CHASE CORP
Form 10-K
November 29, 2006

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, 2006

Commission File Number: 1-9852

CHASE CORPORATION

(Exact name of registrant as specified in its charter)

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

26 Summer Street, Bridgewater, Massachusetts 02324

(Address of Principal Executive Offices, Including Zip Code)

(508) 279-1789

(Registrant s Telephone Number, Including Area Code)

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

Title of Each Class:	**Name of Each Exchange on Which Registered**
Common Stock ($0.10 Par Value)	American Stock Exchange

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

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

Indicate by check mark 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. x

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES o NO x

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

The aggregate market value of the common stock held by non-affiliates of the registrant, as of February 28, 2006 (the last business day of the registrant s second quarter of fiscal 2006), was approximately $36,975,000.

As of October 31, 2006, the Company had outstanding 3,972,904 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, 2006, are incorporated by reference into Part III hereof.

CHASE CORPORATION
INDEX TO ANNUAL REPORT ON FORM 10-K
For the Year Ended August 31, 2006

PART I

ITEM 1 BUSINESS

Primary Operating Divisions and Facilities and Industry Segment

Chase Corporation (the Company or Chase) is a multi-divisional manufacturing company providing products to a wide variety of industries including wire and cable, construction and electronics. The Company s strategy is to maximize its core businesses while seeking future opportunities through selective acquisitions. The Company is organized into four major operating divisions. All operating divisions are part of the Company s Specialized Manufacturing segment with the exception of Chase EMS, which is part of the Company s Electronic Manufacturing Services segment. A summary of the Company s operating divisional structure as of August 31, 2006 is as follows:

Division	**Primary Manufacturing Location(s)**	**Background/History**	**Key Products & Services**
SPECIALIZED MANUFACTURING SEGMENT			
Chase Coating & Laminating	Randolph, MA	This operating facility has been producing products for the wire and cable industry for more than 50 years. This was one of the Company s first operating facilities.	Electrical cable insulation tapes and related products such as Chase BLH2OCK® , a water blocking compound sold to the wire and cable industry. 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. Uses the brand name, Chase & Sons®.
	Webster, MA	The Company began operating this facility, which manufactures tape and related products, in 1992. In December 2003, the Company acquired the assets of Paper Tyger, LLC (Paper Tyger). The Paper Tyger product lines are also manufactured at this facility.	Manufacture tape and related products for the electronic and telecommunications industries using the brand name, Chase & Sons®. Paper Tyger® is a trademark for laminated durable papers sold to the envelope converting and commercial printing industries. The Company s Paper Tyger products are marketed under the names Paper Tyger, NaturalWhite and SuperWhite.

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	Paterson, NJ	In February 2003, Chase Facile, Inc. (Chase Facile®), a wholly-owned subsidiary of the Company, acquired certain assets of Facile, Inc. (Facile), located in Paterson, New Jersey.	Flexible composites and laminates for the wire & cable, aerospace and industrial laminate markets including Insulfab®, an insulation material used in the aerospace industry.
	Taylorsville, NC	In January 2004, the Company purchased certain manufacturing equipment and began manufacturing operations at this facility.	Flexible packaging for industrial and retail use. Slit film for the building wire market and for telecommunication cable. This facility also produces laminated films for the flexible packaging industry
Chase Specialty Coatings	Pittsburgh, PA	The HumiSeal business and product lines were acquired more than thirty five years ago.	Protective conformal coating under the brand name HumiSeal®, moisture protective coatings sold to the electronics industry.
	Pittsburgh, PA	The Royston business was acquired more than thirty years ago. Additionally in April 2005, the Company acquired certain assets of E-Poxy Engineered Materials whose product lines are now also manufactured in Pittsburgh.	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. Rosphalt50®, an asphalt additive used predominantly on bridge decks for waterproofing protection. Bridge deck waterproofing systems, reflective cracking and waterproofing membranes, as well as high performance polymeric asphalt additives.
Chase Specialty Coatings	Evanston, IL	In November 2001, the Company acquired substantially all of the assets of Tapecoat, a division of T.C. Manufacturing Inc.	Manufacture protective coatings and tape products across several markets.
	Camberley, Surrey, England	In October 2005, the Company acquired all of the capital stock of Concoat Holdings Ltd. and its subsidiaries. In 2006 Concoat was renamed Humiseal Europe.	Concoat had been an agent, distributor and manufacturing licensee of Chase Corporation s HumiSeal® product line for nearly 25 years

NEQP	Newburyport, MA	In July 1999, the Company acquired Northeast Quality Products, Co. Inc., (NEQP).	Specialty printer producing custom pressure sensitive labels.
ELECTRONIC MANUFACTURING SERVICES SEGMENT			
Chase EMS (also known as RWA)	Winchester, MA	In May 1999, the Company acquired RWA, Inc. (RWA). Effective in fiscal 2005, this division moved to Winchester, MA from Melrose, MA and is now doing business as Chase EMS.	Assembly and turnkey contract manufacturing services including printed circuit board and electromechanical assembly services to the electronics industry operating principally in the United States.

Other Business Developments

Acquisition of Capital Services

On September 1, 2006 (fiscal year 2007), Chase Corporation acquired all of the capital stock of Capital Services Joint Systems of Schenectady, New York (Capital Services) for approximately $1,800,000 subject to adjustments and holdbacks including balance sheet retentions, and retentions for warranty and indemnifications. The value of the holdbacks and retentions total approximately $110,000. The assets acquired by Chase Corporation include inventories, trade receivables, cash, and other current assets. The purchase agreement for this acquisition requires additional contingent payments to be made by the Company if certain revenue targets are met with respect to the Capital Services and E-poxy products over the four years ending August 31, 2010.

Capital Services is a leading manufacturer of waterproofing sealants, expansion joints and accessories for the transportation, industrial and architectural markets. This new acquisition joins Chase s Royston and E-poxy Engineered Materials brands to form the Construction Products group of Chase Specialty Coatings.

International Operations Humiseal Europe (formerly Concoat)

On October 14, 2005, Chase Corporation acquired all of the capital stock of Concoat Holdings Limited and its subsidiaries of Camberley, Surrey, England for approximately US $9,300,000 (using foreign exchange rates at the time of the transaction), subject to adjustments and holdbacks including balance sheet retentions, property retentions, and retentions for warranty and indemnifications and tax retentions. The outstanding balances of the holdbacks and retentions as of August 31, 2006 totaled approximately $446,000 and have been recorded in accrued expenses as of year end. The transaction did not include the equipment portion of the Concoat business known as Concoat Systems which was spun off prior to Chase s acquisition. The assets acquired by Chase Corporation include inventories, trade receivables, cash, and other current assets.

Concoat had been an agent, distributor and manufacturing licensee of Chase Corporation s HumiSeal product line for nearly 25 years. In fiscal 2006 this division was renamed Humiseal Europe. The Company believes that this acquisition will strengthen the HumiSeal/Concoat conformal coatings business and serve as a foundation for Chase Corporation in Europe.

Acquisition of E-Poxy Engineered Materials

In April 2005, the Company acquired the assets of E-Poxy Engineered Materials, LLC (E-Poxy), based in Albany, New York. The E-Poxy business specializes in expansion and control joint systems designed for roads, bridges, stadiums and airport runways. Its product lines also include specialty bonding agents, grouts, mortars, injection resins, secondary containment systems and protective coatings. The purchase price for this acquisition was $693,000 with additional contingent payments to be made by the Company if certain revenue targets are met with respect to E-Poxy s products over the four years ending March 31, 2009. The E-Poxy products are being manufactured in the Company s Pittsburgh facility and are part of the Chase Specialty Coatings division.

