at cost. Provisions for depreciation of property, plant and equipment were computed by both straight-line and accelerated methods.

Expenditures for maintenance repairs and minor renewals have been charged to expense as incurred. Betterments and major renewals have been capitalized. Upon retirement or other disposition of assets, related allowances for depreciation and amortization have been eliminated from the accounts and any resulting profit or loss reflected in consolidated net income. The annual provisions for depreciation have been computed principally in accordance with the following range of rates:

Buildings	- 4% to 7%
Machinery and equipment	- 10% to 20%

Excess of Cost Over Net Assets of Acquired Businesses

The excess of cost over the fair value of net assets of acquired businesses is being amortized over periods from fifteen to forty years or until the disposal of the acquired business. The carrying value of goodwill is periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Patents and Agreements

Edgar Filing: CHASE CORP - Form 10-K/A

The Company capitalizes costs related to patent applications and technology agreements. The costs of these assets are amortized using the straight-line method over the lesser of the useful life of the asset or its statutory life. Capitalized costs are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

- 24 -

CHASE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE A - ACCOUNTING POLICIES (Continued)

Pension Plan

The projected unit credit method is utilized for measuring net periodic pension cost over the employee's service life.

Stock-Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its stock-based compensation plans, rather than the alternative fair value accounting provided for under Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation". Grants of restricted stock are recorded as compensation expense over the vesting period at the fair market value of the stock at the date of grant. No compensation expense is recorded for options granted in which the exercise price equals or exceeds the market price of the underlying stock on the date of grant.

Deferred Compensation

The net present value of the estimated payments to be made under agreements for deferred compensation is accrued over the period of active employment from the time of the agreement to the anticipated date of retirement.

Translation of Foreign Currency

The financial position and results of operations of the Company's Canadian branch are measured using the Canadian dollar as the functional currency. Revenues and expenses of the branch have been translated at average exchange rates. Assets and liabilities have been translated at the year-end exchange rate. Translation gains and losses are being deferred as a separate component of shareholders' equity, unless there is a sale or liquidation of the underlying foreign investments. The Company has no present plans for the sale or liquidation of its foreign investment. Aggregate foreign currency transaction gains and losses are included in determining net income. The amounts of gains and losses were immaterial in 2000, 1999 and 1998.

Income Taxes

The Company has adopted the method of accounting for income taxes of SFAS No. 109. This method compares the tax basis and financial reporting basis of the Company's assets and liabilities and recognizes the related tax benefits and liabilities under enacted tax law. Assets arising from future tax benefits are recognized when it is more likely than not that the Company will have sufficient future taxable income or has had sufficient taxable income in the available carryback period to allow realization of the tax asset. A

Edgar Filing: CHASE CORP - Form 10-K/A

valuation allowance is provided for potential limitations on the realization of future benefits.

- 25 -

CHASE CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE A - ACCOUNTING POLICIES (Continued)

Income Per Share of Common Stock

Income per share is computed based upon the weighted average number of shares outstanding, after giving effect to the number of shares purchased for Treasury and the dilutive effect of stock options. The number of shares used in the computation of basic income per share was 3,940,459 at August 31, 2000, 3,898,735 at August 31, 1999 and 3,874,896 at August 31, 1998. Fully diluted income per share was computed based upon 3,997,163 shares at August 31, 2000, 3,994,472 shares at August 31, 1999 and 3,935,919 shares at August 31, 1998.

NOTE B - NOTE RECEIVABLE - RELATED PARTIES

The Company has a note receivable from Avon Custom Mixing Service, Inc., the purchaser of its Avon Custom Mixing Division, secured by the assets of the purchaser.

NOTE C - CASH SURRENDER VALUE OF LIFE INSURANCE

The Company recognizes cash surrender value in life insurance policies, net of loans secured by the policies, with Aurora National Life Assurance Company, the Manufacturers' Life Insurance Company, Sun Life Assurance Company of Canada, Metropolitan Life Insurance and other carriers of \$215,809; \$1,617,372; \$482,376; \$651,055 and \$554,097, respectively. Subject to periodic review, the Company intends to maintain these policies through the lives of the insureds.

