

CHASE CORP  
Form 10-Q  
July 10, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the Quarterly Period Ended May 31, 2015

Commission File Number: 1-9852

**CHASE CORPORATION**

(Exact name of registrant as specified in its charter)

**Massachusetts**  
(State or other jurisdiction of incorporation  
of organization)

**11-1797126**  
(I.R.S. Employer Identification No.)

**26 Summer Street, Bridgewater, Massachusetts 02324**

(Address of Principal Executive Offices, Including Zip Code)

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(508) 819-4200

(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares of Common Stock outstanding as of June 30, 2015 was 9,198,762.

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**For the Quarter Ended May 31, 2015**

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**CHASE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(UNAUDITED)

*In thousands, except share and per share amounts*

|  | May 31,<br>2015 | August 31,<br>2014 |
|--|-----------------|--------------------|
| <b>ASSETS</b>  |                 |                    |
| Current Assets:  |                 |                    |
| Cash & cash equivalents  | \$ 29,709       | \$ 53,222          |
| Accounts receivable, less allowance for doubtful accounts of \$839 and \$670 | 36,394          | 35,601             |
| Inventories  | 33,055          | 31,539             |
| Prepaid expenses and other current assets                                    | 2,690           | 2,437              |
| Due from sale of product line  |                 | 739                |
| Deferred income taxes  | 2,188           | 2,315              |
| Total current assets   | 104,036         | 125,853            |
| Property, plant and equipment, net   | 42,627          | 44,085             |
| Other Assets:  |                 |                    |
| Goodwill   | 44,081          | 38,280             |
| Intangible assets, less accumulated amortization of \$27,063 and \$22,941    | 46,966          | 27,215             |
| Cash surrender value of life insurance                                       | 7,256           | 7,249              |
| Restricted investments   | 1,449           | 1,256              |
| Funded pension plan  | 1,091           | 962                |
| Deferred income taxes  | 450             | 470                |
| Other assets   | 144             | 175                |
|  | \$ 248,100      | \$ 245,545         |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                                   |                 |                    |
| Current Liabilities:   |                 |                    |
| Accounts payable   | \$ 15,362       | \$ 15,121          |
| Accrued payroll and other compensation                                       | 3,995           | 7,754              |
| Accrued expenses   | 4,735           | 4,842              |
| Accrued income taxes   | 1,425           | 1,377              |
| Current portion of long-term debt  | 8,050           | 7,000              |
| Total current liabilities  | 33,567          | 36,094             |
| Long-term debt, less current portion   | 45,500          | 51,800             |
| Deferred compensation  | 2,174           | 2,037              |
| Accumulated pension obligation   | 10,626          | 10,418             |
| Other liabilities  | 99              | 126                |
| Accrued income taxes   | 1,049           |                    |
| Deferred income taxes  | 7,567           | 7,580              |

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Commitments and Contingencies (Note 10)

Equity:

First Serial Preferred Stock, \$1.00 par value: Authorized 100,000 shares; none issued

Common stock, \$.10 par value: Authorized 20,000,000 shares; 9,198,762 shares at May 31, 2015 and 9,103,292 shares at August 31, 2014 issued and outstanding

|  |            |            |
|--|------------|------------|
|  | 920        | 910        |
| Additional paid-in capital             | 14,653     | 13,620     |
| Accumulated other comprehensive loss   | (6,987)    | (4,250)    |
| Retained earnings                      | 138,932    | 126,272    |
| Chase Corporation stockholders' equity | 147,518    | 136,552    |
| Non-controlling interest               |            | 938        |
| Total equity                           | 147,518    | 137,490    |
| Total liabilities and equity           | \$ 248,100 | \$ 245,545 |

See accompanying notes to the consolidated financial statements

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**CHASE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(UNAUDITED)

