

CHASE CORP  
Form 10-K/A  
April 10, 2003

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C., 20549

**FORM 10-KA**

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

For the fiscal year ended August 31, 2002  
Commission File Number: 1-9852

**CHASE CORPORATION**  
(Exact name of registrant as specified in its charter)

<b>Massachusetts</b>	<b>11-1797126</b>
(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)	(Zip Code)
(508)279-1789	
Registrant's telephone number, including area code	

Securities registered pursuant to section 12(b) of the Act:	
Common Stock, \$.10 par value	American Stock Exchange
(Title of class)	(Name of each exchange on which registered)

Securities registered pursuant to section 12(g) of the Act:  
**Common Stock, \$.10 par value**  
 (Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) 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]

As of October 31, 2002, the Company had outstanding 4,047,317 shares of common stock, \$.10 par value, which is its only class of common stock; and the aggregate market value of the voting stock held by non-affiliates of the registrant was \$37,154,000.

DOCUMENT INCORPORATED BY REFERENCE

The registrant's definitive proxy statement (the "Definitive Proxy Statement") to be filed in connection with the Annual Meeting of Shareholders to be held on January 28, 2003, is incorporated by this reference into items 10-13 hereof.

**Item 1. Business.**

**General Development and Industry Segment.**

Chase Corporation (the "Company") is a multi-divisional advanced manufacturing company providing industrial products to a wide variety of industries including wire and cable, construction and electronics. During fiscal 1991, the Company implemented a strategy of maximizing the core businesses while seeking future opportunities through selective acquisitions. During 1992, a facility that manufactures tape and related products in Webster, Massachusetts became operational. In April 1992, the Company acquired certain tape product lines and associated assets for cash from the Stewart Group, Ltd. This division, Chase Canada, maintains manufacturing operations in Winnipeg, Manitoba, Canada. Effective May 25, 1994, the Company purchased the electrical cable insulation tape product lines and certain associated assets from Haartz Mason, Inc. and these products were folded into the Chase & Sons division. On June 5, 1995, the Company formed a joint venture with The Stewart Group, Ltd. which was called The Stewart Group, Inc. The original investment was increased on February 1, 1996 and at that time the Company owned 42% of the venture. On May 16, 1997 the majority of the assets related to the original business were sold to Owens Corning. The venture continues to operate two manufacturing facilities selling polymers and specialty coatings primarily to the telecommunication industry. On June 29, 1995, certain assets of Fluid Polymers, Inc. of Las Vegas, Nevada were acquired and then relocated to the Royston facility. On August 7, 1996 the Company announced that it had purchased a 20% interest in DC Scientific and then purchased a controlling interest on January 16, 1997. On January 27, 1999 the Company acquired the remaining interest of DC Scientific Inc. and changed the name to Sunburst Electronic Manufacturing Solutions Inc., (Sunburst EMS). The Company expanded its electronic manufacturing holding on May 26, 1999 with the acquisition of RWA, Inc. Melrose, MA. and acquired the assets of NETCO Automation, Inc. effective February 2000 which have since been folded into RWA, Inc. during fiscal 2002. Northeast Quality Products, Co. Inc., Newburyport, MA a specialty printer producing custom pressure sensitive labels, was acquired July 29, 1999. Effective November 1, 2001 substantially all of the assets of Tapecoat, a division of T.C. Manufacturing Co., Inc., was purchased for cash and 40,000 shares of Chase common stock. Tapecoat is a manufacturer of protective coatings within several markets.

As of October 31, 2002 the Company employed approximately 352 people.

**Products and Markets.**

The Company's principal products are protective coatings and tape products that are sold by Company salespeople and manufacturers' representatives. These products consist of: (i) insulating and conducting materials for the manufacture of electrical and telephone wire and cable, electrical splicing, and terminating and repair tapes which are marketed to wire and cable manufacturers and public utilities; (ii) protective pipe coating tapes and other protectants for valves, regulators, casings, joints, metals, concrete, and wood that are sold to oil companies, gas utilities, and pipeline companies; (iii) protectants for highway bridge deck metal supported surfaces sold to municipal transportation authorities; (iv) moisture protective coatings that are sold to the electronics industry; and (v) in addition, the Company's electronic manufacturing service group, Sunburst EMS and RWA, Inc. provide circuit board assembly services to electronic goods manufacturers. There are no material seasonal aspects to the Company's business and the Company has introduced no new products or segments requiring an investment of a material amount of the Company's assets.

**Backlog, Customers and Competition.**

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As of October 31, 2002, the backlog of orders believed to be firm was about \$7,179,000, of which \$5,056,000 was related to our electronic contract-manufacturing group. This compared with a total of \$9,721,000 as of October 31, 2001 with \$8,299,000 associated with electronic manufacturing. The backlog is not seasonal. During fiscal 2002, no customer accounted for more than 10% of sales. In fiscal years 2001 and 2000 one customer accounted for approximately 14% and 12%, respectively, of total sales. No material portion of the Company's business is subject to renegotiation or termination of profits or contracts at the election of the government.

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

### **Raw Materials.**

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

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

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

### **Working Capital and Research and Development.**

There are no special practices followed by the Company relating to working capital. Approximately \$781,000, \$612,000 and \$620,000 was spent for Company-sponsored research and development during the fiscal years 2002, 2001 and 2000, respectively.

### **Financial Information about Foreign and Domestic Operations and Export Sales.**

Export sales from continuing domestic operations to unaffiliated third parties were \$4,504,000, \$5,941,000 and \$4,936,000, for the years ended August 31, 2002, 2001 and 2000, respectively. The change in export sales was due to the general decline of the global economy and a new license and royalty arrangement with a manufacturer in the Far East which would cause a reduction in sales but increase royalty income. The Company does not anticipate any material change to export sales during fiscal 2003. The Company's products are sold worldwide with no foreign geographic area accounting for more than 10% of revenues. The Company's Canadian operations accounted for 3.4% of consolidated sales and 1.3% of its assets.

The Company has very limited currency exposure since all invoices, except those from the Canadian operation to Canadian customers, are denominated in US dollars. The Company maintains minimal cash balances in Canada and, other than the currency conversion effects on the fixed assets in Canada, which are deferred and recorded directly in equity per FAS52, and reported in the Statement of Changes in Equity per FAS130, there are no significant assets held in foreign currencies. The Company does not engage in hedging activities. Foreign currency transaction gains or losses have not been material.

### **Item 1A. Executive Officers of the Registrant.**

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

<u>Name</u>	<u>Age</u>	<u>Offices Held and Business Experience during Past Five Years.</u>
Peter R. Chase	54	Chief Executive Officer of the Company since September 1993 and President of the Company since April 1992.
Everett Chadwick, Jr.	61	Treasurer of the Company since September 1993 and Chief Financial Officer since September 1992; Director of Finance of the Company from April 1991 to August 1993 and Controller of the Company from September 1988 to August 1993.

## **ITEM 2. Properties.**

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

Chase & Sons, a division, engaged in the manufacture and sale of electrical protective coatings and tape products uses offices and plants owned by the Company that are located on seven acres in Randolph, Massachusetts and consist of a three-story building containing about 10,500 square feet and ten one-story buildings, aggregating about 67,000 square feet. This division also owns a facility in Webster, Massachusetts. The plant of about 25,000 square feet, manufactures tape and related products for the electronic and telecommunication industries.

The Canadian division of the Company is engaged in the process of laminating and slitting film, foils and papers primarily for the wire and cable industry. This division leases about 18,000 square feet of manufacturing space in Winnipeg, Manitoba, Canada.

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

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

Sunburst EMS and RWA, Inc. provide electronic manufacturing services. During fiscal 2002, Sunburst EMS acquired the 35,700 square feet facility located in West Bridgewater, Massachusetts that it had previously leased. RWA rents about 21,000 square feet in Melrose, Massachusetts. During the fourth quarter, the NETCO Automation operation was consolidated predominately with RWA, Inc.

The asset purchase of Tapecoat, a manufacturer of protective coatings, was completed effective November 1, 2001. The buildings are located in Evanston, Illinois and consist of about 100,000 square feet. The property was included as a part of the asset purchase.