Products and Markets

The Company s principal products are protective coatings and tape products that are sold by Company salespeople and manufacturers representatives. In the Company s Specialized Manufacturing 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) 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; (iii) protectants for highway bridge deck metal supported surfaces, which are sold to municipal transportation authorities; (iv) moisture protective coatings, which are sold to the electronics industry; (v) laminated, durable papers, which are produced and sold primarily to the envelope converting and commercial printing industries; (vi) flexible composites and laminates for the wire & cable, aerospace and industrial laminate markets and (vii) expansion and control joint systems designed for roads, bridges, stadiums and airport runways. In addition, the Company s Electronic Manufacturing Services segment provides circuit board assembly and contract manufacturing services to electronic goods manufacturers. There is some seasonality with the Company s product offerings sold into the construction market as increased demand is often experienced when temperatures are warmer (typically the Company s fourth fiscal quarter) with less demand occurring when temperatures are colder (typically the second fiscal quarter). The Company s business and the Company has introduced no new products or segments requiring an investment of a material amount of the Company s assets.

Employees

As of October 31, 2006, the Company employed approximately 362 people (including certain union employees). The Company believes that its relationship with its employees is good.

Backlog, Customers and Competition

As of October 31, 2006, the backlog of orders believed to be firm was approximately $12,691,000, of which $7,356,000 was related to the Company s Electronic Manufacturing Services segment. This compared with a total of $9,215,000 as of October 31, 2005 of which $4,411,000 was associated with the Company s Electronic Manufacturing Services segment. The backlog is not seasonal. During fiscal 2006, 2005 and 2004, no customer accounted for more than 10% of sales. No material portion of the Company s business is subject to renegotiation or termination of profits or contracts at the election of the government.

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

Raw Materials

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

Patents, Trademarks, Licenses, Franchises and Concessions

The Company owns the following trademarks: 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; Paper Tyger®, a trademark for laminated durable papers sold to the envelope converting and commercial printing industries; and Eva-Pox® and Ceva®, trademarks for epoxy pastes/gels/mortars and elastomeric concrete used in the construction industry. The Company has no other material trademarks, licenses, franchises, or concessions. The Company holds various patents but believes that, at this time, they are not material to the success of the business.

Working Capital and Research and Development

There are no special practices followed by the Company relating to working capital. Approximately $1,900,000, $1,500,000, and $1,200,000 was spent for Company-sponsored research and development during fiscal 2006, 2005 and 2004, respectively. Research and development increased by $400,000 in fiscal 2006 compared to 2005 primarily due to increased expenses at the Company s Coating & Laminating division. This increase related to higher materials expense in developing new products for the Paper Tyger and Chase BLH2OCK product lines.

Available Information

The Company maintains a website at www.chasecorp.com. The Company makes available, free of charge, on its website its Annual Report on Form 10-K, as soon as reasonably practicable after such report is electronically filed with the SEC. Additionally, the Company s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available at the SEC s website at www.sec.gov. Information contained on the Company s website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

Financial Information About Segments and Geographic Areas

Please see Notes 11 and 12 to the Company s Consolidated Financial Statements for financial information about the Company s industry 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 the Company s business and the forward-looking information contained in this Annual Report on Form 10-K. Any of the following risks could materially adversely affect the Company s business, operations, industry or financial position or its future financial performance. While the Company believes it has identified and discussed below the key risk factors affecting its 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 its business, operations, industry, financial position and financial performance in the future.

The Company currently operates in a mature market where increases or decreases in market share could be significant.

The Company s sales and net income are largely dependent on recurring sales from a consistent and established customer base. Organic growth opportunities are minimal; however, the Company has 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 the Company. If we are unable to maintain our market share, our business could suffer.

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

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

Even if the Company does identify a suitable acquisition target and is able to negotiate and close a transaction, the integration of an acquired business into the Company s operations involves numerous risks, including potential difficulties in integrating an acquired company s product line with the Company s own; the diversion of the Company s resources and management s attention from other business concerns; the potential loss of key employees; risks associated with entering a new geographical or product market; and the day-to-day management of a larger and more diverse combined company. The Company may not realize the synergies, operating efficiencies, market position or revenue growth it anticipates from acquisitions and its failure to effectively manage the above risks and other problems associated with acquisitions could have a material adverse effect on its business, growth prospects and financial performance.

Fluctuations in the supply and prices of raw materials may negatively impact the Company s financial results.

The Company obtains the raw materials needed to manufacture its 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 the Company is unable to pass these increases on to its customers, the Company could experience reduced profit margins.

The Company is dependent on key personnel.

The Company depends significantly on its President 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 the Company s business and results of operations. In addition, the Company s acquisition strategy will require that it attract, motivate and retain additional skilled and experienced personnel. The inability to satisfy such requirements could have a negative impact on the Company s ability to remain competitive in the future.

The financial impact of implementing the internal control provisions of the Sarbanes-Oxley Act imposes significant costs on small businesses such as Chase.

Under Section 404 of the Sarbanes-Oxley Act of 2002, the Company s management will be required to conduct an evaluation of the effectiveness of the Company s internal control over financial reporting as of the end of each fiscal year and issue a report on the effectiveness of those controls in its annual report, once the transition rules are effective as to the Company. The Company s independent registered public accounting firm will need to attest to management s report. These costs will be greatest during the implementation phase of the project, which will last through at least August 2008. The Company expects ongoing compliance costs beyond the initial implementation to lessen; however, they will still be present in future fiscal years. Proposed SEC rules may, if finalized in their current form, extend the effective date of these regulations as they apply to the Company, or impose a graduated implementation schedule for smaller companies. Under currently applicable rules, the Company will need to fully comply with the internal control provisions of Section 404 of the Sarbanes-Oxley Act as of August 31, 2008.

ITEM 2 PROPERTIES

The Company owns office and manufacturing properties and leases office and manufacturing space as outlined in the table below. All properties are used by the Company s Specialized Manufacturing segment except for Corporate and the Chase EMS division. The Chase EMS property is used by the Company s Electronic Manufacturing Services segment.

Location	**Square Feet**	**Operating Division**	**Owned / Leased**	**Principal Use**
Bridgewater, MA	5,200	Corporate	Owned	Corporate headquarters and executive office
West Bridgewater, MA	35,700	Corporate	Owned	Space leased to Sunburst under a 36-month lease agreement currently expiring December 2006
Randolph, MA	77,500	Coating & Laminating	Owned	Manufacture of electrical protective coatings and tape products
Webster, MA	25,000	Coating & Laminating	Owned	Manufacture of tape and related products for the electronic and telecommunications industries
Paterson, NJ	40,000	Coating & Laminating	Leased	Manufacture of tape and related products for the electronic and telecommunications industries
Taylorsville, NC	50,000	Coating & Laminating	Leased	Manufacture of flexible packaging for industrial and retail use
Cranston, RI	500	Coating & Laminating	Leased	Head sales office for Coating & Laminating division
Middlefield, CT	625	Coating & Laminating	Leased	Support sales office for Paper Tyger product line
Taunton, MA	5,200	Chase Specialty Coatings	Leased	Research and development for Humiseal product line
Pittsburgh, PA	44,000	Chase Specialty Coatings	Owned	Manufacture and sale of protective coatings and tape products

Evanston, IL	100,000	Chase Specialty Coatings	Owned	Manufacture and sale of protective coatings and tape products
Albany, NY	10,000	Chase Specialty Coatings	Leased	Support sales office for E-Poxy product line
Newburyport, MA	15,000	Northeast Quality Products, Co, Inc.	Leased	Manufacture and sale of custom pressure-sensitive labels
Winchester, MA	25,000	Chase EMS	Leased	Manufacturing and sales for the Electronic Manufacturing Services segment
Camberley, Surrey, England	6,700	Humiseal Europe	Leased	Manufacture and sales of protective coatings

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

ITEM 3 LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation incidental to the conduct of its business. The Company is not party to any lawsuit or proceeding that, in management s opinion, is likely to seriously harm the Company s business, results of operations, financial conditions or cash flows.

