

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

(State or other jurisdiction of incorporation of organization)

11-1797126

(I.R.S. Employer Identification No.)

26 Summer Street, Bridgewater, Massachusetts 02324

(Address of Principal Executive Offices, Including Zip Code)

(508) 819-4200

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class:

Common Stock
(\$0.10 Par Value)

Name of Each Exchange on Which Registered

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 NO

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 NO

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 NO

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

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.

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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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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 (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 OOCK®, a water blocking compound sold to the wire and cable industry.	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.
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.		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®.	Oxford, MA	In August 2011, we moved our manufacturing processes that had been previously conducted at our Webster, MA facility to this location.
PaperTyger® is a trademark for laminated durable papers sold to the envelope converting and commercial printing industries.		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.	Taylorsville, NC	In January 2004, we purchased certain manufacturing equipment and began operations at this facility.
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 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.	Granite Falls, NC	
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.	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.
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 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.	Blawnox, PA	The Royston business was acquired in the early 1970's.
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.		
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.	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.
The ServiWrap® product line complements the portfolio of our pipeline protection tapes, coatings and accessories to extend our global customer base.		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.

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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 BLH₂OCK®, 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

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- (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.

Table of Contents**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.

Table of Contents**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.

Table of Contents**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.

Table of Contents**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	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.
	Electronic Coatings	
	Custom Products	
	NEPTCO Products	
Construction Materials	Pipeline	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.
	Construction Products	
	Private Label	

Table of Contents**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	

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- (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

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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)

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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 adjustments	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

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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	Payments	Payments	Payments
		Less than 1 Year	Due 1 - 3 Years	Due 4 - 5 Years	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.

Table of Contents**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:

	Page No.
<u>Report of Independent Registered Public Accounting Firm</u>	<u>29</u>
<u>Consolidated Balance Sheets as of August 31, 2012 and 2011</u>	<u>30</u>
<u>Consolidated Statements of Operations for each of the three fiscal years in the period ended August 31, 2012</u>	<u>31</u>
<u>Consolidated Statements of Comprehensive Income for each of the three fiscal years in the period ended August 31, 2012</u>	<u>32</u>
<u>Consolidated Statements of Equity for each of the three fiscal years in the period ended August 31, 2012</u>	<u>33</u>
<u>Consolidated Statements of Cash Flows for each of the three fiscal years in the period ended August 31, 2012</u>	<u>34</u>
<u>Notes to Consolidated Financial Statements</u>	<u>35</u>

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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

Table of Contents**CHASE CORPORATION****CONSOLIDATED BALANCE SHEETS***In thousands, except share and per share amounts*

	August 31,	
	2012	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

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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.

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CHASE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except share and per share amounts

	Years Ended August 31,		
	2012	2011	2010
Revenues			
Sales	\$ 146,494	\$ 120,918	\$ 117,079
Royalties and commissions	2,425	2,122	1,664
	148,919	123,040	118,743
Costs and Expenses			
Cost of products and services sold	101,249	80,317	74,828
Selling, general and administrative expenses	30,172	26,780	26,717
Acquisition related costs	3,206		434
Operating income	14,292	15,943	16,764
Interest expense	(398)	(196)	(360)
Other income	102	426	52
Income from continuing operations before income taxes	13,996	16,173	16,456
Income taxes	4,732	5,242	5,730
Income from continuing operations, net of taxes	9,264	10,931	10,726
Income from discontinued operations, net of tax of \$900			1,361
Gain on sale of discontinued operations, net of tax of \$283			429
Net income	\$ 9,264	\$ 10,931	\$ 12,516
Add: net loss attributable to non-controlling interest, net of tax of \$43	74		
Net income attributable to Chase Corporation	\$ 9,338	\$ 10,931	\$ 12,516
Net income available to common shareholders, per common and common equivalent share			
Basic			
Continuing operations	\$ 1.03	\$ 1.22	\$ 1.22
Discontinued operations			0.20
Net income per common and common equivalent share	\$ 1.03	\$ 1.22	\$ 1.42
Diluted			
Continuing operations	\$ 1.03	\$ 1.22	\$ 1.21
Discontinued operations			0.20
Net income per common and common equivalent share	\$ 1.03	\$ 1.22	\$ 1.41
Weighted average shares outstanding			
Basic	8,761,262	8,721,452	8,554,164
Diluted	8,786,750	8,763,808	8,624,270

See accompanying notes to the consolidated financial statements.

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CHASE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands, except share and per share amounts

	Years Ended August 31,		
	2012	2011	2010
Net income	\$ 9,264	\$ 10,931	\$ 12,516
Other comprehensive income:			
Net unrealized gain (loss) on restricted investments, net of tax	33	35	9
Change in funded status of pension plans, net of tax	(493)	(389)	(127)
Foreign currency translation adjustment	(904)	1,418	(1,049)
Total other comprehensive income (loss)	(1,364)	1,064	(1,167)
Comprehensive income	7,900	11,995	11,349
Comprehensive loss attributable to non-controlling interest, net of tax	74		
Comprehensive income attributable to Chase Corporation	\$ 7,974	\$ 11,995	\$ 11,349

See accompanying notes to the consolidated financial statements.