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.**

In 2002, the Company was named as a defendant in two consolidated personal injury lawsuits in Jefferson County and Jackson County, Mississippi and in a single case in Brazoria County, Texas, all of which allege asbestos exposure. The two lawsuits in Mississippi name approximately 3,000 plaintiffs total and each lawsuit names approximately 400 defendants. It is not clear from the complaints in any of these cases whether there is any basis for the claims against the Company. Nor is it clear at this time whether the plaintiffs intend to pursue actively their claims against the Company. No discovery from the Company has been sought yet. The Company's insurer has assumed defense of these claims subject to reservation of its rights as to coverage for any underlying liability assessed.

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

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

## PART II

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

The Company's common stock is traded on the American Stock Exchange (Symbol CCF). The approximate number of shareholders of common stock on October 31, 2002 was 1795.

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

	Year ended August 31, 2002		Year ended August 31, 2001	
	Sales Price		Sales Price	
	High	Low	High	Low
November 30	12.25	10.05	10.25	9.00
February 28	12.60	10.60	14.25	9.63
May 31	11.55	10.35	11.85	10.75
August 31	11.35	9.55	12.70	11.45

#### Item 6. Selected Financial Data.

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net Sales and other operating revenues	\$69,347,505	\$70,483,764	\$68,480,226	<b>\$49,499,881</b>	\$46,560,172
Income before minority interest	4,343,316	5,577,360	5,443,923	4,870,677	4,101,643
Equity in earnings of unconsolidated joint venture	120,000	296,000	326,000	238,000	195,000
Minority participation in Subsidiary	-	-	-	99,633	107,585
Gain on sale of assets from unconsolidated joint venture	-	-	-	-	1,718,425(1)
Net Income	4,463,316	5,873,360	5,769,923	5,208,310	6,122,653(1)
Total Assets	53,385,875	46,788,503	45,352,786	38,984,136	25,261,786
Long-term debt and capital leases	6,780,834	3,562,793	6,273,478	6,508,471	682,576
Per Common Share:					
Diluted	1.08	1.44	1.44	1.30	1.56

Basic	1.10	1.47	1.46	1.34	1.58
Cash dividends*	.27	.36	.36	.32	.28

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

(1) Includes a non-recurring gain related to the sale of certain assets by The Stewart Group, Inc. joint venture.

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

### SELECTED RELATIONSHIPS WITHIN THE CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended August 31,

2002                      2001                      2000

(Dollars in thousands)

Net revenue	\$69,348	\$70,484	\$68,480
Net Income	4,463	\$ 5,873	\$ 5,770
Increase (Decrease) in net revenue from previous years			
Amount	\$(1,136)	\$ 2,004	\$18,960
Percentage	(2%)	3%	38%
Increase(Decrease) in net income from previous year	\$(1,410)	\$ 103	\$ 562
Percentage of net revenue:			
Net revenue	100.0%	100.0%	100.0%
Expenses:			
Cost of Sales	71.0	70.2	69.6
Selling, general and administrative expenses	19.1	17.1	17.3
Other expenses	.8	1.1	1.2
Income before income			
taxes and minority interest	9.1	11.6	11.9
Provision for income taxes	2.9	3.7	4.0
Income before minority interest	6.2	7.9	7.9
Equity in earnings of unconsolidated joint venture	.2	.4	.5
Net Income	6.4%	8.3%	8.4%

### Overview

During fiscal 1999, the Company acquired the remaining interest in its subsidiary, Sunburst Electronics Manufacturing Services and also completed its acquisition of RWA, Inc. Effective February 1, 2000, the Company acquired the assets of NETCO Automation, Inc and most of this business was folded into RWA, Inc. during the fourth quarter of fiscal 2002. The companies participate within the electronic manufacturing services industry. To align the requirements of the Financial Accounting Standards with the Company's operational and organizational structure, the Company now has two reportable segments, the Specialized Manufacturing segment which produces protective coatings and trade products and the Electronic Manufacturing Services segment which provides assembly and turnkey contract manufacturing services to the electronics industry.

Effective November 1, 2001, the company purchased the assets of the Tapecoat Division of TC Manufacturing, Inc. Tapecoat's sales included in fiscal 2002 were approximately \$7 million.

**Results of Operations.**

Total revenues for fiscal 2002 decreased \$1.14 million to \$69.3 million, a decline of 1.6% compared to the prior year. Revenues were adversely impacted by both price erosion from competitive pressure and the continued weakness in the telecommunications and electronics markets served by both the Company's Specialized Manufacturing and Electronic Manufacturing Services segments. Fiscal 2002 Specialized Manufacturing revenues increased over the previous year as the segment benefited from \$7.04 million in additional sales over the final ten months of the fiscal year that resulted from the asset purchase of The Tapecoat Division of TC Manufacturing, Inc. In addition, increased sales for products used in certain construction and housing markets supported the Specialized Manufacturing segment.

	Sales	Operating Profit	%
Fiscal 2002 (\$-000's)			
Specialized Manufacturing	\$49,423	\$9,217	18.6
Electronic Manufacturing Services	<u>\$19,050</u>	<u>\$396</u>	<u>2.1</u>
	\$68,473	\$9,613	14.0
Fiscal 2001 (\$-000's)			
Specialized Manufacturing	\$ 47,445	\$ 10,322	21.8
Electronic Manufacturing Services	<u>\$ 22,308</u>	<u>\$ 1,608</u>	<u>7.2</u>
	\$ 69,753	\$ 11,930	17.1
Fiscal 2000 (\$-000's)			
Specialized Manufacturing	\$ 47,110	\$ 10,019	21.3
Electronic Manufacturing Services	<u>\$ 20,870</u>	<u>\$ 1,809</u>	<u>8.7</u>
	\$ 67,980	\$ 11,828	17.4

Fiscal 2001 revenues increased \$2.0 million to \$70.5 million, an increase of 2.9% over fiscal 2000. Net revenues for the first half of fiscal 2001 increased by 16% and fiscal 2001 second half revenues declined 7.38% when compared to comparable periods in fiscal 2000. During the second half of the year, the weak economy had negative impacts especially within the Company's telecommunications and electronic markets. However, the Company's diversity enabled it to generate growth opportunities within certain construction and other manufacturing markets.

The dollar value of cost of products was lower in fiscal 2002 when compared to fiscal 2001. The decrease in fiscal 2002 was related to the decline in volume for the Company's Electronic Manufacturing Services segment. The increase in the dollar value of cost of products in fiscal 2001 when compared with fiscal 2000 resulted from increased volume in the Company's Electronic Manufacturing Services segment, combined with some selling price erosion related to competitive pressure in certain markets served by the Company's Specialized Manufacturing segment.

As a percent of sales, cost of products increased to 71.9% in 2002 when compared to 70.9% and 70.1% during 2001 and 2000 respectively. The increase this year, as a percent of sales, relates primarily to insufficient fixed manufacturing cost coverage in the Company's Electronic Manufacturing Services segment.

The fiscal 2001 increase as a percentage of sales was the result of increased overall volume in conjunction with a higher percentage of revenues derived from the Company's Electronic Manufacturing Services segment. The raw

material cost, as a percentage of sales, is typically higher in this market segment than the Company's more traditional Specialized Manufacturing segment.

Selling and administrative expenses increased \$1.275 million to \$13.4 million during fiscal 2002 compared to fiscal 2001. Expenses in 2001 increased \$.263 million over fiscal 2000. As a percent of sales, expenses increased to 19.5% when compared to 17.3% and 17.4% during 2001 and 2000 respectively. The increase in expenses resulted was the result of the Tapecoat asset purchase concluded on November 1, 2001. As a percentage of sales, there was no material change in expenses when comparing fiscal 2000 to fiscal 2001. The Company will continue to be focused on expense reduction while maintaining and improving the quality of its products and services to the marketplace.

Interest expense decreased to \$517,000 in fiscal 2002 as compared to \$799,000 in fiscal 2001. The decrease is related to the reduction in interest rates. Interest expense decreased to \$799,000 in fiscal 2001 as compared to \$910,000 during fiscal 2000. The decrease correlated to both the repayment of debt incurred for fiscal 1999 and 2000 acquisitions, as well as, a reduction in interest rates. The Company expects to benefit from favorable borrowing rates from its financial institutions.

Fiscal 2002 earnings were primarily affected by the poor economic climate, which has been particularly severe in the manufacturing sector. Weak customer demand for the Company's products and services related to the telecommunications and electronics markets, combined with price erosion from competitive pressure negatively impacted the earnings of both of the Company's reporting segments. Fortunately, the asset purchase of Tapecoat and a strong construction market lessened the decline in earnings from fiscal 2001.