NOTE D - LONG-TERM DEBT

Long-term debt consists of the following at August 31, 2000 and 1999:

	2000	1999
Note payable to bank	\$3,100,000	\$ 700,000
Term note payable to bank in 20 quarterly payments of \$250,000 through May 2004 with interest at the Eurodollar rate plus 1.5%	2,500,000	3,700,000
Term note payable to bank in 20 quarterly payments of \$34,500 commencing February 1999 with interest at the Eurodollar rate plus 1.5%.	483,000	621,000

- 26 -

Edgar Filing: CHASE CORP - Form 10-K/A

CHASE CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE D - LONG-TERM DEBT (Continued)

	2000	1999
Term note payable to an individual in connection with the acquisition of RWA, Inc. with quarterly payments of \$250,000 including interest at 7.5% through August 2002	\$1,700,000	2,700,000
Term notes payable to bank with principal payments of \$12,267 per month with interest at the bank's base rate plus 1/2 percent secured by all assets of Sunburst EMS, Inc.	223,698	396,267
Equipment notes with monthly payments of \$7,943 with interest averaging 9.11% secured by manufacturing equipment	182,767	283,036
Equipment notes with monthly payments of \$1,624 with interest at 9.75% secured by printing equipment	12,534	22,833
Equipment note with monthly payments of \$2,942 with interest at 7.43% secured by manufacturing equipment	108,526	134,708
Equipment note with monthly payments of \$11,138 with interest at 7.05% secured by data processing equipment	387,803	491,084
Equipment note with 60 monthly payments of \$7,368 with interest at 8.11% secured by manufacturing equipment	364,931	-
Equipment note with monthly payments of \$935 with interest at 5.82% secured by printing equipment	39,987	-
Equipment notes with monthly payments of \$5,319 with interest at 12.35% secured by manufacturing equipment	71,390	-
	9,174,636	9,048,928
Less portion payable within one year classified as a current liability.	2,605,284	2,540,457
	\$6,569,352	\$6,508,471

- 27 -

CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE D - LONG-TERM DEBT (Continued)

Edgar Filing: CHASE CORP - Form 10-K/A

The Company has long-term unsecured credit available up to a maximum amount of \$6,000,000 at the bank's base lending rate or, at the option of the Company, at the effective London Interbank Offered Rate (LIBOR) for ninety days plus 1.5 percent. The unused available long-term credit amounted to \$2,740,000 at August 31, 2000.

NOTE E - NOTES PAYABLE TO BANK

The Company has a short-term credit facility at one half percent over prime with a Canadian bank secured by a letter of credit.

The Company's Sunburst EMS subsidiary has a revolving line of credit, secured by its assets.

The weighted average interest rate on short-term borrowings was 8.90% and 7.22% at August 31, 2000 and 1999, respectively.

NOTE F - INCOME TAXES

A reconciliation of federal income taxes computed at applicable rates of income from continuing operations before income taxes to the amounts provided in the consolidated financial statements is as follows:

	Year Ended August 31,		
	2000	1999	1998
Federal income taxes at applicable rates	\$2,777,642	\$2,614,649	\$2,260,405
Adjustments resulting from the tax effect of:			
Increase in cash surrender value of life insurance	(229,404)	(172,765)	(191,722)
Benefit plans not qualified for deduction from federal tax	-	146,905	231,374
Net loss of subsidiary not consolidated for tax	-	(140,231)	43,034
State and local taxes net of federal tax effect	347,825	413,531	408,144
Foreign dividend received net of foreign tax credit	-	-	(172,878)
Other	(170,450)	(42,140)	(27,757)
INCOME TAXES	\$2,725,613	\$2,819,949	\$2,550,600
	=====	=====	=====

- 28 -

CHASE CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE F - INCOME TAXES (Continued)

	Year Ended August 31,		
	2000	1999	1998
Current	\$2,662,368	\$2,828,949	\$2,655,595
Deferred (benefit):			