Table of Contents**CHASE CORPORATION****CONSOLIDATED STATEMENTS OF EQUITY***In thousands, except share and per share amounts*

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Chase		Total Equity
	Shares	Amount				Equity	Minority Interest	
Balance at August 31, 2009	8,714,431	\$ 871	\$ 7,489	\$ (3,563)	\$ 65,416	\$ 70,213	\$	\$ 70,213
Restricted stock grants, net of forfeitures	61,224	6	(6)					
Amortization of restricted stock grants			1,646			1,646		1,646
Amortization of stock option grants			529			529		529
Exercise of stock options	45,000	5	240			245		245
Excess tax benefit (expense) from stock based compensation			(196)			(196)		(196)
Common stock issuance pursuant to fully vested restricted stock units	14,200	1	196			197		197
Common stock retained to pay statutory minimum withholding taxes on common stock	(53,867)	(5)	(688)			(693)		(693)
Cash dividend paid, \$0.20 per share					(1,759)	(1,759)		(1,759)
Change in funded status of pension plan, net of tax of \$80				(127)		(127)		(127)
Foreign currency translation adjustment				(1,049)		(1,049)		(1,049)
Net unrealized gain on restricted investments, net of tax of \$6				9		9		9
Net income					12,516	12,516		12,516
Balance at August 31, 2010	8,780,988	\$ 878	\$ 9,210	\$ (4,730)	\$ 76,173	\$ 81,531	\$	\$ 81,531
Restricted stock grants, net of forfeitures	132,985	13	(13)					
Amortization of restricted stock grants			1,138			1,138		1,138
Amortization of stock option grants			530			530		530
Common stock issuance	823		14			14		14
Exercise of stock options	73,500	7	379			386		386
Common stock received for payment of stock option exercises	(23,053)	(2)	(384)			(386)		(386)
Excess tax benefit (expense) from stock based compensation			(37)			(37)		(37)
Common stock retained to pay statutory minimum withholding taxes on common stock	(12,333)	(1)	(159)			(160)		(160)
Cash dividend paid, \$0.35 per share					(3,131)	(3,131)		(3,131)
Change in funded status of pension plan, net of tax of \$232				(389)		(389)		(389)
Foreign currency translation adjustment				1,418		1,418		1,418
Net unrealized gain on restricted investments, net of tax of \$21				35		35		35
Net income					10,931	10,931		10,931
Balance at August 31, 2011	8,952,910	\$ 895	\$ 10,678	\$ (3,666)	\$ 83,973	\$ 91,880	\$	\$ 91,880
Restricted stock grants, net of forfeitures	98,135	10	(10)					
Amortization of restricted stock grants			1,448			1,448		1,448
Amortization of stock option grants			563			563		563
Common stock issuance	2,205		29			29		29
Non-controlling Interest NEPTCO joint venture							1,594	1,594
Excess tax benefit (expense) from stock based compensation			209			209		209
Common stock retained to pay statutory minimum withholding taxes on common stock	(51,668)	(5)	(808)			(813)		(813)
Cash dividend paid, \$0.35 per share					(3,165)	(3,165)		(3,165)
Change in funded status of pension plan, net of tax of \$297				(493)		(493)		(493)
Foreign currency translation adjustment				(904)		(904)		(904)
				33		33		33

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Net unrealized gain on restricted investments, net of tax of \$20									
Net income					9,338		9,338	(74)	9,264
Balance at August 31, 2012	9,001,582	\$ 900	\$ 12,109	\$ (5,030)	\$ 90,146	\$ 98,125	\$ 1,520	\$ 99,645	

See accompanying notes to the consolidated financial statements.

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CHASE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

Dollars in thousands

	Years Ended August 31,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 9,264	\$ 10,931	\$ 12,516
Adjustments to reconcile net income to net cash provided by operating activities			
Loss (gain) on sale of assets	32	(6)	(10)
Gain on sale of discontinued operations			(712)
Depreciation	3,172	2,759	3,084
Amortization	2,716	2,309	3,039
Inventory step-up to fair value	828		347
Provision for losses on accounts receivable	155	127	178
Stock based compensation	2,040	1,682	2,220
Realized gain on restricted investments	(22)	(18)	(7)
Increase (decrease) in cash surrender value life insurance	(37)	37	24
Pension settlement loss	(550)		
Excess tax expense (benefit) from stock based compensation	(209)	37	196
Deferred taxes	(1,442)	(527)	(655)
Increase (decrease) from changes in assets and liabilities			
Accounts receivable	(1,717)	(301)	(5,455)
Inventories	942	(6,059)	(4,910)
Prepaid expenses & other assets	(55)	(497)	(1,862)
Accounts payable	(2,683)	522	1,765
Accrued expenses	926	(215)	1,825
Accrued income taxes	408	(1,555)	(228)
Deferred compensation	178	77	(9)
Net cash provided by operating activities	13,946	9,303	11,346
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(5,230)	(4,496)	(3,572)
Purchases of intangible assets	(74)		
Contingent purchase price paid for acquisition	(358)	(272)	(295)
Payments for acquisitions, net of cash acquired	(62,217)		(25,592)
Net proceeds from sale of fixed assets	1,032	11	
Net proceeds from sale of discontinued operations		1,478	12,689
Net contributions from restricted investments	(60)	(54)	(16)
Payments for cash surrender value life insurance	(183)	(839)	(543)
Net cash used in investing activities	(67,090)	(4,172)	(17,329)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings on long-term debt	79,331	3,538	31,894
Payments of principal on debt	(22,054)	(7,938)	(17,827)
Dividend paid	(3,165)	(3,131)	(1,759)
Proceeds from exercise of common stock options		386	245
Payments of statutory minimum taxes on stock options and restricted stock	(813)	(547)	(693)
Excess tax expense from stock based compensation	209	(37)	(196)
Net cash (used in) provided by financing activities	53,508	(7,729)	11,664

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INCREASE (DECREASE) IN CASH	364	(2,598)	5,681
Effect of foreign exchange rates on cash	(166)	240	16
CASH, BEGINNING OF PERIOD	14,982	17,340	11,643
CASH, END OF PERIOD	\$ 15,180	\$ 14,982	\$ 17,340

See note 13 for supplemental cash flow information including non-cash financing and investing activities

See accompanying notes to the consolidated financial statements.

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CHASE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share amounts

Note 1 Summary of Significant Accounting Policies

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

Products and Markets

The Company's principal products are specialty tapes, laminates, sealants and coatings that are sold by Company salespeople, manufacturers' representatives and distributors. In the Company's 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 the Company's 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.