Fiscal 2001 earnings benefited from growth in construction markets and improvements in certain areas of electronic manufacturing services, which offset weakness in telecommunications related product lines and services. Sales and profitability from the Company's traditional Specialized Manufacturing group remained solid although somewhat affected by price erosion from competitive pressure.

The effective tax rates for fiscal 2002 when compared to the prior two years are lower. In all three years the Company received the benefit of solid export sales through the Chase Export Corporation subsidiary. Also, effective January 1999, the Company acquired 100% ownership of Sunburst EMS that enabled consolidating of historical losses for income tax purposes.

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

### **Liquidity and Sources of Capital**

Cash flow generated from operations was \$9,084,000 in 2002 as compared to \$7,229,000 and \$4,520,000 during 2001 and 2000 respectively. Improved working capital management accounted for the increase in fiscal 2002 cash flow from operations. As compared to the prior two years, receivable and inventory increases during fiscal 2000 were the result of acquisitions which had a negative impact on cash flow from operations during that year.

The ratio of current assets to current liabilities was 1.8 at the end of fiscal 2002 as compared to 1.8 and 1.7 for 2001 and 2000, respectively.

The unused available long-term credit amounted to \$3,430,000 at August 31, 2002 as compared to \$4,260,000 at the previous year-end. Additionally, the Company has short-term credit lines with its Sunburst EMS subsidiary and its Canadian division. The unused available short-term credit amounted to \$680,000 at August 31, 2002 as compared to \$432,000 available on August 31, 2001.



Current financial resources and anticipated funds from operations are expected to be adequate to meet requirements for funds in the year ahead.

### **Recently Issued Accounting Standards.**

*In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No.141, " Business Combinations" (FAS 141) Statement of Financial Accounting Standard No. 142, " Goodwill and Other Intangible Assets" ( FAS 142). FAS 141 requires the purchase method of accounting to be used for all business combinations initiated after June 30, 2001. FAS 141 also specifies criteria that intangible assets acquired must meet to be recognized and reported separately from goodwill. The adoption of FAS 141 will not have any material effect on our results of operations or financial position.*

*FAS 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized but instead be measured for impairment at least annually, or when events indicate that impairment exists. The Company adopted FAS 141 & 142 on September 1, 2001. As of that date, amortization of goodwill and other indefinite-lived intangible assets, including those recorded in past business combinations ceases. As a result of the elimination of this amortization, selling, general and administrative expenses will decrease by approximately \$667,000 annually.*

*As required by FAS 142, we will perform impairment test on goodwill and other indefinite-lived intangible assets as of the adoption date. Thereafter, we will perform impairment tests annually and whenever events or circumstances indicate that the value of goodwill or other indefinite-lived intangible assets might be impaired. Examples of such circumstances include, but are not limited to, a significant change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of, the testing for recoverability under Statement 121 of a significant asset group within a reporting unit. Recognition of a goodwill impairment loss is the financial statements of a subsidiary that is a component of a reporting unit. In connection with the FAS 142 transitional goodwill impairment test, we will utilize the required two-step method for determining goodwill impairment as of the adoption date. To accomplish this, we will identify our reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the adoption date. We then had up to six months from the adoption date to determine the fair value of each reporting unit and compare it to the carrying amount of the unit. The reporting unit's fair value is determined by discounting its estimated future cash flows. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, we then will perform the second step of the transitional impairment test. If necessary, in the second step, we will compare the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill, both of which would be measured as of the adoption date. The implied fair value of goodwill will be determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation, in accordance with FAS 141. The residual fair value after this allocation will be the implied fair value of the reporting unit goodwill. If the carrying value of goodwill allocated to the reporting unit exceeds the implied fair value we will record an impairment loss. FAS 142 requires that this second step be completed as soon as possible, but no later than the end of the year of adoption. The Company's reporting units are its Specialized Manufacturing and Electronic Manufacturing Services operating segments. The similar economic characteristics and inter-company services performed among segment components enable the Company to aggregate components into its two operating segments.*

*In connection with the FAS 142 indefinite-lived intangible asset impairment test, we will utilize the required one-step method to determine whether impairment exists as of the adoption date. The test will consist of a comparison of the fair values of indefinite-lived intangible assets with the carrying amounts. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, we will recognize an impairment loss in an amount equal to that excess.*

*As of February 28, 2002, the Company performed the required transitional goodwill impairment assessment and no impairment to goodwill was indicated. The Company performed its annual goodwill impairment assessment, as of June 30, 2002, and no impairment to its goodwill was indicated. Amortization of Goodwill was \$666,744, \$660,075 2001 and 2000 respectively.*

## **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 government and regulatory policies; uncertainties relating to customer plans and commitments; the pricing and availability of equipment, materials and inventories; technological developments; performance issues with key suppliers and subcontractors; worldwide political stability and economic growth; regulatory uncertainties; delays in testing of new products; rapid technology changes and the highly competitive environment in which the Company operates. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

## **Impact of Inflation**

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

## **Item 8. Financial Statements and Supplementary Data.**

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

## **Item 9. Changes in and Disagreement with Accountants on Accounting and Financial Disclosures.**

Not applicable.

## **PART III**

## **Item 10. Directors and Executive Officers of the Registrant.**

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

## **Item 11. Executive Compensation.**

The information required in Item 11 is contained in the Definitive Proxy Statement (under the caption "Executive Compensation"). Such information is incorporated herein by reference.

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

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

**Item 13. Certain Relationships and Related Transactions.**

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

**PART IV**

**Item 14. Controls and Procedures.**

Within the 90-day period prior to the date of this report, Chase Corporation carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Chase Corporation's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Chase Corporation's disclosure controls and procedures are effective to timely alert them to material information relating to the Company (including its consolidated subsidiaries) required to be included in Chase Corporation's Exchange Act filings.

**Item 15. Exhibits, Financial Statements, Schedules and Reports on Form 8-K.**

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

Signatures

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

CHASE CORPORATION		Date
<u>By /s/ Peter R. Chase</u>	President and Chief Executive Officer	November 27, 2002

Peter R. Chase

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

	Capacity	Date
<u>By /s/ Peter R. Chase</u>	President, Chief Executive Officer and Director (Principal Executive Officer)	November 27, 2002

Peter R. Chase

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<u>By /s/ Everett Chadwick</u> Everett Chadwick	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	November 27, 2002
<u>By /s/ Edward L. Chase</u> Edward L. Chase	Director	November 27, 2002
<u>By /s/ Sarah Chase</u> Sarah Chase	Director	November 27, 2002
<u>By /s/ William H. Dykstra</u> William H. Dykstra	Director	November 27, 2002
<u>By /s/ Lewis P. Gack</u> Lewis P. Gack	Director	November 27, 2002
<u>By /s/ George M. Hughes</u> George M. Hughes	Director	November 27, 2002
<u>By /s/ Ronald Levy</u> Ronald Levy	Director	November 27, 2002

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Peter R. Chase, President and Chief Executive Officer of Chase Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of Chase Corporation (the "Registrant");
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared.
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 27, 2002

/s/ Peter R. Chase

Peter R. Chase  
President & CEO

### **CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Everett Chadwick, Treasurer and Chief Financial Officer of Chase Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of Chase Corporation (the "Registrant");
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared.
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

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a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 27, 2002

/s/ Everett Chadwick

Everett Chadwick  
Treasurer & CFO

EXHIBIT INDEX

Exhibit Number	Description
3.1	Articles of Organization (incorporated by reference from Exhibit 3 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1988)
3.2	By-Laws (incorporated by reference from Exhibit 3 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1988)
3.3	Amendment to By-Laws (adding Article IV, Section 7) (incorporated by reference from Exhibit 3.3 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1990)
10.1	Split Dollar Insurance Agreement dated December 2, 1983 by and between the Company and Edward L. Chase (incorporated by reference from Exhibit 10.1 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1990)
10.2	Split Dollar Insurance Agreement dated December 2, 1983 by and between the Company and Francis M. Chase (incorporated by reference from Exhibit 10.2 to the Company's annual report on Form 10-K for the fiscal year ended August 31, 1990)
10.11	Purchase and Sale Agreement dated October 26, 1990 by and between the Company and Avon Custom Mixing Service, Inc. (incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K dated October 26, 1990)

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

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

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

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

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

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

10.27 Stock Purchase Agreement effective May 25, 1999 by and between the Company and RWA, Inc., (incorporated by reference from Exhibit 2.1 to the Company's current report on Form 8K dated June 8, 1999 and amended on August 12, 1999 to include financials).