The Company is one of over 100 defendants in a personal injury lawsuit, pending in Ohio, which alleges personal injury from exposure to asbestos contained in certain Chase products. The plaintiff in the case issued discovery requests to Chase in August 2005, to which Chase timely responded in September 2005. The trial had initially been scheduled to begin on April 30, 2007. However, that date has since been postponed and no new trial date has been set. Since that time, the Ohio lawsuit has been inactive with respect to Chase. The Company had been a defendant in another personal injury lawsuit in Mississippi alleging injury from exposure to asbestos contained in certain Chase products. However, the Company was dismissed without prejudice from that lawsuit in June 2005.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company s security holders during the fourth quarter of the Company s fiscal year ended August 31, 2006.

ITEM 4A EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information concerning the Company s sole Executive Officer as of August 31, 2006. Each officer of the Company is selected by the Company s Board of Directors and holds office until his successor is elected and qualified.

Name	Age	Offices Held and Business Experience during the Past Five Years.
Peter R. Chase	58	Chief Executive Officer of the Company since September 1993 and President of the Company since April 1992.

On November 21, 2006 the Board of Directors of the Company, acting upon the recommendation of its Nominating and Governance Committee, appointed Peter R. Chase to the position of Chairman of the Board, effective February 5, 2007, the date of the Annual Meeting of Shareholders for fiscal year 2006. Mr. Chase will continue to serve as President and Chief Executive Officer.

In addition, continuing the management transition plan announced February 3, 2006, and upon the recommendation of its Compensation and Management development Committee the Board appointed three additional executive officers effective February 5, 2007. On such date:

Adam P. Chase will become the Company s Chief Operating Officer. Adam Chase, age 34, is currently the Company s Vice President Operations since February 3, 2006. He served as VP & General Manager Chase Coating & Laminating Division since March 2003. Prior to that he was Corporate Controller from September 1998 through January 2004. Before joining Chase Corporation he was employed by Brown Brothers Harriman. Mr. Chase is the son of Peter R. Chase and the nephew of Mary Claire Chase. His new title will be Vice President and Chief Operating Officer.

Kenneth L. Dumas will become the Company s Treasurer and Chief Financial Officer. Mr. Dumas, age 35, has served as the Company s Director of Finance since February 2006, was named Corporate Controller in January 2004 and was Assistant Controller for the Company from his hire in April 2003. Prior to that time he was employed by PricewaterhouseCoopers as a Senior Manager in their Audit Practice. His new title will be Treasurer and Chief Financial Officer.

Terry Jones will become the Company s Chief Marketing Officer. Mr. Jones, age 45, is currently the Company s Vice President Marketing and Business Development, a position he has held since February 2006. Mr. Jones joined the Company in August 2002 as Vice President Specialty Coatings Division. Prior to joining Chase he was employed by Schenectady International, Inc. as General Manager Europe Polymer Division. His new title will be Vice President Business Development and Chief Marketing Officer.

PART II

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

The Company s common stock is traded on the American Stock Exchange (Symbol: CCF). The approximate number of common stock shareholders of record on October 31, 2006 was 1,260, and the closing price of Chase Corporation s common stock was $21.99 per share as reported by the American Stock Exchange.

The following table sets forth the high and low sales prices for the Company s common stock as reported by the American Stock Exchange for each quarter in the fiscal years ended August 31, 2006 and 2005:

	Fiscal 2006 High	Low	Fiscal 2005 High	Low
First Quarter	$ 15.01	$ 14.06	$ 16.80	$ 15.36
Second Quarter	15.55	14.10	17.25	15.55
Third Quarter	15.30	14.13	16.44	13.01
Fourth Quarter	16.94	14.40	14.50	13.70

The Company paid a cash dividend per common share of $0.40, $0.35, and $0.35 for the years ended August 31, 2006, 2005 and 2004, respectively. The cash dividend for each fiscal year was paid subsequent to year end. Certain of the Company s borrowing facilities contain financial covenants which may have the effect of limiting the amount of dividends that the Company can pay.

The following table summarizes the Company s stock option plans as of August 31, 2006. Further details on the Company s stock option plans are discussed in the notes to the consolidated financial statements. The adoption of each of the Company s stock option plans was approved by its shareholders.

	Number of shares of Chase common stock to be issued upon the exercise of outstanding options	Weighted average exercise price of outstanding option	Number of shares of Chase common stock remaining available for future issuance
2001 Senior Management Stock Plan	405,000	$ 10.81	148,502
2001 Non-Employee Director Stock Plan	42,820	11.77	5,000
Total	447,820	$ 10.90	153,502

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, 2006	2005	2004	2003	2002
	(in thousands, except per share amounts)				
Statement of Operations Data					
Revenues	$ 108,442	$ 91,389	$ 87,084	$ 74,566	$ 69,348
Income before minority interest	6,114	4,849	5,101	5,318	4,343
Income (loss) from unconsolidated joint venture		22	26	(60)	120
Loss on impairment of unconsolidated joint venture		(83)	(500)		
Net income	6,114	4,788	4,627	5,258	4,463
Net income per common share basic	$ 1.57	$ 1.27	$ 1.22	$ 1.30	$ 1.10
Net income per common share diluted	$ 1.53	$ 1.22	$ 1.16	$ 1.25	$ 1.08
Balance Sheet Data					
Total assets	$ 78,837	$ 63,927	$ 59,257	$ 57,734	$ 53,305
Long-term debt and capital leases	10,288	9,569	8,343	6,005	6,781
Total stockholders equity	46,074	38,840	36,980	37,609	33,284
Cash dividends per common share(1)	$ 0.40	$ 0.35	$ 0.35	$ 0.31	$ 0.27

(1) Single annual dividend payments declared and paid subsequent to fiscal year end.

Note: Information related to the Company s acquisitions and dispositions can be found in the Overview and Recent Developments sections of Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.

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

The following discussion provides an analysis of the Company s 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, 2006 (dollars in thousands)	2005	2004
Revenue	$ 108,442	$ 91,389	$ 87,084
Net Income	$ 6,114	$ 4,788	$ 4,627
Increase (decrease) in revenue from prior year			
Amount	$ 17,053	$ 4,305	$ 12,518
Percentage	19 %	5 %	17 %
Increase (decrease) in net income from prior year			
Amount	$ 1,326	$ 161	$ (631)
Percentage	28 %	3 %	(12)%
Percentage of revenue:			
Revenue	100 %	100 %	100 %
Expenses:			
Cost of products and services sold	72 %	72 %	71 %
Selling, general and administrative expenses	18	18	18
Loss on impairment of goodwill	0	0	1
Other expenses	1	1	0
Income before income taxes and minority interest	9	9	10
Income taxes	3	4	4
Income before minority interest	6	5	6
Loss on impairment of unconsolidated joint venture	0	0	1
Net income	6 %	5 %	5 %

Recent Developments

In April 2005 (fiscal year 2005), the Company acquired the assets of E-Poxy Engineered Materials, LLC (E-Poxy), based in Albany, New York. The E-Poxy business specializes in expansion and control joint systems designed for roads, bridges, stadiums and airport runways. The E-Poxy products are being manufactured in the Company s Pittsburgh facility and are part of the Chase Specialty Coatings division.