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 under the equity method since acquisition or investment. All intercompany transactions and balances have been eliminated in consolidation. The Company uses the U.S. dollar as the functional currency for financial reporting.

On June 30, 2010, the Company divested its contract manufacturing services business in an all cash transaction, structured as a sale of substantially all of the assets of the Chase Electronic Manufacturing Services ("EMS") business. The Company has reflected the results of this business as discontinued operations in the consolidated statements of operations for the prior periods presented. This business was historically reported by the Company as a separate reporting segment called Electronic Manufacturing Services. In the first quarter of fiscal 2011, pursuant to the asset purchase agreement, the Company received additional proceeds of \$1,478 based on the final net working capital of the Chase EMS business. See Note 16 for additional information on the sale of this business.

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CHASE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In thousands, except share and per share amounts

Certain amounts reported in prior fiscal years have been reclassified to conform with the presentation adopted in the current fiscal year.

The Company has evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, and other than the cash dividend announced on October 23, 2012 of \$0.40 per share to shareholders of record on November 2, 2012 payable on December 5, 2012, the Company is not aware of any other events or transactions that occurred subsequent to the balance sheet date but prior to filing that would require recognition or disclosure in its consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits accounts or investment instruments that meet high credit quality standards such as money market funds, government securities, or commercial paper. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less from date of purchase to be cash equivalents.

Accounts Receivable

The Company evaluates the collectability of accounts receivable balances based on a combination of factors. In cases where the Company is aware of circumstances that may impair a specific customer's ability to meet its financial obligations to it, a specific allowance against amounts due to the Company is recorded, and thereby reduces the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes allowances for doubtful accounts based on the length of time the receivables are past due, industry and geographic concentrations, the current business environment and its historical experience. Receivables are written off against these reserves in the period they are determined to be uncollectible.

Inventories

The Company values 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. The Company estimates excess and obsolescence exposures based upon assumptions about future demand, product transitions, and market conditions and records 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.

Goodwill

The Company accounts for goodwill in accordance with ASC Topic 350, "Intangibles - Goodwill and Other." The Company identified several reporting units within each of its two operating segments. These are used to evaluate the possible impairment of goodwill annually each fourth quarter and whenever events or circumstances indicate the carrying value of goodwill may not be recoverable. The Company evaluates whether an impairment has occurred by using a discounted cash flow approach to compare the fair value of the reporting unit to its carrying value, including goodwill. The discounted cash flow model is based on gross expected future cash flows determined using forecasted amounts for each reporting unit as well as a terminal sales value. If the fair value is less than the carrying value,

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

the Company measures the amount of such impairment by comparing the implied fair value of the goodwill to its carrying value. The key assumptions incorporated in the discounted cash flow approach include projected operating income, changes in working capital, projected capital expenditures, estimated terminal sales value and a discount rate equal to the assumed long-term cost of capital. Cash flows may be adjusted to exclude certain non-recurring or unusual items. 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.

Intangible Assets

Intangible assets consist of patents, agreements, formulas, trade names, customer relationships and trademarks. 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over the assets' estimated useful lives. Expenditures for maintenance repairs and minor renewals are charged to expense as incurred. Betterments and major renewals are capitalized. Upon retirement or other disposition of assets, related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is included in the determination of income or loss. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 to 40 years
Machinery and equipment	3 to 10 years

Leasehold improvements are depreciated over the lesser of the useful life or the term of the lease.

Restricted Investments and Deferred Compensation

The Company has a non-qualified deferred savings plan which covers its Board of Directors and selected employees. Participants may elect to defer a portion of their compensation for payment in a future tax year. 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 restricted investments and corresponding deferred compensation liability under the plan were \$874 and \$740 at August 31, 2012 and 2011, respectively. The Company accounts for the restricted investments as available for sale by recording unrealized gains or losses in other comprehensive income as a component of stockholders' equity.

Split-Dollar Life Insurance Arrangements

The net liability related to these postretirement benefits was calculated as the difference between the present value of future premiums to be paid by the Company reduced by the present value of the expected proceeds to be returned to the Company upon the insured's death. The Company prepared its calculation by using mortality assumptions which were based on the 2008 Combined Static Mortality Table, and an appropriate discount rate. The Company's net liability related to these postretirement obligations was \$48 and \$73 at August 31, 2012 and 2011, respectively.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, performance of its obligation is complete, its price to the buyer is fixed or determinable, and the Company is 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

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CHASE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In thousands, except share and per share amounts

assessments of expected returns, and the likelihood of nonpayment due to insolvent customers. The Company analyzes 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.

The Company's warranty policy provides that the products (or materials) delivered will meet its standard specifications for the products or any other specifications as may be expressly agreed to at time of purchase. All warranty claims must be received within 90 days from the date of delivery, unless some other period has been expressly agreed to within the terms of the sales agreement. The Company's warranty costs have historically been insignificant. The Company records a current liability for estimated warranty claims with a corresponding debit to cost of products and services sold based upon current and historical experience and upon specific claims issues as they arise.

In addition, the Company offers certain sales incentives based on sales levels.

Research and Product Development Costs

Research and product development costs are expensed as incurred and include primarily engineering salaries, overhead and materials used in connection with research and development projects. Research and development expense amounted to \$2,958, \$2,452 and \$1,748 for the years ended August 31, 2012, 2011 and 2010, respectively.

Pension Plan

The Company accounts for its 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.

Stock Based Compensation

In accordance with the accounting for stock based compensation guidance, the Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. This includes restricted stock, restricted stock units and stock options. The guidance allows for the continued use of the simplified method, as the Company has concluded that its historical share option exercise experience does not provide a reasonable basis for estimating expected term. The Company uses the short cut method to calculate the historical windfall tax pool.