10.28 Asset purchase agreement effective November 1, 2001 by and between the Company and TC Manufacturing Co., Inc., (incorporated by reference from Exhibit 2.1 to the Company's current report on Form 8K dated November 27, 2001.

22 Subsidiaries of the Company

### **List of Financial Statements and Schedules**

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**CHASE CORPORATION AND SUBSIDIARIES**  
**BRIDGEWATER, MASSACHUSETTS**  
**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
**AUGUST 31, 2002 AND 2001**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the consolidated balance sheets of Chase Corporation and subsidiaries as of August 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each year in the three year period ended August 31, 2002 and the Schedule II, Valuation and Qualifying Accounts and Reserves. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated



financial position of Chase Corporation and subsidiaries at August 31, 2002 and 2001, and the consolidated results of their operations and cash flows for each year in the three year period ended August 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ LIVINGSTON & HAYNES, P.C.

Wellesley, Massachusetts

November 25, 2002

CHASE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AUGUST 31, 2002 AND 2001

ASSETS

	<u>2002</u>	<u>2001</u>
CURRENT ASSETS		
Cash and cash equivalents	\$329,084	\$49,283
Trade receivables, less allowances for doubtful accounts of \$288,177 and \$264,946, at August 31, 2002 and 2001, respectively	11,019,325	12,081,284
Note receivable from related party	--	147,000
Inventories(Note B):		
Finished and in process	4,536,453	3,099,182
Raw Materials	<u>4,981,086</u>	<u>5,859,553</u>
	9,517,539	8,958,735
Prepaid expenses & other current assets	604,512	458,796
Deferred income taxes	<u>137,888</u>	<u>186,836</u>
TOTAL CURRENT ASSETS	21,608,348	21,881,934
PROPERTY, PLANT AND EQUIPMENT		
Land and improvements	1,096,704	524,423
Buildings	7,480,873	4,642,781
Machinery and equipment	21,992,666	18,612,037
Construction in Progress	<u>855,100</u>	<u>387,953</u>

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	31,425,343	24,167,194
Less allowances for depreciation	<u>16,293,137</u>	<u>14,602,820</u>
	15,132,206	9,564,374
<b>OTHER ASSETS</b>		
Excess of cost over net assets of acquired businesses, less amortization of \$0 and \$1,922,089 at August 31, 2002 and 2001 respectively	8,581,731	8,340,523
Patents, agreements and trademarks, less amortization of \$986,739 and \$889,692 at August 31, 2002 and 2001, respectively	653,985	751,033
Cash surrender value of life insurance, net of loans of \$47,618 at August 31, 2002 and 2001	4,459,167	3,792,515
Deferred taxes	655,279	534,794
Investment in joint venture	1,324,595	1,179,243
Other:		
Restricted investments	882,518	737,087
Deposit	<u>7,000</u>	<u>7,000</u>
	<u>16,564,275</u>	<u>15,342,195</u>
	\$53,304,829	\$46,788,503
	=====	=====

See accompanying notes to the consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>2002</u>	<u>2001</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$5,354,907	\$5,261,112
Notes payable to bank	1,524,324	1,763,184
Accrued payroll and other compensation	1,079,282	1,232,885
Accrued expenses	605,899	961,661
Accrued pension expense-current	407,156	353,857
Income taxes payable	866,332	188,066
Current portion of Long-Term debt	<u>1,966,382</u>	<u>2,543,400</u>
<b>TOTAL CURRENT LIABILITIES</b>	11,804,282	12,304,165
LONG-TERM DEBT, less current portion	6,780,834	3,562,793
DEFERRED COMPENSATION	882,518	737,087
ACCRUED PENSION EXPENSE	552,827	447,698
COMMITMENTS - (See Note G)	--	--
CONTINGENCIES - (See Note Q)	--	--
<b>SHAREHOLDERS' EQUITY</b>		
First Serial Preferred Stock, par value \$1.00 a share: Authorized 100,000 shares; none issued	--	--
Common Stock, par value \$.10 a share, Authorized 10,000,000 shares; issued and outstanding 5,135,901 shares and 5,094,389 shares at Aug. 31, 2002 and 2001, respectively.	513,590	509,439
Additional paid-in capital	4,243,787	3,721,442
	(4,687,565)	(4,687,565)

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Treasury Stock, 1,088,584 shares of Common Stock at August 31, 2002 and 2001

Cumulative effect of currency translation	(212,916)	(213,002)
Retained earnings	<u>33,427,472</u>	<u>30,406,446</u>
	<u>33,284,368</u>	<u>29,736,760</u>
	\$53,304,829	\$46,788,503
	=====	=====

CHASE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenue:			
Sales	\$68,473,166	\$69,752,859	\$67,980,176
Commissions and other income	<u>874,339</u>	<u>730,905</u>	<u>500,050</u>
	69,347,505	70,483,764	68,480,226
Cost and Expenses:			
Cost of products and services sold	49,223,636	49,450,526	47,656,084
Selling, general and administrative expenses	13,246,703	12,035,890	11,809,638
Bad debt expense-net of recoveries	107,011	42,416	5,733
Interest expense	516,849	798,963	910,499
Non-operating interest income	<u>(85,072)</u>	<u>(47,386)</u>	<u>(71,264)</u>
	<u>63,009,127</u>	<u>62,280,409</u>	<u>60,310,690</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	6,338,378	8,203,355	8,169,536
Income taxes	<u>1,995,062</u>	<u>2,625,995</u>	<u>2,725,613</u>
INCOME BEFORE MINORITY INTEREST	4,343,316	5,577,360	5,443,923
Equity in earnings of unconsolidated joint venture	<u>120,000</u>	<u>296,000</u>	<u>326,000</u>
NET INCOME	\$4,463,316	\$5,873,360	\$5,769,923
	=====	=====	=====
Net income per share of Common Stock			
Basic	\$1.10	\$1.47	\$1.46
	=====	=====	=====
Fully Diluted	\$1.08	\$1.44	\$1.44
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

## CHASE CORPORATION

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

	Common Stock		Additional	Treasury Stock	
	Shares	Amount	Paid-In	Shares	Amount
	Issued	Amount	Capital	Shares	Amount
Balance @ Aug 31, 1999	4,994,928	\$499,493	\$3,466,834	1,088,584	\$(4,687,565)
Cash dividend paid, \$0.32 per share					
Currency Translation adjustment					
Exercise of stock options	78,685	7,868	46,788		
Compensatory stock issuance			98,496		
Gain on stock sales			12,905		
Net Income					
-----					
Balance @ August 31, 2000	5,073,613	507,361	3,625,023	1,088,584	\$(4,687,565)
	Common Stock		Additional	Treasury Stock	
	Shares	Amount	Paid-In	Shares	Amount
	Issued	Amount	Capital	Shares	Amount
Balance @ August 31, 2000	5,073,613	507,361	3,625,023	1,088,584	\$(4,687,565)
Cash dividend paid, \$0.36 per share					
Currency Translation adjustment					
Exercise of stock options	20,776	2,078	(2,078)		
Compensatory stock issuance			98,497		
Net Income					
-----					
Balance @ August 31, 2001	5,094,389	509,439	3,721,442	1,088,584	(4,687,565)
	Common Stock		Additional	Treasury Stock	
	Shares	Amount	Paid-In	Shares	Amount
	Issued	Amount	Capital	Shares	Amount
Balance @ August 31, 2001	5,094,389	509,439	3,721,442	1,088,584	(4,687,565)
Cash dividend paid \$0.36 per share					
Currency Translation adjustment					
Exercise of stock options	1,512	151	(151)		
Issue of 40,000 shares-Tapecoat	40,000	4,000	424,000		
Compensatory stock issuance			98,496		
Net Income					
-----					
Balance @ August 31, 2002	5,135,901	\$513,590	\$4,243,787	1,088,584	\$(4,687,565)
=====					
	Retained		Cumulative	Total	
	Earnings		Effect of	Shareholder's	Comprehensive
			Currency	Equity	Income
			Translation		
Balance @ Aug 31, 1999	\$21,444,634		\$(188,331)	\$20,535,065	