In October 2005 (fiscal 2006), Chase Corporation acquired all of the capital stock of Concoat Holdings Limited and its subsidiaries of Camberley, Surrey, England for approximately US $9,300,000 (using foreign exchange rates at the time of the transaction), subject to adjustments and holdbacks including balance sheet retentions, property retentions, and retentions for warranty and indemnifications and tax retentions. The outstanding balances of the holdbacks and retentions total approximately US $446,000 and have been recorded in accrued expenses as of August 31, 2006. The transaction did not include the equipment portion of the Concoat business known as Concoat Systems which was spun off prior to Chase s acquisition.

Concoat (which was renamed Humiseal Europe in fiscal 2006) had been an agent, distributor and manufacturing licensee of Chase Corporation s HumiSeal product line for nearly 25 years. The Company believes that this acquisition will strengthen the HumiSeal/Concoat conformal coatings business and serve as a foundation for Chase Corporation in Europe.

On September 1, 2006 (fiscal 2007), Chase Corporation acquired all of the capital stock of Capital Services Joint Systems of Schenectady, New York (Capital Services) for approximately $1,800,000 subject to adjustments and holdbacks including balance sheet retentions, and retentions for warranty and indemnifications. The value of the holdbacks and retentions total approximately $110,000. The purchase agreement for this acquisition requires additional contingent payments to be made by the Company if certain revenue targets are met with respect to the Capital Services and E-poxy products over the four years ending August 31, 2010.

The assets acquired by Chase Corporation include inventories, trade receivables, cash, and other current assets. Capital Services is a leading manufacturer of waterproofing sealants, expansion joints and accessories for the transportation, industrial and architectural markets. This new acquisition joins Chase s Royston and E-poxy Engineered Materials brands to form the Construction Products group of Chase Specialty Coatings.

Overview

Strategic acquisitions, efficiency improvements and strong demand contributed to significant revenue and profit increases for the fiscal year 2006. Keen attention to the manufacturing cost structure of the business led to improvements in the profitability within the Company s Specialized Manufacturing segment in spite of the impact of raw material and energy cost increases. Where possible, sales price increases have been implemented and will partially alleviate the increased costs going forward. The Company anticipates that continued strong revenue growth, combined with a stabilization of oil prices will assist it in leveraging its fixed costs.

The Company s Electronic Manufacturing Services segment showed strong revenue growth in the second half of fiscal year 2006, with new customers brought on in the first half of the year contributing to the increased revenues. With the relocation to the new Winchester plant in March 2005, the Company is beginning to see positive results in the form of new customers and improved productivity related to equipment enhancements.

As in the past three years, the Company continues to identify and pursue efficiency enhancements to its manufacturing operations as a means of better positioning its businesses and maximizing resources.

The Company has two reportable segments summarized below:

Segment	Divisions	Manufacturing Focus and Products
Specialized Manufacturing Segment	• Chase Coating & Laminating • Chase Specialty Coatings • NEQP	Produces protective coatings and tape products including insulating and conducting materials for wire and cable manufacturers, protective coatings for pipeline applications and moisture protective coatings for electronics and printing services, bridge deck waterproofing systems, reflective cracking and waterproofing membranes, as well as high performance polymeric asphalt additives .
Electronic Manufacturing Services Segment	• Chase EMS	Provides assembly and turnkey contract manufacturing services including printed circuit board and electromechanical assembly services to the electronics industry operating principally in the United States.

Chase Canada, the Company s manufacturing plant in Winnipeg, Canada was reorganized within the domestic operating facilities of the Company s Specialized Manufacturing segment in the fourth quarter of fiscal 2004. This reorganization of plant facilities was a result of the continued consolidation of Chase Canada s customer base, predominantly to the United States. For the fiscal year ended August 31, 2004, the Company incurred losses before income taxes of approximately $754,000 from its operations in Canada. Included in the fiscal year loss was approximately $300,000 in costs related to employee severance, stay bonuses, accelerated depreciation on certain manufacturing equipment, a one time termination fee related to the building lease commitment, realization of unrealized foreign currency translation adjustments and other shut down costs.

Results of Operations

Revenues and Operating Profit by Segment are as follows (dollars in thousands)

	Revenue	**Income Before Income Taxes and Minority Interest**		**% of Revenue**
Fiscal 2006				
Specialized Manufacturing	$ 95,418	$ 14,960	(a)	16 %
Electronic Manufacturing Services	13,024	1,072		8
	$ 108,442	16,032		15
Less corporate and common costs		(7,068	)(b)	
Income before income taxes and minority interest		$ 8,964		
Fiscal 2005				
Specialized Manufacturing	$ 79,461	$ 11,756		15 %
Electronic Manufacturing Services	11,928	1,188		10
	$ 91,389	12,944		14
Less corporate and common costs		(5,260	)(c)	
Income before income taxes and minority interest		$ 7,684		
Fiscal 2004				
Specialized Manufacturing	$ 69,449	$ 11,082		16 %
Electronic Manufacturing Services	17,635	2,065	(d)	12
	$ 87,084	13,147		15
Less corporate and common costs		(4,637	)	
Income before income taxes and minority interest		$ 8,510		

(a) Includes loss on impairment of goodwill of $457,000.

(b) Includes stock compensation expense of $1,735,000 and net deferred compensation expense of $814,000.

(c) Includes legal settlement of $520,000 related to litigation with Tyco Adhesives.

(d) Includes loss on impairment of goodwill of $579,000.

Total Revenues

Total revenues for fiscal 2006 increased $17.0 million or 19% to $108.4 million from $91.4 million in the prior year. Revenues in the Company s Specialized Manufacturing segment were $95.4 million in fiscal 2006 compared to $79.5 million in fiscal 2005. The increase in revenues from the Company s Specialized Manufacturing segment in fiscal 2006 is primarily due to the following: (a) $1.1 million from the acquisition of the E-Poxy business which was acquired in fiscal 2005 and whose results were included for the full year in fiscal 2006 compared to 5 months in fiscal 2005 (b) $4.4 million

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from the acquisition of Concoat in fiscal 2006, and (c) $1.3 million in increased sales of the Coating & Laminating division s Chase BLH2OCK® product and wire and cable products which were a result of oil and gas companies increasing maintenance budgets, increased industrial power and power transmission projects and significant roadway infrastructure enhancement projects.

The increased revenues in Specialized Manufacturing were complemented by an increase in revenues from the Company s Electronic Manufacturing Services segment during the year. Revenues from the EMS segment increased $1.1 million or 9% to $13.0 million for the year ended August 31, 2006 compared to $11.9 million for fiscal 2005. This increase was primarily due to new customer orders and increased demand from existing customers as the softness in the assembly market seen in fiscal 2005 began to strengthen in the latter half of fiscal 2006 resulting in stronger demand for EMS services.

Royalty revenues in the Specialized Manufacturing segment increased $133,000 or 12% for the year ended August 31, 2006 compared to fiscal 2005. The increase for the year is primarily attributable to increased royalty rates to existing customers, offset by the loss of royalty revenue attributable to the Company s acquisition of Concoat, which was a source of royalty income before it was acquired by the Company in fiscal 2006.