Edgar Filing: CHASE CORP - Form 10-K/A

Pension expense	23,133	26,185	(19,425)
Depreciation	(35,127)	(32,668)	(21,910)
Allowance for doubtful accounts	14,157	32,365	19,455
Market valuation of investments	(16,400)	(120,000)	188,000
Deferred compensation	118,907	77,287	(73,267)
Deferred state taxes	1,230	7,831	(120,668)
Reserve	12,000	-	-
Total Deferred	117,900	(9,000)	(27,815)
(Benefit) of option exercises credited to shareholders' equity	(54,655)	-	(77,180)
	<u>\$2,725,613</u>	<u>\$2,819,949</u>	<u>\$2,550,600</u>
	=====	=====	=====

The timing differences that give rise to the components of net tax assets are as follows at August 31, 2000 and 1999:

Assets:	2000	1999
Reserve for bad debt	\$ 116,977	\$ 102,820
Patents and agreements	35,200	35,200
Pension accrual	140,743	117,610
State tax accrual	28,900	27,670
Deferred compensation	254,740	135,833
Investments marked to market	161,600	178,000
	738,160	597,133
Less valuation allowance	-	12,000
	738,160	585,133
Liabilities:		
Depreciation	448,700	413,573
Net Assets	\$ 289,460	\$ 171,560
	=====	=====

NOTE G - OPERATING LEASES

The following is a schedule for the next five years of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of August 31, 2000:

2001	Year Ending August 31,	Buildings
	\$ 293,324	
	2002	152,610
	2003	82,500
	2004	75,625
	2005	-
	\$ 604,059	
	=====	
	- 29 -	

CHASE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE G - OPERATING LEASES (Continued)

Total rental expense for all operating leases amounted to \$572,623, \$519,293, and \$563,375 for the years ended August 31, 2000, 1999 and 1998, respectively.

NOTE H - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected unaudited quarterly financial data for 2000, 1999 and 1998, is as follows:

Edgar Filing: CHASE CORP - Form 10-K/A

2000	First	Second	Quarter Third	Fourth	Year
Net sales	\$14,827,683	\$14,917,478	\$18,529,601	\$19,705,414	\$67,980,176
Gross profit	\$4,635,238	\$4,267,396	\$5,162,163	\$6,259,295	\$20,324,092
Net income	\$1,310,069	\$991,182	\$1,395,685	\$2,072,987	\$5,769,923
Net income per common share	\$.34	\$.25	\$.35	\$.51	\$1.45
	=====	=====	=====	=====	=====

1999	First	Second	Quarter Third	Fourth	Year
Net sales	\$11,551,910	\$10,414,555	\$12,928,890	\$14,352,560	\$49,247,915
Gross profit	\$4,055,358	\$3,329,280	\$4,212,522	\$4,955,741	\$16,552,901
Net income	\$1,160,808	\$833,635	\$1,279,970	\$1,933,897	\$5,208,310
Net income per common share	\$.30	\$.21	\$.33	\$.50	\$1.34
	=====	=====	=====	=====	=====

1998	First	Second	Quarter Third	Fourth	Year
Net sales	\$11,557,583	\$10,166,586	\$11,830,508	\$12,674,141	\$46,228,818
Gross profit	\$4,212,072	\$3,253,702	\$4,006,118	\$4,753,583	\$16,225,475
Net income	\$2,676,264*	\$720,565	\$1,080,714	\$1,645,110	\$6,122,653*
Net income per common share	\$.68*	\$.18	\$.28	\$.44	\$1.58*
	=====	=====	=====	=====	=====

* Includes gain on sales of assets by a non-consolidated subsidiary of \$1,718,425 (\$0.44 per share)

- 30 -

CHASE CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE I - EXPORT SALES AND FOREIGN OPERATIONS

Export sales from continuing domestic operations to unaffiliated third parties were \$4,935,701, \$4,459,743 and \$5,207,413 for the years ended August 31, 2000, 1999 and 1998, respectively. The Company's products are sold worldwide with no foreign geographic area accounting for more than 10 percent of revenues from continuing operations. The Company's Canadian operations accounted for 5.4 percent of consolidated sales and 2.0 percent of assets.

Prior to fiscal year 1999, no domestic customer accounted for more than ten percent of sales. During fiscal years 2000 and 1999 one customer accounted for approximately twelve and fifteen percent, respectively, of total sales.