*In thousands, except share and per share amounts*

|  | Three Months Ended May 31, |           | Nine Months Ended May 31, |            |
|--|----------------------------|-----------|---------------------------|------------|
|  | 2015                       | 2014      | 2015                      | 2014       |
| <b>Revenue</b>   |                            |           |                           |            |
| Sales  | \$ 64,102                  | \$ 56,973 | \$ 170,772                | \$ 161,040 |
| Royalties and commissions  | 796                        | 625       | 2,363                     | 1,932      |
|  | 64,898                     | 57,598    | 173,135                   | 162,972    |
| <b>Costs and Expenses</b>  |                            |           |                           |            |
| Cost of products and services sold   | 40,144                     | 37,067    | 108,859                   | 106,496    |
| Selling, general and administrative expenses   | 12,125                     | 10,518    | 34,844                    | 30,887     |
| Operating income   | 12,629                     | 10,013    | 29,432                    | 25,589     |
| Interest expense   | (266)                      | (278)     | (810)                     | (866)      |
| Gain on sale of product line (Note 8)  |                            |           |                           | 5,706      |
| Other income (expense)   | (500)                      | (10)      | 266                       | (240)      |
| Income before income taxes   | 11,863                     | 9,725     | 28,888                    | 30,189     |
| Income taxes   | 4,697                      | 3,404     | 10,656                    | 10,566     |
| Net income   | 7,166                      | 6,321     | 18,232                    | 19,623     |
| Net loss (gain) attributable to non-controlling interest                                   |                            | 3         | (95)                      | (4)        |
| Net income attributable to Chase Corporation   | \$ 7,166                   | \$ 6,324  | \$ 18,137                 | \$ 19,619  |
| <b>Net income available to common shareholders, per common and common equivalent share</b> |                            |           |                           |            |
| Basic  | \$ 0.78                    | \$ 0.69   | \$ 1.98                   | \$ 2.16    |
| Diluted  | \$ 0.77                    | \$ 0.68   | \$ 1.95                   | \$ 2.11    |
| <b>Weighted average shares outstanding</b>   |                            |           |                           |            |
| Basic  | 9,093,602                  | 8,950,763 | 9,076,386                 | 8,943,849  |
| Diluted  | 9,245,953                  | 9,165,482 | 9,216,731                 | 9,161,343  |
| Cash dividends paid per share  |                            |           | \$ 0.60                   | \$ 0.45    |

See accompanying notes to the consolidated financial statements



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**CHASE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(UNAUDITED)

*In thousands, except share and per share amounts*

|  | <b>Three Months Ended May 31,</b> |             | <b>Nine Months Ended May 31,</b> |             |
|--|-----------------------------------|-------------|----------------------------------|-------------|
|  | <b>2015</b>                       | <b>2014</b> | <b>2015</b>                      | <b>2014</b> |
| Net income   | \$ 7,166                          | \$ 6,321    | \$ 18,232                        | \$ 19,623   |
| <b>Other comprehensive income:</b>                                   |                                   |             |                                  |             |
| Net unrealized (loss) gain on restricted investments, net of tax     | 11                                | (27)        | 3                                | 46          |
| Change in funded status of pension plans, net of tax                 | 224                               | 48          | 443                              | 144         |
| Foreign currency translation adjustment                              | (274)                             | 130         | (3,183)                          | 2,313       |
| Total other comprehensive (loss) income                              | (39)                              | 151         | (2,737)                          | 2,503       |
| Comprehensive income   | 7,127                             | 6,472       | 15,495                           | 22,126      |
| Comprehensive (income) loss attributable to non-controlling interest |                                   | 3           | (95)                             | (4)         |
| Comprehensive income attributable to Chase Corporation               | \$ 7,127                          | \$ 6,475    | \$ 15,400                        | \$ 22,122   |

See accompanying notes to the consolidated financial statements



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**CHASE CORPORATION**  
**CONSOLIDATED STATEMENT OF EQUITY**  
**NINE MONTHS ENDED MAY 31, 2015**  
(UNAUDITED)