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Cash dividend paid, \$0.32 per share	(1,250,208)		(1,250,208)	
Currency Translation adjustment		8,258	8,258	\$8,258
Exercise of stock options			54,656	
Compensatory stock issuance			98,496	
Gain on stock sales			12,905	
Net Income	5,769,923		5,769,923	5,769,923
	-----	-----	-----	-----
Balance @ August 31, 2000	25,964,349	(180,073)	25,229,095	\$5,778,181
				=====

		Cumulative		
		Effect of	Total	
	Retained	Currency	Shareholder's	Comprehensive
	Earnings	Translation	Equity	Income
Balance @ August 31, 2000	25,964,349	(180,073)	25,229,095	\$5,778,181
Cash dividend paid, \$0.36 per share	(1,431,263)		(1,431,263)	
Currency Translation adjustment		(32,929)	(32,929)	(32,929)
Exercise of stock options			---	
Compensatory stock issuance			98,497	
Net Income	5,873,360		5,873,360	5,873,360
	-----	-----	-----	-----
Balance @ August 31, 2001	30,406,446	(213,002)	29,736,760	\$5,840,431
				=====

		Cumulative		
		Effect of	Total	
	Retained	Currency	Shareholder's	Comprehensive
	Earnings	Translation	Equity	Income
Balance @ August 31, 2001	30,406,446	(213,002)	29,736,760	\$5,840,431
Cash dividend paid \$0.36 per share	(1,442,290)		(1,442,290)	
Currency Translation adjustment		86	86	86
Exercise of stock options				
Issue of 40,000 shares-Tapecoat			428,000	
Compensatory stock issuance			98,496	
Net Income	4,463,316		4,463,316	4,463,316
	-----	-----	-----	-----
Balance @ August 31, 2002	\$33,427,472	\$(212,916)	\$33,284,368	\$4,463,402
	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

CHASE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

Restated

	<u>2002</u>	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES			

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Net Income	\$4,463,316	\$5,873,360	\$5,769,923
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,690,317	1,330,630	1,224,701
Amortization - goodwill	0	666,745	660,074
Amortization - patents	97,047	97,479	97,684
Stock issued for compensation	98,496	98,496	98,496
Change in provision for losses on trade receivables	23,231	(27,497)	35,394
Deferred taxes	(71,537)	(432,170)	(117,900)
Revaluation of investments in minority interest	--	(20,000)	--
Change in assets and liabilities:			
Proceeds from notes receivable	147,000	--	--
Trade receivables	2,407,560	(173,560)	(3,044,836)
Inventories	1,087,531	(15,774)	(1,493,650)
Prepaid expenses and other current assets	(139,900)	(82,106)	(40,451)
Accounts payable	(323,243)	(528,906)	1,402,075
Accrued expenses	<b>(1,419,664)</b>	<b>(37,548)</b>	91,754
Income taxes payable	678,266	179,786	(121,460)
Deferred compensation	<u>145,431</u>	<u>100,238</u>	<u>(41,999)</u>
<b>TOTAL ADJUSTMENTS</b>	<b>4,420,535</b>	<b>1,155,813</b>	(1,250,118)
<b>NET CASH FROM OPERATIONS</b>	<b>8,883,850</b>	<b>7,029,173</b>	4,519,805
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds of note receivable	--	--	(39,418)
Capital expenditures, including patents and agreements	(3,138,063)	(1,725,592)	(2,659,962)
Investment in trusteed assets	(145,431)	(100,238)	(309,901)
Investment in subsidiaries' goodwill	<b>(41,208)</b>	<b>(162,231)</b>	(141,777)
(Increase) in net cash surrender value	(666,652)	(319,424)	(541,106)
Investments in minority interests	<u>(145,352)</u>	<u>49,553</u>	-----
	<b>(4,136,707)</b>	<b>(2,257,932)</b>	(3,692,164)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in long-term debt	8,997,783	9,160,381	12,419,390
Payments of principal on debt	(11,783,976)	(12,228,824)	(12,658,613)
Net borrowing under line-of-credit	(238,860)	(287,541)	474,249
Cash received on options exercised	--	--	67,561
Dividend paid	<u>(1,442,290)</u>	<u>(1,431,263)</u>	<u>(1,250,208)</u>
	(4,467,343)	(4,787,247)	(947,621)
<b>NET CHANGE IN CASH</b>	279,801	(16,006)	(119,980)
<b>CASH AT BEGINNING OF YEAR</b>	<u>49,283</u>	<u>65,289</u>	<u>185,269</u>
<b>CASH AT END OF YEAR</b>	\$329,084	\$49,283	\$65,289

=====

See Note M for supplemental cash flow data.

See accompanying notes to the consolidated financial statements.

## CHASE CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

#### NOTE A - ACCOUNTING POLICIES

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

##### Basis of Presentation

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

##### Products and Markets

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

##### **Change in Accounting Standards.**

*In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No.141, " Business Combinations" (FAS 141) Statement of Financial Accounting Standard No. 142, " Goodwill and Other Intangible Assets" ( FAS 142). FAS 141 requires the purchase method of accounting to be used for all business combinations initiated after June 30, 2001. FAS 141 also specifies criteria that intangible assets acquired must meet to be recognized and reported separately from goodwill. The adoption of FAS 141 will not have any material effect on our results of operations or financial position.*

*FAS 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized but instead be measured for impairment at least annually, or when events indicate that impairment exists. The Company adopted FAS 141 & 142 on September 1, 2001. As of that date, amortization of goodwill and other indefinite-lived*

*intangible assets, including those recorded in past business combinations ceases. As a result of the elimination of this amortization, selling, general and administrative expenses will decrease by approximately \$667,000 annually.*

*As required by FAS 142, we will perform impairment test on goodwill and other indefinite-lived intangible assets as of the adoption date. Thereafter, we will perform impairment tests annually and whenever events or circumstances indicate that the value of goodwill or other indefinite-lived intangible assets might be impaired. Examples of such circumstances include, but are not limited to, a significant change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of, the testing for recoverability under Statement 121 of a significant asset group within a reporting unit. Recognition of a goodwill impairment loss is the financial statements of a subsidiary that is a component of a reporting unit. In connection with the FAS 142 transitional goodwill impairment test, we will utilize the required two-step method for determining goodwill impairment as of the adoption date. To accomplish this, we will identify our reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the adoption date. We then had up to six months from the adoption date to determine the fair value of each reporting unit and compare it to the carrying amount of the unit. The reporting unit's fair value is determined by discounting its estimated future cash flows. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, we then will perform the second step of the transitional impairment test. If necessary, in the second step, we will compare the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill, both of which would be measured as of the adoption date. The implied fair value of goodwill will be determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation, in accordance with FAS 141. The residual fair value after this allocation will be the implied fair value of the reporting unit goodwill. If the carrying value of goodwill allocated to the reporting unit exceeds the implied fair value we will record an impairment loss. FAS 142 requires that this second step be completed as soon as possible, but no later than the end of the year of adoption. The Company's reporting units are its Specialized Manufacturing and Electronic Manufacturing Services operating segments. The similar economic characteristics and inter-company services performed among segment components enable the Company to aggregate components into its two operating segments.*

*In connection with the FAS 142 indefinite-lived intangible asset impairment test, we will utilize the required one-step method to determine whether impairment exists as of the adoption date. The test will consist of a comparison of the fair values of indefinite-lived intangible assets with the carrying amounts. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, we will recognize an impairment loss in an amount equal to that excess.*

*As of February 28, 2002, the Company performed the required transitional goodwill impairment assessment and no impairment to goodwill was indicated. The Company performed its annual goodwill impairment assessment, as of June 30, 2002, and no impairment to its goodwill was indicated. Amortization of Goodwill was \$666,744, \$660,075 2001 and 2000 respectively.*

#### 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.

#### Revenue Recognition



Sales are recognized when goods are shipped by common carrier against a customer purchase order. Commissions are recognized based on commission statements received from the manufacturers represented.

Cash

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

CHASE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

NOTE A - ACCOUNTING POLICIES (Continued)

Inventories

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

Investment in Minority Interests

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

Property, Plant and Equipment

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

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

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

Excess of Cost Over Net Assets of Acquired Businesses

The Company adopted FAS 142 on September 1, 2001, the beginning of fiscal 2002. In connection with the adoption of FAS 142, the Company was required to perform a transitional goodwill impairment assessment. The Company tests impairment of its goodwill by comparing carrying values to discounted estimated future cash flows for each operating segment. As of February 28, 2002, the Company performed a transitional goodwill impairment assessment and no impairment to goodwill was indicated. The Company performed its annual goodwill impairment assessment, as of June 30, 2002, and no impairment to its goodwill was indicated. Amortization of Goodwill was \$666,745 and \$660,074 for the fiscal years 2001 and 2000, respectively.