Export sales from continuing domestic operations to unaffiliated third parties were $14.1 million, $12.3 million, and $9.0 million for the years ended August 31, 2006, 2005 and 2004, respectively. The increase in export sales in fiscal 2006 was primarily due to strong demand for the Company s product offerings to the wire and cable industry. The Company does not anticipate any material change to export sales during fiscal 2007.

Total revenues for fiscal 2005 increased $4.3 million or 5% to $91.4 million from $87.1 million in fiscal 2004. Revenues in the Company s Specialized Manufacturing segment were $79.4 million in fiscal 2005 compared to $69.4 million in fiscal 2004. The increase in revenues for the Company s Specialized Manufacturing segment was primarily due to the following: (a) the acquisition of the E-Poxy and Paper Tyger businesses; (b) increased sales of the Coating and Laminating division s wire and cable product lines; (c) continued increased demand for Chase BLH2OCK®; (d) increased demand for HumiSeal® products. The Company s Electronic Manufacturing Services segment revenues decreased $5.7 million for fiscal 2005 compared to fiscal 2004. This segment s revenues were negatively affected by the December 2003 sale of Sunburst Electronic Manufacturing Solutions, Inc., which accounted for $2.5 million in revenues in the first half of fiscal year 2004 (Sunburst revenues were included for only three months of fiscal year 2004 prior to being sold.) Royalty arrangements in the Specialized Manufacturing segment were relatively flat for fiscal 2005 compared to fiscal 2004.

Cost of Products and Services Sold

Cost of products and services sold increased $11.4 million or 17% to $77.6 million for the fiscal year ended August 31, 2006 compared to $66.2 million in fiscal 2005. As a percentage of revenues, cost of products and services sold remained flat at 72% in fiscal 2006 and 2005.

Cost of products and services sold in the Company s Specialized Manufacturing segment for the fiscal year ended August 31, 2006 were $66.6 million compared to $56.3 million in fiscal 2005. The majority of the dollar value increase was a result of increased revenues during 2006. As a percentage of revenues, cost of products and services sold in the Company s Specialized Manufacturing segment decreased to 70% in the year ended August 31, 2006, compared to 71% in the same period in fiscal 2005.

Management s continued focus on improving manufacturing efficiencies as well as continued emphasis on strategic purchases helped offset raw material cost increases on some of the Company s key product lines. The Company anticipates that continued strong revenue growth in the Specialized Manufacturing segment, combined with a stabilization of oil prices, will continue to assist it in leveraging its fixed costs.

Cost of products and services sold in the Company s Electronic Manufacturing Services segment were $11.0 million for the fiscal year ended August 31, 2006 compared to $9.9 million in fiscal 2005. The dollar value increase in cost of products and services sold is primarily attributable to increased revenues in fiscal 2006 coupled with an increase in fixed manufacturing costs attributable to the new Winchester plant as well as increases in raw material costs. As a percentage of revenues, cost of products and services sold in this segment increased slightly to 84% for fiscal 2006 compared to 83% for fiscal 2005.

In fiscal 2005, cost of products and services sold increased $4.5 million or 7% to $66.2 million compared to $61.7 million in the prior fiscal year. Cost of products and services sold in the Company s Specialized Manufacturing segment were $56.3 million in fiscal 2005 compared to $49.9 million in fiscal 2004. Cost of products and services sold in the Company s Electronic Manufacturing Services segment were $9.9 million in fiscal 2005 compared to $11.8 million in fiscal 2004. The majority of the dollar value increase in the Specialized Manufacturing segment was a direct result of increased revenues in fiscal 2005. As a percentage of revenues, cost of products and services sold increased to 72% in fiscal 2005 compared to 71% in fiscal 2004. This increase was primarily due to the following: (a) increased sales of lower margin products in the Company s Specialized Manufacturing segment; (b) increased raw material costs across some of the Company s key product lines; and (c) inclusion of a full twelve months of sales related to the Paper Tyger product line which have lower margins compared to some of the Company s other product lines. The dollar value decrease in the Electronic Manufacturing Services segment was a direct result of decreased revenues in fiscal 2005 compared to fiscal 2004.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.5 million or 8% to $18.1 million during fiscal 2006 compared to $16.6 million in fiscal 2005. As a percentage of revenues, selling, general and administrative expenses were 17% for the year ended August 31, 2006 compared to 18% for the year ended August 31, 2005. The dollar increase in fiscal 2006 relates primarily to additional expenses associated with the Company s newly acquired Humiseal Europe operations; increased salary and benefit costs; health care costs; information technology and telecommunication costs; and higher public company expenses, including accounting and legal fees. The percentage decrease during fiscal 2006 compared to fiscal 2005 can be attributed to the Company s increased revenue base and ongoing efforts to leverage its fixed costs wherever possible. Additionally, in fiscal 2005, the Company spent approximately $300,000 in legal costs as part of its outstanding litigation and legal settlement with Tyco.

Selling, general and administrative expenses increased $747,000 or 5% to $16.6 million in fiscal 2005 compared to $15.9 million in fiscal 2004. As a percent of revenues, selling, general and administrative expenses remained flat in fiscal 2005 at 18%, unchanged from fiscal 2004. The dollar increase in fiscal 2005 relates primarily to salary and benefits, including health care costs; information technology and telecommunication costs; and higher public company expenses, including accounting and legal fees. The Company also had increased selling expenses related to its Paper Tyger and E-Poxy sales offices as well as a proportionate increase in commissions associated with the increased revenues in fiscal 2005.

Bad debt expense, net of recoveries, was steady at $167,000 in fiscal 2006 compared to $166,000 in fiscal 2005 and $397,000 in fiscal 2004. The decrease in 2005 was a result of management s strict adherence to credit policies and guidelines as well as continued focus and active management and maintenance of the accounts receivable function.

Stock Based Compensation

The Company recorded non-cash stock based compensation expense in the amount of $1,735,000 in fiscal 2006. This charge relates to the issuance of 98,250 shares of Company stock to certain key members of management and 6,100 shares to members of the Board of Directors in recognition of services performed during fiscal years 2002 through 2005. The Company is also ratably recognizing expense for additional stock based compensation granted to members of the Board of Directors and key members of management. The Board of Director s stock based compensation is for services from February 2006 through January 2007. Stock based compensation for key members of management is based on the fiscal year 2006 results and is vesting over the period from February 2006 through August 31, 2008.

Deferred Compensation Expense

During the first quarter of fiscal 2006, the Company recorded a gain of $403,000 realized on the surrender of two split dollar life insurance policies in accordance with the terms of a November 2005 agreement between the Company and a former officer s widow. In surrendering the policies, the Company received approximately $1,790,000 in cash in the quarter ended February 28, 2006 and has agreed to pay the former officer s widow an annuity payment in the amount of $37,500 per quarter beginning October 31, 2005. The present value of the expected quarterly payments resulted in a deferred compensation charge of $1,217,000, which was recorded as an expense by the Company in the first quarter of fiscal 2006. Accordingly, the net expense of the surrender of the two life insurance polices was $814,000.

The $1,790,000 in additional cash provided the Company with increased flexibility in building its core businesses and looking for strategic acquisitions. Furthermore, by surrendering these two split dollar life insurance policies, the Company can cease making premium payments on these policies which are not currently tax deductible and will now receive a tax deduction on the quarterly annuity payments as they are made.