Stock-based compensation expense recognized in fiscal years 2012, 2011 and 2010 was \$2,041, \$1,682 and \$2,220 respectively.

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The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the years ending August 31, 2012 and 2011. There were no options granted during the fiscal year ended August 31, 2010.

	2012	2011
Expected Dividend yield	2.3%	2.0%
Expected life	6.0 years	6.0 years
Expected volatility	30.0%	30.0%
Risk-free interest rate	2.2%	2.5%

Expected volatility is determined by looking at a combination of historical volatility over the past seven years as well as implied volatility going forward.

Translation of Foreign Currency

The financial position and results of operations of the Company's HumiSeal Europe Ltd and Chase Protective Coatings Ltd businesses are measured using the UK pound sterling as the functional currency and the financial position and results of operations of the Company's HumiSeal Europe SARL business in France are measured using euros as the functional currency. Revenues and expenses of these divisions have been translated at average exchange rates. Assets and liabilities have been translated at the year-end exchange rates. Translation gains and losses are being recorded as a separate component of shareholders' equity. Transaction gains and losses generated from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of our foreign operations are included in other (expense) / income on the consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, a deferred tax asset or liability is determined based upon the differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Tax credits are recorded as a reduction in income taxes. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company estimates contingent income tax liabilities based on the guidance for accounting for uncertain tax positions as prescribed in ASC Topic 740, "Income Taxes." See Note 7 for more information on the Company's income taxes.

Net Income Per Share

The Company has unvested share-based payments awards with a right to receive nonforfeitable dividends which are considered participating securities under ASC Topic 260, "Earnings Per Share" ("ASC 260"). The Company allocates earnings to participating securities and computes earnings per share using the two class method. See Note 18 for more information on the additional disclosures required for the Company's adoption of ASC 260.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including foreign currency translation adjustments, unrealized gains and losses on marketable securities and adjustments related to the change in the funded status of the pension plans.

Non-controlling Interest

A legal entity is subject to the consolidation rules of ASC Topic 810, "Consolidations" ("ASC 810") if the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support or the equity investors lack

certain specified characteristics of a controlling financial

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CHASE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In thousands, except share and per share amounts

interest. Based on the criteria in ASC 810, the Company determined that its joint venture agreement qualifies as a Variable Interest Entity ("VIE"). The purpose of the joint venture is to combine the elements of NEPTCO's and the joint venture partner's (an otherwise unrelated party) fiber optic strength businesses. Under ASC 810, a reporting entity shall consolidate a VIE when that reporting entity has a variable interest (or combination of variable interests) that provides the reporting entity with a controlling financial interest. The reporting entity shall be deemed to have a controlling financial interest in a VIE if it has both of the following characteristics: a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance; and b) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. The reporting entity that consolidates a VIE is called the "primary beneficiary" of that VIE. The Company determined that it is the primary beneficiary of the VIE primarily due to Chase directing the activities that most significantly impact the VIE's economic performance, which is the actual management and operating of the joint venture and having the obligation to absorb losses and the right to receive benefits from the VIE that could potentially be significant to the VIE through our equity investment in the VIE. As a result, the Company has consolidated the VIE in its Consolidated Financial Statements.

Segments

The Segment Reporting topic of the FASB codification establishes standards for reporting information about operating segments. The Company is organized into two operating segments, an Industrial Materials segment and a Construction Materials segment. The basis for this segmentation is distinguished by the nature of the products and how they are delivered to their respective markets. The Industrial Materials segment reflects specified products that are used in or integrated into another company's product with demand dependent upon general economic conditions. Industrial Materials products include insulating and conducting materials for wire and cable manufacturers, moisture protective coatings for electronics and printing services, laminated durable papers, and flexible composites and laminates for the aerospace, packaging and industrial laminate markets. Effective with its acquisition in June 2012, the full listing of NEPTCO products and services will be included in the Industrial Materials segment. The Construction Materials segment reflects its construction project oriented product offerings which are primarily sold and used as "Chase" branded products in final form. Construction Materials products include protective coatings for pipeline applications, coating and lining systems for use in liquid storage and containment applications, high performance polymeric asphalt additives, and expansion and control joint systems for use in the transportation and architectural markets.

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 the Company's 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, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. 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

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

comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. The Company 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 has included in these consolidated financial statements separate statements of comprehensive income. The adoption of ASU 2011-05 did not have an impact on the Company's 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 the Company's consolidated financial position, results of operations or cash flows.

Note 2 Inventories

Inventories consist of the following as of August 31, 2012 and 2011:

	2012		2011
Raw materials	\$ 12,388	\$	10,206
Work in process	7,384		3,568
Finished goods	12,551		7,067
Total Inventories	\$ 32,323	\$	20,841

Note 3 Property, Plant and Equipment

Property, plant and equipment consist of the following as of August 31, 2012 and 2011:

	2012		2011
Property, Plant and Equipment			
Land and improvements	\$ 5,734	\$	4,347
Buildings	20,373		14,763
Machinery and equipment	43,738		30,803
Leasehold improvements	2,160		2,651
Construction in progress	5,811		4,473
	77,816		57,037
Accumulated depreciation	(28,537)		(27,439)
Property, plant and equipment, net	\$ 49,279	\$	29,598

The majority of construction in progress relates to the following on-going projects: (1) continued renovations of our facility in Blawnox, PA as we continue with the move of a portion of our Randolph, MA operations to this facility by December 2012; and (2) machinery and equipment upgrades and enhancements at the NEPTCO manufacturing facilities in order to improve operational efficiency.