NOTE J - RESEARCH AND DEVELOPMENT EXPENSE

Edgar Filing: CHASE CORP - Form 10-K/A

Research and development expense amounted to approximately \$620,037, \$617,789, and \$573,978 for the years ended August 31, 2000, 1999 and 1998, respectively.

NOTE K - BENEFITS

401(K) Plan

The Company has a deferred compensation plan adopted pursuant to Section 401(k) of the Internal Revenue Code of 1986. Any qualified employee who has attained age 21 and has been employed by the Company for at least six months may contribute a portion of their salary to the plan and the Company will match 50% of such contribution up to an amount equal to three percent of such employee's yearly salary. The Company's contribution expense was \$168,604, \$91,219 and \$112,418 for the years ended August 31, 2000, 1999 and 1998, respectively.

Non-Qualified Deferred Savings Plan

The Company has a non-qualified deferred savings plan covering directors and selected employees. Participants may elect to defer a portion of their compensation for future payment. The plan is funded by trustee assets that are restricted to the payment of deferred compensation or satisfaction of the Company's general creditors. The Company's liability under the plan was \$636,849 at August 31, 2000.

Pension Plan

The Company has non-contributory defined benefit pension plans covering substantially all employees excluding subsidiaries. Net periodic pension cost was \$301,714, \$327,266 and \$268,149 for the years ended August 31, 2000, 1999 and 1998, respectively. The Company has a funded, qualified plan and an unfunded supplemental retirement plan designed to maintain benefits for all employees at the plan formula level. The plans provide for pension benefits determined by a participant's years of service and final average compensation. The qualified plan assets consist of separate pooled investment accounts with an insurance company.

- 31 -

CHASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE K - BENEFITS (Continued)

Net pension expense components:	Year Ended August 31,		
	2000	1999	1998
Service cost of benefits earned during the period	\$289,503	\$283,651	\$237,130
Interest cost on projected benefit Obligations	350,585	355,789	321,667
Return on plan assets	(500,035)	(334,303)	(94,718)
Net amortization and deferral	149,290	22,129	(195,930)
	-----	-----	-----
Net periodic pension cost	\$289,343	\$327,266	\$268,149
	=====	=====	=====

The following table sets forth the actuarial present value of

Edgar Filing: CHASE CORP - Form 10-K/A

benefit obligations and funded status:

	2000	August 31, 1999	1998
Accumulated benefit obligations, including vested benefits of \$3,049,651, \$2,738,122 and \$2,843,506 at August 31, 2000, 1999 and 1998, respectively	\$ 3,149,248	\$ 2,706,803	\$ 2,874,059
	=====	=====	=====
Projected benefit obligations	\$ (4,939,023)	\$ (4,701,105)	\$ (4,502,041)
Plan assets at fair value, including prefunded amounts	4,207,214	3,761,924	3,273,542
	-----	-----	-----
Funded status	(731,809)	(939,181)	(1,228,499)
Unrecognized net (gain) loss	(42,238)	186,130	496,164
Unrecognized prior service cost	190,681	214,752	255,484
Unamortized net transition assets	-	(6,997)	(13,996)
	-----	-----	-----
(Accrued) pension expense	\$ (583,366)	\$ (545,296)	\$ (490,847)
	=====	=====	=====

- 32 -

CHASE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE K - BENEFITS (Continued)

The net transition assets amount is being amortized at a level rate over 15 years. The actuarial calculations were based on assumptions of a weighted average discount rate of 8.0% and a future rate of increase in compensation levels of 5%. The expected rate of return on plan assets is 10%. Prior service cost arose from the amendment of the plan's benefit schedules to comply with the Tax Reform Act of 1986 (TRA) and adoption of the unfunded supplemental pension plan.

Deferred Compensation

Life insurance is provided under a split dollar life insurance agreement whereby the Company will recover the premiums paid from the proceeds of the policies. The Company recognizes an offset to expense for the growth in the cash surrender value of the policies.

The Company also has an agreement with its former Chairman of the Board, who retired August 31, 1991, that the Company will make ten annual payments of \$58,000 to him or his beneficiaries.