Legal Settlement

On June 14, 2005, the Company filed a stipulation of dismissal with prejudice resolving outstanding litigation with Tyco Adhesives arising out of Tyco s allegations that the Company had improperly used Tyco trade secrets and confidential information. The Company had denied all liability and vigorously defended the case. While believing that it had meritorious defenses to Tyco s claims, in a settlement agreement effective June 5, 2005, the Company and two of its former employees settled the matter prior to trial for a cash payment of $520,000 to avoid a prolonged and expensive trial. The settlement releases the Company as well as the two former employees for liability for all past actions. The Company also agreed not to use Tyco s trade secrets and confidential information with respect to the pressure sensitive tape business in the future. The Company believes that this restriction will not interfere with planned future business activities.

Loss on Impairment of Goodwill

As discussed in the notes of the Company s consolidated financial statements, the Company concluded the carrying amount of goodwill for the Northeast Quality Products (NEQP) division was not fully recoverable and an impairment charge of $457,000 was recorded as of May 31, 2006. Goodwill related to NEQP, having a pre-impairment book value of $1,117,000, was written down to its fair value of $660,000.

In fiscal year 2004, the Company recorded a $579,000 charge related to the impairment of goodwill in connection with its sale of Sunburst. Goodwill related to Sunburst, having a pre-impairment book value of $1,412,000, was written down to its fair value of $833,000, which was realized upon the December 10, 2003 sale of Sunburst. The impairment was recorded in the Company s first fiscal quarter ended November 30, 2003 while the effective date of the sale of Sunburst was December 1, 2003.

Interest Expense

Interest expense was $1,018,000 in fiscal 2006 compared to $496,000 and $346,000 in fiscal 2005 and 2004, respectively. The increase in interest expense is a direct result of (a) increased debt due to the October 2005 acquisition of Concoat (b) increased debt from the April 2005 acquisition of E-Poxy and (c) rising interest rates over the past two years. The increase in interest expense was partially offset by the Company s ability to reduce overall debt balances through principal payments from operating cash flows. The Company anticipates interest expense in fiscal 2007 to be comparable to fiscal 2006 due in part to additional borrowings related to its acquisition of Capital Services in September 2006 offset by the Company s ability to pay down its debt through operating cash flows and receive the benefits from favorable borrowing rates from its financial institutions.

Other Income (Expense)

Other income increased $15,000 to $183,000 for the year ended August 31, 2006 compared to $168,000 in the prior year. Other income consists predominantly of monthly rental income of $11,900 on property (building and land) owned by the Company and leased to Sunburst Electronic Manufacturing Solutions, Inc. under a 36 month rental agreement entered into in conjunction with the Company s sale of Sunburst in December 2003. The fiscal year 2006 increase in other income consists primarily of bank interest earned by the Company s Humiseal Europe division.

Income Taxes

The effective tax rate for fiscal 2006 was 32.0% compared to 37.0% and 40.0% in fiscal 2005 and 2004, respectively. In all three years, the Company has received the benefit of strong export sales and foreign tax credits. In fiscal 2004, the sale of Sunburst created a capital loss carryforward for income tax purposes of approximately $1.3 million. This capital loss expires in 2008 and will be used to offset any capital gains generated by the Company in future periods. In November 2005, the Company concluded that it was more likely than not that the total deferred tax asset in the form of capital loss carryforwards of $1.7 million would be realized prior to its expiration in 2008 as a result of the anticipated sale of real property currently owned by the Company. Accordingly, the valuation allowance previously recorded against this deferred tax asset was reversed in fiscal 2006 resulting in a tax benefit of $635,000. As a result, the effective tax rate in fiscal year 2006 is 38% with a net effective rate after reversal of the valuation allowance of approximately 32% compared to 37% in fiscal year 2005.

Income (Loss) from Unconsolidated Joint Venture

The income (loss) from unconsolidated joint venture relates to a 42% equity position in the Stewart Group, Inc. (SGI), located in Toronto, Canada, and held by the Company until 2005. In fiscal 1995, the Company formed SGI as a joint venture with The Stewart Group, Ltd. of Canada, to produce various products for the fiber optic cable market. In accordance with the Company s accounting policies, the carrying value of this investment was reviewed periodically or whenever events or changes in circumstances indicated that the carrying value of the asset may not be recoverable and impairment may exist.

In fiscal year 2004, an impairment of $500,000 related to the Company s investment in SGI was recorded due to changes in SGI s projected future cash flows due to the expected future loss of a key customer. This impairment charge was determined based upon an updated understanding of SGI s businesses through discussions with SGI s majority shareholder as well as an analysis of SGI s projected future cash flows.

In May 2005, the Company recorded an impairment charge of $83,000 related to the Company s investment in SGI as discussed above.

In June 2005, the Company sold all of its remaining investment interest in SGI to the majority shareholder of SGI (SGL Holdings Ltd.) for $450,000 plus potential additional contingent consideration as defined in the Share Purchase Agreement between the parties. Through August 31, 2006, the threshold required for additional consideration had not been met.

Net Income

Net income in fiscal 2006 increased $1.3 million or 28% to $6.1 million compared to $4.8 million in fiscal 2005. The increase in net income in the current year is primarily due to increased revenue growth in the Company s core product lines coupled with the Company s ability to leverage its fixed costs. These benefits were partially offset by the loss on impairment of goodwill from NEQP of $457,000, stock based compensation of $1,735,000 and deferred compensation expense of $814,000 as discussed previously. Additionally, the Company received the benefit of a lower effective tax rate for the year ended August 31, 2006 which is also discussed above.

Net income in fiscal 2005 increased 3% compared to fiscal year 2004. The increase in net income in the year ended August 31, 2005 is a direct result of three significant charges recorded in fiscal 2004: (a) the impairment of the Company s investment in unconsolidated joint venture, SGI, of $500,000 (b) the impairment of goodwill related to Sunburst of $579,000, and (c) the after tax losses of the Company s Canadian operations, which were approximately $498,000 in fiscal 2004, that did not recur in fiscal 2005, offset by the legal settlement and increased raw material costs and overall higher costs of products and services sold in fiscal 2005.

Liquidity and Sources of Capital

The Company s cash balance increased $1,569,000 to $2,416,000 at August 31, 2006 from $847,000 at August 31, 2005. Generally, the Company manages its borrowings and payments under its revolving line of credit in order to maintain a low cash balance. The higher cash balance at August 31, 2006 was primarily the result of the cash acquired as part of the Humiseal Europe acquisition as well as cash flow generated by this operation during the year. Management is currently reviewing the best use of cash in light of current tax guidelines.

Cash flow provided by operations was $10,348,000 for the year ended August 31, 2006 compared to $6,376,000 in the prior year. Cash provided by operations during fiscal year 2006 was primarily due to operating income offset by increased inventory and accounts receivable balances which were higher due to an increase in sales volume.

The ratio of current assets to current liabilities was 2.1 as of August 31, 2006 compared to 2.6 as of August 31, 2005. The decrease in the Company s current ratio is primarily attributable to increases in accounts payable, accrued expenses including accrued income taxes and current portion of long term debt which exceeded increases to cash, inventory and accounts receivable. The increase in accounts payable was primarily related to inventory purchases at the end of the year necessary for expected increases in orders in the first quarter of fiscal 2007. Income taxes payable was higher as a result of increased fourth quarter profit in fiscal 2006 compared to fiscal 2005. The current portion of long-term debt also had increased due to the borrowing related to the Concoat acquisition.

Cash flow used in investing activities of $8,752,000 was primarily due to purchases of property, plant and equipment and the acquisition of the Concoat business, offset by cash received from the settlement of cash surrender value life insurance policies.