#### Patents and Agreements

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.

## CHASE CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

#### NOTE A - ACCOUNTING POLICIES (Continued)

##### Pension Plan

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

##### Stock-Based Compensation

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

##### Deferred Compensation

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

##### Translation of Foreign Currency

The financial position and results of operations of the Company's Canadian division are measured using the Canadian dollar as the functional currency. Revenues and expenses of the division have been translated at average exchange rates. Assets and liabilities have been translated at the year-end exchange rate. Translation gains and losses are being deferred as a separate component of shareholders' equity, unless there is a sale or liquidation of the underlying foreign investments. The Company has no present plans for the sale or liquidation of its foreign investment. Aggregate foreign currency transaction, gains and losses, are included in determining net income. The amounts of gains and losses were immaterial in 2002, 2001 and 2000.

#### Income Taxes

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

### CHASE CORPORATION AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

#### NOTE A - ACCOUNTING POLICIES (Continued)

##### Income Per Share of Common Stock

Income per share is computed based upon the weighted average number of shares outstanding, after giving effect to the number of shares purchased for Treasury and the dilutive effect of stock options determined on the treasury method.

#### NOTE B - NOTE RECEIVABLE - RELATED PARTIES

The Company has a note receivable from Avon Custom Mixing Service, Inc., the purchaser of its Avon Custom Mixing Division, secured by the assets of the purchaser. Subsequent to August 31, 2001, the note was fully paid.

#### NOTE C - CASH SURRENDER VALUE OF LIFE INSURANCE

The Company recognizes cash surrender value in life insurance policies, net of loans secured by the policies, with Security Life of Denver, the Manufacturers' Life Insurance Company, Sun Life Assurance Company of Canada, Metropolitan Life Insurance and other carriers of \$914,292; \$1,776,454; \$657,831; \$924,871 and \$185,719, respectively. Subject to periodic review, the Company intends to maintain these policies through the lives or retirement of the insureds.

## NOTE D - LONG-TERM DEBT

Long-term debt consists of the following at August 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Note payable to bank at the Eurodollar rate plus 1.5%	\$2,500,000	\$1,600,000
Term note payable to Bank in 20 quarterly payments of \$250,000 through May 2004 with interest at the Eurodollar rate plus 1.5%	----	1,300,000
Term note payable to bank in 20 quarterly payments of \$34,500 commencing February 2000 with interest at the Eurodollar rate plus 1.5%	----	345,000
Term note payable to bank in 20 quarterly payments of \$50,000 commencing 2001 with interest at the Eurodollar rate plus 1.5%	700,000	900,000
Term note payable to an individual in connection with the acquisition of RWA, Inc. with quarterly payments of \$250,000 including interest at 7.5% through June 2002	----	450,000
Term notes payable to bank with principal payments of \$7,474 per month with interest at the bank's base rate plus 1/2 percent secured by all assets of Sunburst EMS, Inc. After September 02, monthly payments will be \$1,500, with balance paid by June 03.	20,849	100,449
Equipment notes with monthly payments of \$7,943 with interest averaging 9.11% secured by manufacturing equipment	32,641	93,813
Equipment notes with monthly payments of \$2,559 with interest at 6.49% secured by printing equipment	22,935	38,339
Equipment note with monthly payments of \$2,942 with interest at 7.43% secured by manufacturing equipment	49,971	80,332
Equipment note with monthly payments of \$11,138 with interest at 7.05% secured by data processing equipment	161,333	278,067
Equipment note with monthly payments of \$7,368 with interest at 8.11% secured by manufacturing equipment	228,993	295,874
Equipment note with monthly payments of \$950 with interest at 12.98% secured by manufacturing equipment	9,792	34,387

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Equipment note with monthly payments of \$6,308 with interest at 6.92% secured by manufacturing equipment	250,364	307,182
Equipment note with monthly payments of \$6,911 with interest at 8.06% secured by manufacturing equipment	220,338	282,750
Term Note payable to bank in 16 quarterly payments of \$250,000 through October 2006 with interest at Eurodollar rate plus 1.5%.	3,250,000	-
Term Note payable to bank in 28 quarterly payments of \$50,000 through December 2008 with interest at Eurodollar rate plus 1.5%.	1,300,000	-
	<u>8,747,216</u>	<u>6,106,193</u>
Less portion payable within one year classified as a current liability	<u>1,966,382</u>	<u>2,543,400</u>
	\$6,780,834	\$3,562,793
	=====	=====

CHASE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

NOTE D - LONG-TERM DEBT (Continued)

The Company has long-term unsecured credit available up to a maximum amount of \$6,000,000 at the bank's base lending rate or, at the option of the Company, at the effective London Interbank Offered Rate (LIBOR) or "Eurodollar rate" for ninety days plus 1.5 percent. The unused available long-term credit amounted to \$3,430,000 at August 31, 2002. The facility is included in scheduled principal payments at its maturity although it is intended that it will continue to be renewed.

Scheduled principal payments on long-term debt for the next five years are:

Year ending August 31,	
2003	4,273,000
2004	4,209,000
2005	1,585,000
2006	1,350,000
2007	300,000

## NOTE E - NOTES PAYABLE TO BANK

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

The Company's Sunburst EMS subsidiary has a revolving line of credit secured by its assets 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" for ninety days plus 1.5 percent.

The weighted average interest rate on short-term borrowings was 3.319% and 5.45% at August 31, 2002 and 2001, respectively.

## NOTE F - INCOME TAXES

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

	Year Ended August 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Federal income taxes at applicable rates	\$2,155,049	\$2,788,986	\$2,777,642
Adjustments resulting from the tax effect of:			
Increase in cash surrender value of life insurance	(159,342)	(181,462)	(229,404)
State and local taxes net of federal tax effect	122,405	304,693	347,825
Other	<u>(123,050)</u>	<u>(286,222)</u>	<u>(170,450)</u>
INCOME TAXES	\$1,995,062	\$2,625,995	\$2,725,613
	=====	=====	=====

## CHASE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

## NOTE F - INCOME TAXES (Continued)

	Year Ended August 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Current	\$1,923,525	\$3,058,165	\$2,662,368
Deferred (benefit):			
Pension expense	42,052	(38,336)	23,133
Depreciation	(99,995)	(159,577)	(35,127)
Allowance for doubtful accounts	31,910	10,999	14,157
Market Valuation of investments	-	-	(16,400)
Deferred compensation	97,570	(276,486)	118,907

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Deferred state taxes	-	31,230	1,230
Reserve	-	-	12,000
Total Deferred	<u>71,537</u>	<u>(432,170)</u>	<u>117,900</u>
(Benefit) of option exercises credited to shareholders' equity		-	(54,655)
	<u>\$1,995,062</u>	<u>\$2,625,995</u>	<u>\$2,725,613</u>
	=====	=====	=====

The timing differences that give rise to the components of net tax assets are as follows at August 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Assets:		
Reserve for bad debt	\$137,888	\$105,978
Patents and agreements	35,200	35,200
Pension accrual	221,131	179,079
State tax accrual	(2,330)	(2,330)
Deferred compensation	628,796	531,226
Investments marked to market	<u>161,600</u>	<u>161,600</u>
	1,182,285	1,010,753
Less valuation allowance	-	-
	<u>1,182,285</u>	<u>1,010,753</u>
Liabilities:		
Depreciation	<u>389,118</u>	<u>289,123</u>
Net Assets	<u>\$793,167</u>	<u>\$721,630</u>
	=====	=====

NOTE G - OPERATING LEASES

The following is a schedule for the next five years of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of August 31, 2002:

Year Ending August 31,	Buildings
2003	\$186,000
2004	180,000
2005	159,000
2006	83,000
2007	83,000
	<u>\$691,000</u>
	=====

CHASE CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

NOTE G - OPERATING LEASES (Continued)

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Total rental expense for all operating leases amounted to \$550,778, \$440,762 and \$572,623 for the years ended August 31, 2002, 2001 and 2000, respectively.