Stock Option Plans

Edgar Filing: CHASE CORP - Form 10-K/A

1995 Stock Option Plan - Effective July 18, 1995, the Company adopted, and the stockholders subsequently approved, a stock award plan and an incentive plan which permit the issuance of options and restricted stock to selected employees and independent directors of the Company. The plans reserve 600,000 shares of Common Stock for grant.

Under the terms of the 1995 stock option plan, options granted may be either nonqualified or incentive stock options and the exercise price may not be less than the fair market value of a share at the date of grant. The board of directors approved issuance of 450,000 options (at \$3.375, based upon the market value at July 18, 1995). The options vest ratably over ten years. In addition, the board of directors granted 250,000 shares of restricted Common Stock to the Company's CEO, Mr. Peter Chase. Compensation expense of approximately \$98,000 per year is being recognized over nine years. Other than the restrictions which limit the sale and transfer of these shares, Mr. Chase is entitled to all rights of a shareholder. The grants vest at the end of nine years. If Mr. Chase is not providing services to the Company prior to vesting, the shares revert to the Company.

- 33 -

CHASE CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE K - BENEFITS (Continued)

Stock Option Plans (Continued)

Options at August 31, 2000:

Outstanding	Exercise Prices	Weighted Average Exercise Price	Weighted Average Exercise Price	Remaining Life	Weighted Average Exercise Price	Weighted Average Exercise Price
276,856	\$3.375-4.625	\$ 3.40	5 years	75,355	\$ 3.63	
10,500	\$ 5.09-5.625	\$ 5.29	6 years	7,500	\$ 5.21	
15,000	\$ 8.75-9.09	\$ 8.98	7 years	13,000	\$ 9.02	
5,000	\$ 11.83	\$11.83	8 years	2,000	\$ 11.83	

Stock option plan activity was as follows:

	Directors	Weighted Average Exercise Price	Officers and Employees	Weighted Average Exercise Price
Outstanding August 31, 1997	117,000	\$3.79	454,000	\$ 3.55
Exercisable	71,500	-	96,920	-
Grants at market price	-	-	5,000	\$ 8.75
Exercises		(16,500)	(86,526)	\$ 3.68
Exercises		(30,000)	(2,000)	\$ 5.63

Edgar Filing: CHASE CORP - Form 10-K/A

Outstanding August 31, 1998	----- 70,500	\$4.00	----- 370,474	\$ 3.59
Exercisable	40,500	\$2.92	57,573	\$ 3.43
Grants at market price	-	-	5,000	\$11.83
Exercises	(19,000)	\$4.63	(3,000)	\$ 5.63
Outstanding August 31, 1999	----- 51,500	\$3.76	----- 372,474	\$ 3.68
Exercisable	36,500	\$3.59	107,774	\$ 3.73
Grants at market price	-	-	-	-
Exercises	(30,000)	\$3.14	(86,618)	\$ 3.79
Outstanding August 31, 2000	----- 21,500	\$6.84	----- 285,856	\$ 3.65
Exercisable	21,500	\$6.84	76,355	\$ 3.84

- 34 -

CHASE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE K - BENEFITS (Continued)

Proforma Disclosures - The Company accounts for stock options issued to directors, officers and employees under Accounting Principles Board Opinion No. 25 (see Note A). The proforma net income and earnings per share, based upon a Black-Scholes pricing model, using a volatility of 26.57%, a risk-free interest rate of 7.5%, a dividend yield of 4% and an expected life of 5 years, had Financial Accounting Standards Board Statement No. 123 been applied, are as follows:

	August 31, 2000	1999	1998
Net income	\$5,711,089	\$5,121,614	\$6,043,212
Basic net income per share	\$1.43	\$1.31	\$1.56

NOTE L - SEGMENT DATA

Chase Corporation operates in two business segments, a specialized manufacturing segment consisting of protective coatings and tapes and an electronic manufacturing services segment. Specialized manufacturing products include insulating and conducting materials for wire and cable manufacturers, protective coatings for pipeline applications and moisture protective coatings for electronics and printing services. Electronic manufacturing services include printed circuit board and electro-mechanical assembly services for the electronics industry. Prior to the year ended August 31, 1999, the electronic manufacturing services segment accounted for less than 10% of operations and assets.