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CHASE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In thousands, except share and per share amounts

In June 2009, the Company entered into a sale leaseback transaction pursuant to the sale of its real property (land and building) located in Evanston, IL. As part of this transaction, the Company agreed to provide financing to the purchaser, whereby the interest due on the financing was equal to the rental payments over the life of the lease. The Company had been accounting for this sale leaseback transaction under the deposit method due to its continued involvement in the form of providing this permanent financing to the buyer. The Company provided this recourse financing to the buyer whereby the only recourse it had was to take back control and ownership of the leased asset. Under the deposit method, the Company continued to report the property on its balance sheet and recorded depreciation expense as a period cost in its statement of operations.

Deposits received in the form of cash from the buyer, totaling \$425, were being reported as a deposit on the contract and were previously included on the 2011 fiscal year-end balance sheet in other non-current liabilities. The remainder of the \$4,250 sales price (\$3,825) was due at various dates over the term of the 49 month lease, of which \$3,400 was due at the end of the lease term in July 2013. In the quarter ending November 30, 2011, the purchaser notified the Company that it would be unable to make any additional payments under the terms of the purchase agreement and seller financing arrangement. As a result, the Company took back control and ownership of the leased asset and recognized the \$425 in deposit payments as income in the quarter ended November 30, 2011 (fiscal 2012).

Note 4 Goodwill and Intangible Assets

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

	Construction Materials	Industrial Materials	Industrial Construction
Balance at December 31, 2010	\$10,648	\$6,789	\$17,437

(l) Notwithstanding any provision of this Plan to the contrary, if a Participant is a “specified employee” within the meaning of Section 409A of the Code as of the date of the Participant’s termination of Continuous Service and the Company determines, in good faith, that immediate payment of any amounts or benefits under this Plan would cause a violation of Section 409A of the Code, then any amounts or benefits that are payable under the Plan upon the Participant’s “separation from service” within the meaning of Section 409A of the Code that (i) are subject to the provisions of Section 409A of the Code; (ii) are not otherwise excluded under Section 409A of the Code; and (iii) would otherwise be payable during the first six-month period following such separation from service, shall be paid on the first business day following the earlier of (1) the date that is six months and one day following the date of termination or (2) the date of the Participant’s death.

12. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) **No Effect on Right or Power.** The existence of the Plan and the Stock Awards granted hereunder shall not affect in any way the right or power of the Board of the shareholders of the Company to make or authorize (i) any adjustment, recapitalization, reorganization, or other change in the Company’s or any Affiliate’s capital structure of its business; (ii) any merger or consolidation of the Company or any Affiliate;

(iii) any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof; (iv) the dissolution or liquidation of the company or any Affiliate; (v) any sale, lease, exchange or other disposition of all or any part of the company's or any Affiliate's assets or business; or (vi) any other corporate act or proceeding.

(b) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, spinoff, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to Subsection 4(a) above and the maximum number of securities subject to award to any person pursuant to Subsection 5(c) above, and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of the securities subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(c) Adjustments Upon a Change of Control.

- In the event of a Change of Control as defined in 2(d)(i) through 2(d)(iii), such as an asset sale, merger, or change in ownership of voting power, then any surviving entity or acquiring entity shall assume or continue any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the shareholders in the transaction by which the Change of Control occurs) for those outstanding under the Plan. In the event any surviving entity or acquiring entity refuses to assume or continue such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the Board in its sole discretion and without liability to any person may (1) provide for the payment of a cash amount in exchange for the cancellation of a Stock Award equal to the product of (x) the excess, if any, of the Fair Market Value per share of Common Stock at such time over the exercise or redemption price, if any, times (y) the total number of shares then subject to such Stock Award, (2) continue the Stock Awards, or (3) notify Participants holding an Option, Stock Appreciation Right, Phantom Stock Unit or similar award that they must exercise or redeem any portion of such Stock Award (including, at the discretion of the Board, any unvested portion of such Stock Award) at or prior to the closing of the transaction by which the Change of Control occurs and that the Stock Awards shall terminate if not so exercised or redeemed at or prior to the closing of the transaction by which the Change of Control occurs. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised or redeemed prior to the closing of the transaction by which the Change of Control occurs. The Board or Committee shall not be obligated to treat all Stock Awards, even those which are of the same type, in the same manner under this Section 12(c).
- (i)

- (ii) In the event of a Change of Control as defined in Section 2(d)(iv), such as a dissolution of the Company, all outstanding Stock Awards shall terminate immediately prior to such event.

(d) Section 409A Considerations. Notwithstanding anything to the contrary in this Section 12, any adjustments made pursuant to this section shall be made in conformity with Section 409A of the Code to the extent necessary to avoid its application or adverse tax consequences thereunder.

13. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 12 of the Plan relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the shareholders of the Company if such approval is required under applicable law or regulation or by any exchange or automated quotation system upon which the Common Stock is listed for trading or quoted.

(b) Shareholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval.

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(c) **Contemplated Amendments.** It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) **No Material Impairment of Rights.** Rights under any Stock Award granted before amendment of the Plan shall not be materially impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) **Amendment of Stock Awards.** The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be materially impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

14. TERMINATION OR SUSPENSION OF THE PLAN.

(a) **Plan Term.** The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the tenth (10th) anniversary of the date the Plan is adopted by the Board. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) **No Material Impairment of Rights.** Subject to other applicable provisions of the Plan, all Stock Awards made under the Plan prior to termination of the Plan shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of the Stock Awards. Suspension or termination of the Plan shall not materially impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

15. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

16. CHOICE OF LAW.

The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

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EXHIBIT A

FORM OF OPTION AGREEMENT

P.A.M. TRANSPORTATION SERVICES, INC.

2014 AMENDED AND RESTATED STOCK OPTION AND INCENTIVE PLAN

NONSTATUTORY STOCK OPTION AGREEMENT

THIS NONSTATUTORY STOCK OPTION AGREEMENT (the “*Option*” or the “*Agreement*”) is made on the ____ day of _____, 20__ (the “*Effective Date*”), by and between **P.A.M. TRANSPORTATION SERVICES, INC.**, a Delaware corporation (the “*Company*”), and _____ (the “*Optionholder*”).