Cash flow used in financing activities of $159,000 was primarily due to the new term loan used to fund the Company s acquisition of Concoat, offset by (a) payments made on the term loan and the Company s line of credit arrangement; (b) payments of minimum taxes on stock grants and stock options; and (c) payment of the annual dividend.

On October 17, 2005, the Company announced a cash dividend of $0.35 per share (totaling approximately $1,358,000) to shareholders of record on October 31, 2005 which was paid on December 5, 2005.

On October 16, 2006, the Company announced a cash dividend of $0.40 per share (totaling approximately $1,598,000) to shareholders of record on October 31, 2006 and payable on December 4, 2006.

The Company continues to have long-term unsecured credit available up to a maximum amount of $10 million at the bank s base lending rate or, at the option of the Company, at the effective London Interbank Offered Rate (LIBOR) or Eurodollar rate plus 1.5 percent, or at the effective 30-day LIBOR rate plus 1.75 percent. The outstanding balance and weighted average interest rate of outstanding balances on this credit facility was $4.8 million and 6.84%, respectively, at August 31, 2006. The Company had $5.2 million in available credit at August 31, 2006 under this credit facility and plans to use this availability to help finance its cash needs in fiscal 2007. The outstanding balance on this long-term unsecured credit facility is included in scheduled principal payments at its maturity. On February 28, 2006, the Company executed an amendment to this credit facility, extending its maturity to March 31, 2009.

As of October 31, 2006, the Company had $6.9 million in available credit under this credit facility.

Under the terms of the Company s credit facility, the Company must comply with certain debt covenants related to (a) the ratio of total liabilities to tangible net worth and (b) the ratio of operating cash flow to debt service on a rolling twelve month basis. The Company was in compliance with its debt covenants as of August 31, 2006.

In addition to this primary credit facility, the Company borrowed $7.8 million from Citizens Bank of Massachusetts in October 2005 in order to fund its acquisition of Concoat Holdings Limited. This borrowing involved an unsecured, five year term note with interest payments due monthly and principal payments due quarterly. Interest is calculated at the applicable LIBOR rate plus a margin of 1.5% per annum. In addition to interest payments, which are due monthly, Chase Corporation must make quarterly payments of principal in the amount of $390,000 on each quarterly anniversary of the first interest payment date during the term of the note. The outstanding balance and weighted average interest rate of outstanding balances on this credit facility was $6.6 million and 6.90%, respectively, at August 31, 2006.

In September 2006 (fiscal 2007), the Company borrowed $1.8 million from Bank of America in order to fund its acquisition of Capital Services Joint Systems. This borrowing involved an unsecured, five year term note with interest payments due monthly and principal payments due quarterly. Interest is calculated at the applicable LIBOR rate plus a margin of 1.5% per annum. Interest payments are due on the first day of each month. In addition to monthly interest payments, Chase Corporation must make quarterly payments of principal in the amount of $112,500 on each quarterly anniversary of the first interest payment date during the term of the note. The loan is subject to certain debt covenants similar to the Company s credit facility as discussed above. Prepayment of the note is allowed at any time during the term of the loan.

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

The Company does not have any significant off balance sheet arrangements.

The Company has no significant capital commitments in fiscal 2007 but plans on adding additional machinery and equipment as needed to increase capacity or to enhance operating efficiencies in its manufacturing plants. Additionally, the Company may consider the acquisitions of companies or other assets in fiscal 2007 which are complementary to its business. The Company believes that its existing resources, including its primary credit facility, together with cash generated from operations and additional bank borrowings, will be sufficient to fund its cash flow requirements through at least the next twelve months. However, there can be no assurances that such financing will be available at favorable terms, if at all.

Contractual Obligations

The following table summarizes the Company s contractual cash obligations at August 31, 2006 and the effect such obligations are expected to have on its liquidity and cash flow in future periods. The table below does not reflect the long term debt under the five year Bank of America note related to the acquisition of Capital Services discussed above since it was entered into after the end of fiscal 2006.

Contractual Obligations	Total	Payments Due Less than 1 Year	Payments Due 1 - 3 Years	Payments Due 4 - 5 Years	Payments After 5 Years
Long-term debt	$ 13,223,000	$ 2,935,000	$ 9,898,000	$ 390,000	$
Operating leases	1,918,000	529,000	889,000	180,000	320,000
	$ 15,141,000	$ 3,464,000	$ 10,787,000	$ 570,000	$ 320,000

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (FAS 158). FAS 158 requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. The provisions of FAS 158 are effective as of the end of the fiscal year ending August 31, 2007. The Company is currently evaluating the impact of the provisions of FAS 158.

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 are effective for the fiscal year beginning September 1, 2008. The Company is currently evaluating the impact of the provisions of FAS 157.

In September 2006, the FASB issued Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements , which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. We will be required to initially apply SAB No. 108 during fiscal year 2007. The Company is assessing the impact, if any, the adoption of SAB No. 108 will have on its financial position and results of operations.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes . FIN 48 prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not threshold should be measured in order to determine the tax benefit to be recognized in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of FIN 48 on its results of operations, financial position and cash flows.

In May 2005, FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations an Interpretation of FASB Statement No. 143 (FIN 47). FIN 47 clarifies that the term *conditional asset retirement obligations* used in FASB Statement 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

FIN 47 is effective for fiscal years ending after December 15, 2005. The adoption of FIN 47 has not had a material effect on the Company s results of operations, financial position 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 require management to make its most significant estimates and judgments in the preparation of its consolidated financial statements. The Company s critical accounting policies are described below.

Accounts Receivable

The Company evaluates the collectibility 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. If the financial condition of the Company s customers deteriorates or if economic conditions worsen, additional allowances may be required in the future, which could have an adverse impact on the future operating results of the Company.

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, 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. The Company reviews 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 the Company considers 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. The Company determines whether an impairment has occurred based on gross expected future cash flows, and measures the amount of the impairment based on the related future discounted cash flows. 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 notes to consolidated financial statements.)

The estimates of expected cash flows require the Company to make significant judgments regarding future periods that are subject to some factors outside of the Company s 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

The Company recognizes revenue at the time of shipment which is typically 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. 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. The Company analyzes various factors, including a review of specific transactions, 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 confirmed on commission statements 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.

Deferred Income Taxes

The Company evaluates the need for a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. Should the Company determine that it would not be able to realize all or part of its 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.

Pension Benefits

The Company sponsors a non-contributory defined benefit pension plan (Pension Plan) covering substantially all employees of certain businesses of the Company. In calculating its retirement plan obligations and related expense, the Company makes various assumptions and estimates. These assumptions include discount rates, benefits earned, expected return on plan assets, mortality rates, and other factors. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Company s pension obligations and future expense.

Impact of Inflation

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

Forward-Looking Information

From time to time, the Company may publish, verbally or in written form, forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. In fact, this Form 10-K (or any other periodic reporting documents required by the 1934 Act) may contain forward-looking statements reflecting the current views of the Company concerning potential future events or developments. The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance and that a variety of factors could cause the Company s actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company s forward-looking statements. The risks and uncertainties which may affect the operations, performance, development and results of the Company s business include, but are not limited to, the following: uncertainties relating to economic conditions; uncertainties relating to customer plans and commitments; the pricing and availability of equipment, materials and inventories; the impact of acquisitions on the Company s business and results of operations; technological developments; performance issues with suppliers and subcontractors; the ability of the Company to renew its 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 the Company operates. 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

The Company limits the amount of credit exposure to any one issuer. At August 31, 2006, other than the Company s restricted investments (which are restricted for use in a non qualified retirement savings plan for certain key employees and Directors), all of the Company s funds were in demand deposit accounts. If the Company places its funds in other than demand deposit accounts, it uses instruments that meet high credit quality standards such as money market funds, government securities, and commercial paper.