	August 31, 2000	August 31, 1999
Electronic	Electronic	

Edgar Filing: CHASE CORP - Form 10-K/A

	Specialized Manufacturing	Manufacturing Services	Specialized Manufacturing	Manufacturing Services
Sales	\$47,109,676	\$20,870,500	\$42,711,390	\$6,536,525
Operating profit	\$10,018,565	\$ 1,809,332	\$ 9,182,016	\$ 164,278
Identifiable assets	\$29,428,664	\$ 8,995,454	\$24,441,128	\$8,067,407

- 35 -

CHASE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2000

NOTE M - SUPPLEMENTAL CASH FLOW DATA

Cash paid during the year for:

	2000	1999	1998
Income taxes	\$2,846,770	\$2,817,685	\$2,163,812
Interest	\$ 706,993	\$ 340,591	\$ 258,476

NOTE N - INVESTMENT IN MINORITY INTERESTS

The Company has formed a joint venture, The Stewart Group, Inc., with The Stewart Group, Ltd. of Canada, to produce various products for the fiber optic cable market. Chase Corporation owns a 42% interest in the joint venture at August 31, 2000.

NOTE O - ACQUISITIONS

Effective January 27, 1999, Chase Corporation acquired the outstanding shares of D.C. Scientific, Inc., that it did not previously own. In connection with the acquisition, D.C. Scientific, Inc. changed its name to Sunburst Electronic Manufacturing Solutions, Inc.

Effective April 30, 1999, the Company acquired RWA, Inc., an electronic manufacturing services company. The Company purchased the stock of RWA, Inc. for cash of \$5,000,000 and a note for \$2,700,000, discounted at 7.5%. An additional amount may be paid contingent upon the future performance based upon fifty percent of the amount by which average annual earnings before interest, taxes, depreciation and amortization multiplied by four exceeds eight million dollars and a performance consideration based upon net income for the thirty-six months ended May 31, 2002.

Any amounts due under contingent agreements will be recorded as additions to goodwill. Goodwill is being amortized ratably over fifteen years, subject to period review of anticipated future cash flows from the

Edgar Filing: CHASE CORP - Form 10-K/A

acquired business.

Effective August 1, 1999, the Company acquired Northeast Quality Products, Inc. ("NEQP"), a printer of high quality pressure sensitive materials.

Effective February 1, 2000, the Company acquired the assets and operations of NETCO Automation, Inc., an electronic manufacturing services company specializing in prototyping and rework.

- 36 -

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

CHASE CORPORATION AND SUBSIDIARIES

COL. A COL. D	COL. B COL. E	COL. C			
BALANCE AT END OF DESCRIPTION DEDUCTIONS PERIOD	BALANCE AT BEGINNING OF PERIOD	(1) CHARGED TO AND EXPENSES	(2) CHARGED TO COSTS	(3) CHARGED TO OTHER ACCOUNTS	
Year ended August 31, 2000:					
Allowance for doubtful accounts	\$257,049	\$ 5,733	\$ 29,661	\$ -	\$292,443
Year ended August 31, 1999:					
Allowance for doubtful accounts	\$201,135	\$ (88,940)	\$146,458	\$ 1,604	\$257,049
Year ended August 31, 1998:					
Allowance for doubtful accounts	\$152,500	\$ (5,807)	\$ 57,860	\$ 3,418	\$201,135

(1) Deductions are charged to accounts receivable when specific accounts are judged to be uncollectible. Reserves are adjusted based on reviews of the risk associated with specific accounts and with the overall collectibility expectations of the total receivables.

(2) \$29,661 reserve acquired with the purchase of assets of NETCO Automation, Inc.

(3) \$146,458 reserve acquired with purchase of RWA, Inc., \$57,860 adjustment to insurance adjustment receivable recorded as prepaid

Edgar Filing: CHASE CORP - Form 10-K/A

insurance and \$25,000 reserve acquired with majority interest in DC Scientific, Inc..

- 37 -