Grant Date: _____

Number of Shares: _____

Option Price Per Share: _____

Expiration Date: _____

The Company, pursuant to the terms of the 2014 Amended and Restated Stock Option and Incentive Plan adopted by the Company’s Board of Directors on March 13, 2014 (the “*Plan*”), hereby grants an option to purchase the aforementioned number of shares of common stock of the Company (“*Common Stock*”) to the Optionholder at the aforementioned price and in all respects subject to the terms, definitions and provisions of this Agreement. The Option is intended to be a non-qualified stock option, and is not intended to be treated as an option that complies with Section 422 of the Internal Revenue Code of 1986, as amended.

1. **Exercise and Option.** This Option shall be exercisable at any time and from time to time pursuant to the exercise schedule and in accordance with the terms of this Agreement as follows:

(a) Exercise Schedule. This Option shall become exercisable and shall vest in installments as indicated below:

Percentage of option vested and available for exercise	Cumulative percentage of option vested and available for exercise	Exercise and Vesting Date
____%	____%	Immediately
____%	____%	_____
____%	____%	_____
____%	____%	_____
____%	____%	_____

(b) Method of Exercise. This Option shall be exercisable by a written notice, which shall:

- (i) state the election to exercise the Option, the number of shares in respect of which it is being exercised, the person in whose name the stock certificate or certificates for such shares of Common Stock is to be registered, his or her address and Social Security Number (or if more than one, the names, addresses and Social Security Numbers of such persons);
- (ii) contain such representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be satisfactory to the Company's counsel;

(iii) be signed by the person or persons entitled to exercise the Option and, if the Option is being exercised by any person or persons other than the Optionholder, be accompanied by proof, satisfactory to the Company's counsel, of the right of such person or persons to exercise the Option;

(iv) be accompanied by payment to the Company of the full Option price for the shares with respect to which the Option is exercised. The option price shall be paid in the following manner:

(A) full payment in cash or equivalent;

(B) pursuant to a "same day sale" program or delivery to the Company of an irrevocable exercise notice together with irrevocable instructions from the Optionholder to a broker or dealer, reasonably acceptable to the Company, to sell certain shares of Common Stock purchased upon exercise of an Option and promptly deliver to the Company the amount of the sale proceeds necessary to pay the exercise price of the Option (provided that with respect to such a cashless exercise, the Option shall be deemed exercised on the date of sale of the shares of Common Stock received upon exercise);

(C) by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; provided, however, that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued;

(D) any combination of subclauses "A" through "C", equal to the aggregate of the option price, or as approved by the Committee.

(c) Securities Exemption. The Company shall not be required to issue or deliver any certificates for shares of Common Stock purchased upon the exercise of an Option (i) prior to the completion of any registration or other qualification of such shares under any state or federal laws or rulings or regulations of any government regulatory body, which the Company shall determine to be necessary or advisable, or (ii) prior to receiving an opinion of counsel satisfactory to the Company that the sale or issuance of such shares is exempt from these registration or qualification requirements.

(d) Restrictions on Exercise. As a condition to the exercise of this Option, the Company may require the person exercising the Option to make any representation and warranty to the Company as may be required

by any applicable law or regulation.

(e) Termination, Death or Disability

(i) In the event the Continuous Service of the Optionholder shall be terminated by the Company, the unvested portion of this Option shall be forfeited immediately. The vested portion of the Option may be exercised at any time within _____ (____) days after such termination of Continuous Service, but in no case later than the date on which the Option would otherwise terminate.

(ii) In the event the Continuous Service of the Optionholder shall be terminated by the Employee for any reason other than death or Disability (as defined by the Plan), the unvested portion of this Option shall be forfeited immediately. The vested portion of the Option may be exercised at any time after the 90th day following the date of termination but within _____ (____) days of such termination of Continuous Service, but in no case later than the date on which the Option would otherwise terminate; provided, however, that the vested portion of the Option may only be exercised if and only if the Optionholder has not become employed by another company in the motor freight business in the United States, Canada, or Mexico, in which case all vested shares shall be forfeited.

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(iv) In the event the Continuous Service of the Optionholder shall be terminated due to Disability, the unvested portion of this Option shall be forfeited immediately. The vested portion of the Option may be exercised at any time within _____ (___) months after such Disability, but in no case later than the date on which the Option would otherwise terminate.

(v) If the Optionholder shall die while employed by the Company, the unvested portion of this Option shall be forfeited immediately. The vested portion of the Option shall become immediately exercisable by the Optionholder's estate, by the person who acquires the right to exercise such Option upon his or her death by bequest or inheritance, or by the person designated by the Optionholder to exercise the Option upon the Optionholder's death. Such exercise may occur at any time within _____ (___) months after the date of the Optionholder's death or such other period as the Committee may at any time provide, but in no case later than the date on which the Option would otherwise terminate.

(vi) This Option shall terminate on the aforementioned Expiration Date, unless terminated prior thereto as provided herein or in the Plan.

2. **Nontransferability of Option.** This Option may not be assigned or transferred other than by will or the laws of descent and distribution or to the Optionholder's designee as provided in Section 1(e)(v) and, during the lifetime of the Optionholder, may be exercised only by him or her. Any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company; provided, however, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

3. **Stock Subject to the Option.** The Company and the Optionholder agree that the Common Stock of the Company acquired upon exercise of the Option shall not be sold or transferred for 180 days after issuance and shall be subject to the other restrictions set forth in the Plan and subject to the restriction as set out in Paragraph 4 of this Agreement.