The Company s domestic operations have limited currency exposure since all invoices are denominated in U.S. dollars. With the addition of the Company s UK operations (Humiseal Europe, formerly Concoat) in fiscal 2006, the exposure to currency exchange fluctuation has increased. The Company is reviewing its policies and procedures to reduce this exposure while maintaining the benefit from this operation and sales to other European customers. Historically, the Company has maintained minimal cash balances outside the U.S. As of August 31, 2006, the Company had cash balances in the United Kingdom for its Humiseal Europe division denominated primarily in pounds sterling and equal to US $2,243,000. The Company expects to reduce this balance in fiscal 2007 by using the cash to pay down debt or for other strategic acquisitions.

The Company incurred a foreign currency translation gain in the year ended August 31, 2006 in the amount of $814,000 related to its Humiseal Europe division which is recorded in other comprehensive income (loss) within the Company s Statement of Stockholders Equity. The Company does not have or utilize any derivative financial instruments for speculative or trading purposes.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

Index to Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Chase Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders equity and cash flows present fairly, in all material respects, the financial position of Chase Corporation and its subsidiaries at August 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP

November 17, 2006

CHASE CORPORATION
CONSOLIDATED BALANCE SHEETS

	August 31, 2006	2005
ASSETS		
Current Assets:		
Cash	$ 2,416,097	$ 847,001
Accounts receivable, less allowance for doubtful accounts of $512,317 and $345,709	15,573,669	12,816,464
Inventories	16,627,393	13,889,339
Prepaid expenses and other current assets	526,874	1,389,981
Deferred income taxes	535,294	349,241
Total current assets	35,679,327	29,292,026
Property, plant and equipment, net	18,470,875	18,589,482
Other Assets		
Goodwill	12,983,323	8,178,373
Intangible assets, less accumulated amortization of $2,116,873 and $1,414,680	6,093,678	1,351,959
Cash surrender value of life insurance	4,074,619	4,907,590
Restricted investments	1,355,005	1,325,457
Other assets	180,270	282,466
	$ 78,837,097	$ 63,927,353
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 8,033,683	$ 5,492,470
Accrued payroll and other compensation	2,029,357	1,673,000
Accrued expenses current	2,721,528	1,604,515
Accrued income taxes	1,134,617	198,250
Accrued pension expense current	384,000	354,531
Current portion of long-term debt	2,935,000	2,030,068
Total current liabilities	17,238,185	11,352,834
Long-term debt, less current portion	10,288,179	9,568,750
Deferred compensation	2,271,903	1,325,457
Accrued pension expense	830,838	2,343,397
Accrued expenses	446,202	
Deferred income taxes	1,688,038	496,980
Commitments and Contingencies (Notes 6, 8 and 18)		
Stockholders Equity		
First Serial Preferred Stock, $1.00 par value: Authorized 100,000 shares; none issued		
Common stock, $.10 par value: Authorized 10,000,000 shares; 3,899,423 in 2006 and 3,818,665 in 2005 issued and outstanding	389,942	381,866
Additional paid-in capital	1,267,508	180,435
Accumulated other comprehensive income (loss)	893,887	(489,043)
Retained earnings	43,522,415	38,766,677
Total stockholders equity	46,073,752	38,839,935
Total liabilities and stockholders equity	$ 78,837,097	$ 63,927,353

See accompanying notes to the consolidated financial statements.

CHASE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended August 31, 2006	2005	2004
Revenue			
Sales	$ 107,160,497	$ 90,240,719	$ 85,887,635
Royalty and commissions	1,281,868	1,148,492	1,196,009
	108,442,365	91,389,211	87,083,644
Costs and Expenses			
Cost of products and services sold	77,608,493	66,223,612	61,748,527
Selling, general and administrative expenses	19,764,707	16,633,882	15,887,050
Deferred compensation expense, net	814,034		
Legal settlement		520,000	
Loss on impairment of goodwill	457,000		579,182
Operating income	9,798,131	8,011,717	8,868,885
Interest expense	(1,017,654)	(495,653)	(345,918)
Other (expense)/income	183,594	167,844	(13,316)
Income before income taxes and minority interest	8,964,071	7,683,908	8,509,651
Income taxes	2,850,082	2,834,913	3,408,200
Income before minority interest	6,113,989	4,848,995	5,101,451
Loss on impairment of unconsolidated joint venture		(83,218)	(500,000)
Income from unconsolidated joint venture		22,487	25,965
Net income	$ 6,113,989	$ 4,788,264	$ 4,627,416
Net income per common and common equivalent share			
Basic	$ 1.57	$ 1.27	$ 1.22
Diluted	$ 1.53	$ 1.22	$ 1.16
Weighted average shares outstanding			
Basic	3,885,166	3,782,267	3,787,023
Diluted	3,983,607	3,909,751	4,005,011

See accompanying notes to the consolidated financial statements.

CHASE CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Retained	Total Stockholders	Comprehensive
	Shares	Amount	Capital	Shares	Amount	Income (loss)	Earnings	Equity	Income
Balance at August 31, 2003	5,135,901	513,590	$ 4,342,224	1,088,584	$ (4,687,565)	$ (151,014)	$ 37,592,263	$ 37,609,498	
Exercise of stock options	207,038	20,704	1,409,683					1,430,387	
Stock based compensation			98,426					98,426	
Tax benefit from exercise of stock options			577,951					577,951	
Acquisition of common stock				250,000	(3,255,125)			(3,255,125)	
Common stock received for sale of Sunburst				230,406	(3,000,000)			(3,000,000)	
Cash dividend paid , $0.31 per share							(1,254,841)	(1,254,841)	
Reclassification of treasury stock to common stock	(1,568,990)	(156,899)	$ (6,428,284)	(1,568,990)	10,942,690		(4,357,507)		
Currency translation adjustment						151,014		151,014	$ 151,014
Unrealized loss on marketable securities						(4,866)		(4,866)	(4,866)
Net income							4,627,416	4,627,416	4,627,416
Comprehensive income									$ 4,773,564
Balance at August 31, 2004	3,773,949	$ 377,395	$		$	$ (4,866)	$ 36,607,331	$ 36,979,860	
Common stock received to pay stautory minimum withholding taxes on restricted stock	(79,375)	(7,938)					(1,315,243)	(1,323,181)	
Exercise of stock options	210,925	21,092	1,111,645					1,132,737	
Shares withheld to pay statutory minimum taxes	(38,514)	(3,851)	(628,239)					(632,090)	
Tax benefit from exercise of stock options			820,789					820,789	
Non deductible compensation related to Restricted Stock			(336,296)					(336,296)	
Common stock received for payment of stock option exercise	(48,320)	(4,832)	(787,464)					(792,296)	
Cash dividend paid , $0.35 per share							(1,313,675)	(1,313,675)	
Unrealized gain on marketable securities, net of tax						75,515		75,515	$ 75,515
Increase in minimum pension liability, net of tax						(559,692)		(559,692)	(559,692)
Net income							4,788,264	4,788,264	4,788,264
Comprehensive income									$ 4,304,087
Balance at August 31, 2005	3,818,665	$ 381,866	$ 180,435		$	$ (489,043)	$ 38,766,677	$ 38,839,935	
Management stock grant	98,520	9,852	1,417,703					1,427,555	
Exercise of stock options									