NOTE H - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected unaudited quarterly financial data for 2002, 2001 and 2000, is as follows:

<u>2002</u>	<u>First</u>	<u>Second</u>	Quarter <u>Third</u>	<u>Fourth</u>	<u>Year</u>
Net Sales	\$15,152,173	\$16,847,200	\$18,221,546	\$18,252,247	\$68,473,166
Gross Profit	\$3,899,776	\$4,229,582	\$4,919,241	\$6,200,931	\$19,249,530
Net Income	\$666,431	\$810,847	\$1,156,883	\$1,829,155	\$4,463,316
Net income per common share	\$0.16	\$0.20	\$0.29	\$0.45	\$1.10
	=====	=====	=====	=====	=====
<u>2001</u>	<u>First</u>	<u>Second</u>	Quarter <u>Third</u>	<u>Fourth</u>	<u>Year</u>
Net Sales	\$17,784,472	\$16,737,356	\$16,984,666	\$18,246,365	\$69,752,859
Gross Profit	\$5,502,996	\$4,709,089	\$4,930,381	\$5,159,867	\$20,302,333
Net Income	\$1,501,070	\$1,123,327	\$1,449,583	\$1,799,380	\$5,873,360
Net income per common share	\$.38	\$.28	\$.36	\$.45	\$1.47
	=====	=====	=====	=====	=====
<u>2000</u>	<u>First</u>	<u>Second</u>	Quarter <u>Third</u>	<u>Fourth</u>	<u>Year</u>
Net Sales	\$14,827,683	\$14,917,478	\$18,529,601	\$19,705,414	\$67,980,176
Gross Profit	\$4,635,238	\$4,267,396	\$5,162,163	\$6,259,295	\$20,324,092
Net Income	\$1,310,069	\$991,182	\$1,395,685	\$2,072,987	\$5,769,923
Net income per common share	\$.34	\$.25	\$.35	\$.52	\$1.46
	=====	=====	=====	=====	=====

CHASE CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

NOTE I - EXPORT SALES AND FOREIGN OPERATIONS

Export sales from continuing domestic operations to unaffiliated third parties were \$4,504,000, \$5,941,000 and \$4,936,000 for the years ended August 31, 2002, 2001 and 2000, respectively. The Company's products are sold world-wide with no foreign geographic area accounting for more than 10% of revenues from continuing operations. The Company's Canadian operations accounted for 3.4% of consolidated sales and 1.3% of assets.

During fiscal 2002, no one customer accounted for sales in excess of 10%. In fiscal 2001 and 2000 one customer accounted for approximately 14% and 12%, respectively, of total sales.

NOTE J - RESEARCH AND DEVELOPMENT EXPENSE



Research and development expense amounted to approximately \$781,000, \$612,000, and \$620,000 for the years ended August 31, 2002, 2001 and 2000, respectively.

## NOTE K - BENEFITS

401 (K) PLAN

The Company has a deferred compensation plan adopted pursuant to Section 401 (k) of the Internal Revenue Code of 1986. Any qualified employee who has attained age 21 and has been employed by the Company for at least six months may contribute a portion of their salary to the plan and the Company will match 50% of such contribution up to an amount equal to three percent of such employee's yearly salary. The Company's contribution expense was \$190,000, \$188,000 and \$169,000 for the years ended August 31, 2002, 2001 and 2000, respectively.

Non-Qualified Deferred Savings Plan

The Company has a non-qualified deferred savings plan covering directors and selected employees. Participants may elect to defer a portion of their compensation for future payment. The plan is funded by trusteed assets that are restricted to the payment of deferred compensation or satisfaction of the Company's general creditors. The Company's liability under the plan was \$863,000 at August 31, 2002.

Pension Plan

The Company has non-contributory defined benefit pension plans covering substantially all employees excluding subsidiaries. Net periodic pension cost was ~~\$512,285~~, ~~\$428,000~~, \$449,696, and \$289,343 for the years ended August 31, 2002, 2001 and 2000, respectively. The Company has a funded, qualified plan and an unfunded supplemental retirement plan designed to maintain benefits for all employees at the plan formula level. The plans provide for pension benefits determined by a participant's years of service and final average compensation. The qualified plan assets consist of separate pooled investment accounts with a trust company.

CHASE CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2001

## NOTE K - BENEFITS (Continued)

	Year Ended August 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Change in benefit obligation			
Projected Benefit obligation at beginning of year	\$6,276,332	\$4,939,023	\$4,701,105
Service Cost	325,309	329,118	289,503
Interest Cost	479,131	447,942	350,585
Amendments	0	606,627	0
Actuarial gain (loss)	(229,743)	153,622	(96,152)
Expenses	0	0	(14,280)
Acquisition	0	0	0
Benefits paid	(137,339)	(200,000)	(291,738)
Benefit obligation end of year	<u>\$6,713,690</u> =====	<u>\$6,276,332</u> =====	<u>\$4,939,023</u> =====

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Change in plan assets			
Fair value of plan assets at beginning of year	\$3,875,057	\$4,207,214	\$3,761,924
Actual return on plan assets	(320,119)	(363,661)	500,035
Acquisition	0	0	0
Employer contribution	353,857	231,504	251,273
Expenses	0	0	(14,280)
Benefits paid	<u>(137,339)</u>	<u>(200,000)</u>	<u>(291,738)</u>
Fair value of plan assets at end of year	\$3,771,456	\$3,875,057	\$4,207,214
	=====	=====	=====
Funded status	\$(2,942,234)	\$(2,401,275)	\$(731,809)
Unrecognized net actuarial (gain)/loss	1,120,733	643,269	(42,238)
Unrecognized prior service cost	861,515	956,448	190,681
Unrecognized net obligation (asset)	0	0	0
	-----	-----	-----
Prepaid (accrued) benefit cost	\$(959,986)	\$(801,558)	\$(583,366)
	=====	=====	=====
Weighted average assumptions as of August 31,			
Discount rate	8.00%	8.00%	8.00%
Expected return on assets	10.00%	10.00%	10.00%
Rate of compensation increase	5.00%	5.00%	5.00%
Components of net periodic benefit cost			
Service cost	\$325,309	\$329,118	\$289,503
Interest cost	479,131	447,942	350,585
Expected return on plan assets	(389,942)	(422,297)	(500,035)
Amortization of prior service cost	94,933	94,933	24,071
Unrecognized net transaction asset	0	0	(6,997)
Recognized net (gain)/loss	2,854	0	(1,327)
Net asset gain/(loss) deferred	0	0	133,543
	-----	-----	-----
	\$512,285	\$449,696	\$289,343
	=====	=====	=====
Actuarial present value of benefit obligation and funded status			
Accumulated benefit obligations	\$4,564,077	\$3,863,900	\$3,149,240
Projected benefit obligations	6,713,690	6,276,332	4,939,023
Plan assets at fair value	3,771,456	3,875,057	4,207,214
Funded status	(2,942,234)	(2,401,275)	(731,809)
Unrecognized net (gain)/loss	1,120,733	643,269	(42,238)
Unrecognized prior service cost	861,515	956,448	190,681
Unrecognized net transition assets	0	0	0
	-----	-----	-----
(Accrued) pension expense	\$(959,986)	\$(801,558)	\$(583,366)
	=====	=====	=====

CHASE CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

NOTE K - BENEFITS (Continued)

The net transition assets amount is being amortized at a level rate over 15 years. The actuarial calculations were based on assumptions of a weighted average discount rate of 8% and a future rate of increase in compensation levels of 5%. The expected rate of return on plan assets is 10%. Prior service cost arose from the amendment of the plan's benefit schedules to comply with the Tax Reform Act of 1986 (TRA) and adoption of the unfunded supplemental pension plan.

Deferred Compensation

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

Stock Option Plans

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

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

2001 Senior Management Stock Plan and the 2001 Non-Employee Director Stock Option Plan - Effective October 9, 2002, the Company adopted, and the stockholders subsequently approved, the 2001 Senior Management Stock Plan and the 2001 Non-Employee Director Stock Option Plan. The plans reserved 750,000 and 90,000 shares of Common Stock of the Company for grants related to the Senior Management Stock Plan and Non-Employee Director Stock Option Plan respectively.

Under the terms of the Senior Management Stock Plan, options may be granted in the form of incentive stock options, non-qualified stock options and restricted stock. Options granted under the Non-Employee Director Stock Option Plan will be issued as non-qualified stock options.