4. **Right of First Refusal.** The Optionholder shall not sell or transfer the shares issued upon exercise of the Option without first providing to the Company a notice of intent to sale (the "Notice") at least five (5) days prior to the intended sale date. After the Notice, the Company shall have until the close of business on the fourth business day after the Notice to agree to purchase the shares intended for sale. If the Company exercises its right to purchase the shares, the purchase shall be on the fifth day after the Notice and the purchase price shall be the fair market value of the Common Stock on that day. If the Company does not exercise its right, then the Optionholder shall have ten (10) business days thereafter to sell the shares. If the Optionholder does not sell the shares within such ten-day period, this right of first refusal shall be applicable to any subsequent sale of said shares.

5. **Notices.** Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Optionholder at the address appearing in the personnel records of the Company for the Optionholder or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

6. **No Right to Continued Employment.** Neither the Plan nor this Agreement shall be construed as giving the Optionholder the right to be retained in the employ of, or in any consulting relationship to, the Company. Further, the Company may at any time terminate the employment of the Optionholder or discontinue any consulting relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

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7. **Benefits of Agreement.** This Agreement shall inure to the benefit of and be binding upon the successors, assigns and heirs of the respective parties. All obligations imposed upon the Optionholder and all rights granted to the Company under this Agreement shall be binding upon Optionholder's heirs, legal representatives, and successors. This Agreement shall be the sole and exclusive source of any and all rights which the Optionholder, his heirs, legal representatives or successors may have in respect to the Plan or any options or Common Stock granted or issued hereunder, whether to himself or to any other person.

8. **Withholding.** An Optionholder shall be required to pay to the Company, and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of an Option, its exercise or any payment or transfer under an Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such withholding taxes.

9. **Governing Plan and Plan Amendments.** By entering into this Agreement, the Optionholder agrees and acknowledges that the Optionholder has received a copy of the Plan. The award and this Agreement are subject to the terms and conditions of the Plan. The Plan is incorporated into this Agreement by reference. By signing this Agreement, you accept this award, acknowledge receipt of a copy of the Plan and acknowledge that the award is subject to all the terms and provisions of the Plan and this Agreement. You further agree to accept as binding, conclusive and final all decisions and interpretations by the Committee of the Plan upon any questions arising under the Plan. This Agreement shall be subject to the terms of the Plan except that this Agreement may not in any way be restricted or limited by any Plan amendment or termination approved after the date of this Agreement without the Optionholder's written consent.

10. **Terms.** Any terms used in this Agreement that are not otherwise defined shall have the meanings ascribed to them in the Plan.

11. **Entire Agreement.** This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by the parties. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default.

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COMPANY:

By: _____

Name: _____

Title: _____

OPTIONHOLDER:

I acknowledge having received, read and understood the Plan and this Agreement. I accept the terms and conditions of my Option as set forth in this Agreement, subject to the terms and conditions of the Plan.

Signature of Optionholder

Name (please print): _____

Agreed to and accepted this ____ day of _____, 20__.

EXHIBIT B

FORM OF RESTRICTED STOCK AGREEMENT

P.A.M. TRANSPORTATION SERVICES, INC.

2014 AMENDED AND RESTATED STOCK OPTION AND INCENTIVE PLAN

RESTRICTED STOCK BONUS AWARD

NOTIFICATION OF AWARD AND TERMS AND CONDITIONS OF AWARD

THIS RESTRICTED STOCK BONUS AWARD AGREEMENT (the “Agreement”) contains the terms and conditions of the restricted stock bonus award granted to you by PAM Transportation Services, Inc., a Delaware corporation (the “Company”) under PAM Transportation Services, Inc.’s 2014 Amended and Restated Stock Option and Incentive Plan, adopted by the Company’s Board of Directors on March 13, 2014 (the “Plan”).

Name of Grantee: _____

Grant Date: _____

Number of Shares: _____

The Company, pursuant to the terms of the Plan, hereby grants to you, effective on the aforementioned Grant Date, the right to receive the number of shares shown above of Common Stock of the Company (“Shares”) on the Vesting Date (as defined below). Before the Shares are vested, they are referred to in this Agreement as “Restricted Stock.”

1. Payment. The Restricted Stock is granted without requirement of payment.

2. Stockholder Rights. Your Restricted Stock will be held for you by the Company or by a designated transfer agent until the applicable Vesting Date. You shall have all the rights of a stockholder only with respect to shares of Restricted Stock that have vested. Without limiting the generality of the forgoing, with respect to your unvested Restricted Stock, you shall have neither the right to vote such shares at any meeting of shareholders of the Company nor the right to receive any dividends paid in cash or otherwise with respect to such shares.

3. Vesting of Restricted Stock.

(a) Vesting. Your Restricted Stock will vest as follows, provided you have not incurred a Forfeiture Condition described below:

Percentage of Cumulative		Vesting Date
shares vesting	percentage vested	
___%	___%	Immediately
___%	___%	_____
___%	___%	_____
___%	___%	_____
___%	___%	_____

(b) Forfeiture Conditions. Subject to Paragraph 3(c) below, the shares of your Restricted Stock that would otherwise vest on a Vesting Date will not vest and shall be forfeited if, after the Grant Date and prior to the Vesting Date:

(i) your Continuous Service as an Employee terminates on or prior to the Vesting Date; or

(ii) you are discussing or negotiating the possibility of becoming or are considering an offer to become, or have accepted an offer or entered into an agreement to become an employee, officer, director, partner, manager, consultant to, or agent of, or otherwise becoming affiliated with, any entity competing or seeking to compete with the Company or an affiliate of the Company; or

(iii) you are subject to an administrative suspension, unless you are reinstated as an Employee in good standing at the end of the administrative suspension period, in which case the applicable number of shares of Restricted Stock would vest as of the date of such reinstatement.

(c) Accelerated Vesting; Vesting Notwithstanding Termination. Your Restricted Stock will vest earlier than described in Paragraph 3(a), and such earlier vesting date shall also be considered a "Vesting Date," under the following circumstances:

(i) The Committee may, in its discretion, at any time accelerate the vesting of your Restricted Stock on such terms and conditions as it deems appropriate.