CHASE CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

NOTE K - BENEFITS (Continued)

Stock Option Plans (Continued)

Options at August 31, 2002:

<u>Outstanding</u>	<u>Exercise Price</u>	<u>Weighted Average Exercise Price</u>	<u>Remaining Life</u>	<u>Exercisable</u>	<u>Weighted Average Exercise Price</u>
251,855	\$3.375	\$ 3.38	4 years	134,355	\$3.38
15,000	\$8.25-8.75	\$ 8.42	6 years	15,000	\$8.42
5,000	\$11.83	\$11.83	7 years	4,000	\$11.83
670,000	\$10.50-11.55	\$10.76	9 years	183,092	\$10.66

Stock option plan activity was as follows:

	<u>Directors</u>	<u>Weighted Average Exercise Price</u>	<u>Officers and Employees</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Market value</u>
Outstanding August 31, 1999	51,500	\$3.76	372,474	\$3.68	
Exercisable	36,500	\$3.59	107,774	\$3.73	
Exercises	<u>(30,000)</u>	<u>\$3.14</u>	<u>(86,619)</u>	<u>\$3.79</u>	
Outstanding August 31, 2000	21,500	\$6.84	285,855	\$3.65	
Exercisable	21,500	\$6.84	76,355	\$3.84	
Exercises	<u>(9,000)</u>	<u>\$4.96</u>	<u>(24,000)</u>	<u>\$3.78</u>	
Outstanding August 31, 2001	12,500	\$8.20	261,855	\$3.64	
Exercisable	12,500	\$8.20	101,355	\$3.84	
Grants	85,000	\$10.50	585,000	\$10.80	\$9.09
Exercises	<u>(2,500)</u>	<u>\$4.63</u>			
Outstanding August 31, 2002	95,000	\$10.26	846,855	\$8.58	
Exercisable	35,000	\$9.86	301,447	\$7.41	

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	941,855	8.75	498,145
Equity compensation plans not approved by security holders	----	----	----
Total	941,855	8.75	498,145

CHASE CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

## NOTE K - BENEFITS (Continued)

Proforma Disclosures - The Company accounts for stock options issued to directors, officers and employees under Accounting Principles Board Opinion No. 25 (see Note A). The proforma net income and earnings per share, based upon a Black-Scholes pricing model, using a volatility of 132.79%, a risk-free interest rate of 3.0%, a dividend yield of 3% and an expected life of 5 years, had Financial Accounting Standards Board Statement No. 123 been applied, are as follows:

	August 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net Income	\$3,218,873	\$5,809,558	\$5,711,089
Basic net income per share	\$0.80	\$1.45	\$1.45
Diluted net income per share	\$0.78	\$1.43	\$1.43

## NOTE L - SEGMENT DATA

Chase Corporation operates in two business segments, a specialized manufacturing segment consisting of protective coatings and tapes and an electronic manufacturing services segment. Specialized manufacturing products include insulating and conducting materials for wire and cable manufacturers, protective coatings for pipeline applications and moisture protective coatings for electronics and printing services. Electronic manufacturing services include printed circuit board and electro-mechanical assembly services for the electronics industry.

	<u>August 31, 2002</u>		
	<u>Specialized</u>	<u>Electronic</u>	<u>Total</u>
	<u>Manufacturing</u>	<u>Manufacturing</u>	
	<u>Services</u>	<u>Services</u>	
Sales	\$49,422,900	\$19,050,266	\$68,473,166
Operating Profit	\$9,216,420	\$396,294	\$9,612,714
Less common costs			<u>\$(3,274,336)</u>
Income before taxes and minority interests			\$6,338,378
			=====
Identifiable assets	\$26,284,188	\$17,314,008	\$43,598,196
Common corporate assets			<u>\$9,787,679</u>
Total assets			\$53,385,875
			=====

	<u>August 31, 2001</u>		
	<u>Specialized</u>	<u>Electronic</u>	<u>Total</u>
	<u>Manufacturing</u>	<u>Manufacturing</u>	
	<u>Services</u>	<u>Services</u>	
Sales	\$47,445,350	\$22,307,509	\$69,752,859
Operating Profit	\$10,322,166	\$1,607,712	\$11,929,878
Less common costs			<u>\$(3,726,523)</u>
Income before taxes and minority interests			\$8,203,355

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Identifiable assets	\$27,234,081	\$11,398,605	\$38,632,686
Common corporate assets			<u>\$8,155,817</u>
Total assets			<u>\$46,788,503</u>

August 31, 2000

	Electronic		<u>Total</u>
	<u>Specialized</u> <u>Manufacturing</u>	<u>Manufacturing</u> <u>Services</u>	
Sales	\$47,109,676	\$20,870,500	\$67,980,176
Operating Profit	\$10,018,565	\$1,809,332	\$11,827,897
Less common costs			<u>\$(3,658,361)</u>
Income before taxes and minority interests			\$8,169,536
Identifiable assets	\$29,428,664	\$8,995,454	\$38,424,118
Common corporate assets			<u>\$7,299,134</u>
Total assets			<u>\$45,723,252</u>

CHASE CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR EACH YEAR IN THE THREE YEAR PERIOD ENDED AUGUST 31, 2002

NOTE M - SUPPLEMENTAL CASH FLOW DATA

Cash paid during the year for:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Income taxes	\$1,768,853	\$2,801,191	\$2,846,770
Interest	\$466,788	\$ 727,444	\$ 706,993

NOTE N - INVESTMENT IN MINORITY INTERESTS

The Company formed, in fiscal 1995, a joint venture, The Stewart Group, Inc., with The Stewart Group, Ltd. of Canada, to produce various products for the fiber optic cable market. Chase Corporation owns a 42% interest in the joint venture at August 31, 2002.

NOTE O - ACQUISITIONS

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

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Effective April 30, 1999, the Company acquired RWA, Inc., an electronic manufacturing services company. The Company purchased the stock of RWA, Inc. for cash of \$5,000,000 and a note for \$2,700,000, discounted at 7.5%. Contingent amounts at the time of purchase have been settled by an agreement to pay an additional \$200,000 which were paid in 2002.

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

Effective November 1, 2001, the Company acquired the assets and operations of Tapecoat, a division of TC Manufacturing Co., Inc. of Evanston, Illinois, a provider of protective coatings for the transportation, marine and geo-synthetics industries and for underground oil, gas and water pipelines.

All acquisitions were accounted for as purchase transactions and the operations of the acquired entity or assets are included in consolidated operations from the effective date.

### NOTE P - EARNINGS PER SHARE

	<u>Years Ended August 31.</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Income available to common shareholders	\$4,463,316	\$5,873,360	\$5,769,923
Weighted average common shares outstanding	4,040,210	3,997,968	3,940,459
Basic earnings per share	\$1.10	\$1.47	\$1.46
Weighted average common shares outstanding	4,040,210	3,997,968	3,940,459
Effect of options outstanding	102,234	69,407	56,704
Common shares and share equivalents	4,142,444	4,067,375	3,997,163
Diluted earnings per share	\$1.08	\$1.44	\$1.44

### NOTE Q - CONTINGENCIES

#### Legal

In 2002, the Company was named as a defendant in two consolidated personal injury lawsuits in Jefferson County and Jackson County, Mississippi and in a single case in Brazoria County, Texas, all of which allege asbestos exposure. The two lawsuits in Mississippi name approximately 3,000 plaintiffs total and each lawsuit names approximately 400 defendants. It is not clear from the complaints in any of these cases whether there is any basis for the claims against the Company. Nor is it clear at this time whether the plaintiffs intend to pursue actively their claims against the Company. No discovery from the Company has been sought yet. The Company's insurer has assumed defense of these claims subject to reservation of its rights as to coverage for any underlying liability assessed. Although the Company cannot predict the outcome of these claims, management believes it will not have any material financial impact on the Company.

## SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

### CHASE CORPORATION AND SUBSIDIARIES

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<u>COL. A</u>	<u>COL. B</u>	<u>COL. C</u>		<u>COL. D</u>	<u>COL. E</u>
Description	Balance At Beginning Of Period	(1) Charged To Cost and Expense	(2) (3) Charged To Other Accounts	Deductions	Balance At End Of Period
Year ended Aug 31, 2002: Allowance for doubtful accounts	\$264,946	\$167,588	\$-----	\$144,357	\$288,177
Year ended Aug 31, 2001: Allowance for doubtful accounts	\$292,443	\$40,057	\$-----	\$67,554	\$264,946
Year ended Aug 31, 2000: Allowance for doubtful accounts	\$257,049	\$5,733	\$29,661	\$-----	\$292,443

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

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