(d) Mandatory Deferral of Vesting. If the vesting of Restricted Stock in any year could, in the Committee's opinion, when considered with your other compensation, result in the Company's inability to deduct the value of your Shares because of the limitation on deductible compensation under Internal Revenue Code Section 162(m), then the Company in its sole discretion may defer the Vesting Date applicable to your Restricted Stock (but only to the extent that, in the Committee's judgment, the value of your Restricted Stock would not be deductible) until six months following the termination of your Employee status.

4. Forfeiture of Restricted Stock. If you suffer a forfeiture condition (i.e., if your Continuous Service as an Employee is terminated prior to the Vesting Date and the vesting is not accelerated under Paragraph 3(c), you will immediately forfeit your Restricted Stock, and all of your rights to and interest in the Restricted Stock shall terminate upon forfeiture without payment of consideration. Forfeited Restricted Stock shall be reconveyed to the Company.

5. Taxes and Tax Withholding.

(a) Upon the vesting of your Restricted Stock, you will have income in the amount of the value of the Shares that become vested on the Vesting Date, and you must pay income tax on that income.

(b) You agree to consult with any tax consultants you think advisable in connection with your Restricted Stock and acknowledge that you are not relying, and will not rely, on the Company for any tax advice. Please see Section 9(b) regarding Section 83(b) elections.

(c) Whenever any Restricted Stock becomes vested under the terms of this Agreement, you must remit, on or prior to the due date thereof, the minimum amount necessary to satisfy all of the federal, state and local withholding (including FICA) tax requirements imposed on the Company (or the Affiliate that employs you) relating to your Shares. The Committee may require you to satisfy these minimum withholding tax obligations by any (or a combination) of the following means: (i) a cash, check, or wire transfer; (ii) authorizing the Company to withhold from the Shares otherwise deliverable to you as a result of the vesting of the Restricted Stock, a number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, less than or equal to the amount of the withholding obligation; or (iii) in unencumbered shares of the Company common stock, which have been held for at least six months.

6. Restricted Stock Not Transferable. Neither Restricted Stock, nor your interest in the Restricted Stock, may be sold, conveyed, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to vesting applicable to any award of Restricted Stock issued in your name. Any attempted action in violation of this paragraph shall be null, void, and without effect.

7. Right of First Refusal. The Grantee shall not sell or transfer the Shares without first providing to the Company a notice of intent to sale (the “Notice”) at least five (5) days prior to the intended sale date. After the Notice, the Company shall have until the close of business on the fourth business day after the Notice to agree to purchase the Shares intended for sale. If the Company exercises its right to purchase the Shares, the purchase shall be on the fifth day after the Notice and the price shall be the fair market value of the Common Stock on that day. If the Company does not exercise its right, then the Grantee shall have ten (10) business days thereafter to sell the Shares. If the Grantee does not sell the Shares within such ten-day period, this right of first refusal shall be applicable to any subsequent sale of said Shares.

8. Stock Issuance.

(a) The value of the Shares under this Agreement will not be taken into account in computing the amount of your salary or other compensation for purposes of determining any pension, retirement, death or other benefit under any employee benefit plan of the Company or any affiliate of the Company, except to the extent such plan or another agreement between you and the Company specifically provides otherwise.

(b) The Company may, without liability for its good faith actions, place legend restrictions upon the Restricted Stock or unrestricted Shares obtained upon vesting of the Restricted Stock and issue “stop transfer” instructions requiring compliance with applicable securities laws and the terms of the Restricted Stock.

9. Agreements of Grantee. By accepting this award,

(a) You agree to provide any information reasonably requested by the Company from time to time, and

(b) You agree not to make an Internal Revenue Code Section 83(b) election with respect to this award of Restricted Stock.

10. Notices. Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Grantee at the address appearing in the personnel records of the Company for the Grantee or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

11. **No Right to Continued Employment.** Neither the Plan nor this Agreement shall be construed as giving the Grantee the right to be retained in the employ of, or in any consulting relationship to, the Company. Further, the Company may at any time terminate the employment of the Grantee or discontinue any consulting relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

12. **Benefits of Agreement.** This Agreement shall inure to the benefit of and be binding upon the successors, assigns and heirs of the respective parties. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon Grantee's heirs, legal representatives, and successors. This Agreement shall be the sole and exclusive source of any and all rights which the Grantee, his heirs, legal representatives or successors may have in respect to the Plan or any Shares granted or issued hereunder, whether to himself or to any other person.

13. **Governing Plan and Plan Amendments.** By entering into this Agreement, the Grantee agrees and acknowledges that the Grantee has received a copy of the Plan. The award and this Agreement are subject to the terms and conditions of the Plan. The Plan is incorporated into this Agreement by reference. By signing this Agreement, you accept this award, acknowledge receipt of a copy of the Plan and acknowledge that the award is subject to all the terms and provisions of the Plan and this Agreement. You further agree to accept as binding, conclusive and final all decisions and interpretations by the Committee of the Plan upon any questions arising under the Plan. This Agreement shall be subject to the terms of the Plan except that this Agreement may not in any way be restricted or limited by any Plan amendment or termination approved after the date of this Agreement without the Grantee's written consent.

14. **Terms.** Any terms used in this Agreement that are not otherwise defined shall have the meanings ascribed to them in the Plan.

15. **Entire Agreement.** This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by the parties. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default.

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COMPANY:

By: _____

Name: _____

Title: _____

GRANTEE:

I acknowledge having received, read and understood the Plan and this Agreement. I accept the terms and conditions of my Restricted Stock award as set forth in this Agreement, subject to the terms and conditions of the Plan.

Signature of Grantee

Name (please print): _____

Agreed to and accepted this ____ day of _____, 20__.

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