*In thousands, except share and per share amounts*

|  | Common Stock |        | Additional | Accumulated   | Other         | Retained   | Chase        |                 | Total  |
|--|--------------|--------|------------|---------------|---------------|------------|--------------|-----------------|--------|
|  | Shares       | Amount | Paid-In    | Comprehensive | Income (loss) | Earnings   | Stockholders | Non-controlling | Equity |
|  |              |        | Capital    | Income (loss) |               |            | Equity       | Interest        | Equity |
| Balance at August 31, 2014   | 9,103,292    | \$ 910 | \$ 13,620  | \$ (4,250)    | \$ 126,272    | \$ 136,552 | \$ 938       | \$ 137,490      |        |
| Restricted stock grants, net of forfeitures                                      | 29,785       | 3      | (3)        |               |               |            |              |                 |        |
| Amortization of restricted stock grants  |              |        | 629        |               |               | 629        |              | 629             |        |
| Amortization of stock option grants  |              |        | 190        |               |               | 190        |              | 190             |        |
| Exercise of stock options  | 144,038      | 15     | 2,143      |               |               | 2,158      |              | 2,158           |        |
| Common stock received for payment of stock option exercises                      | (47,486)     | (5)    | (1,762)    |               |               | (1,767)    |              | (1,767)         |        |
| Excess tax benefit (expense) from stock based compensation                       |              |        | 730        |               |               | 730        |              | 730             |        |
| Common stock retained to pay statutory minimum withholding taxes on common stock | (30,867)     | (3)    | (1,179)    |               |               | (1,182)    |              | (1,182)         |        |
| Annual cash dividend paid, \$0.60 per share                                      |              |        |            |               |               | (5,477)    | (5,477)      | (5,477)         |        |
| Purchase of outstanding non-controlling interest                                 |              |        | 285        |               |               | 285        | (1,033)      | (748)           |        |
| Change in funded status of pension plan, net of tax of \$239                     |              |        |            |               | 443           | 443        |              | 443             |        |
| Foreign currency translation adjustment  |              |        |            |               | (3,183)       | (3,183)    |              | (3,183)         |        |
| Net unrealized gain (loss) on restricted investments, net of tax of \$1          |              |        |            |               | 3             | 3          |              | 3               |        |
| Net income   |              |        |            |               |               | 18,137     | 18,137       | 95              | 18,232 |
| Balance at May 31, 2015  | 9,198,762    | \$ 920 | \$ 14,653  | \$ (6,987)    | \$ 138,932    | \$ 147,518 |              | \$ 147,518      |        |

See accompanying notes to the consolidated financial statements



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**CHASE CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(UNAUDITED)

*In thousands, except share and per share amounts*

|  | Nine Months Ended May 31, |           |
|--|---------------------------|-----------|
|  | 2015                      | 2014      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                           |           |
| Net income   | \$ 18,232                 | \$ 19,623 |
| Adjustments to reconcile net income to net cash provided by operating activities |                           |           |
| Gain on sale of assets   |                           | (4)       |
| Gain on sale of product line   |                           | (5,706)   |
| Depreciation   | 4,238                     | 4,278     |
| Amortization   | 4,940                     | 3,584     |
| Cost of sale of inventory step-up  | 65                        |           |
| Provision on allowance for doubtful accounts                                     | 193                       | 10        |
| Stock based compensation   | 819                       | 812       |
| Realized gain on restricted investments  | (79)                      | (57)      |
| Decrease in cash surrender value life insurance                                  | 135                       | 90        |
| Excess tax benefit from stock based compensation                                 | (730)                     | (156)     |
| Pension settlement loss  | 177                       |           |
| Deferred taxes   | (149)                     |           |
| Increase (decrease) from changes in assets and liabilities                       |                           |           |
| Accounts receivable  | (1,529)                   | (1,956)   |
| Inventories  | (1,295)                   | (2,649)   |
| Prepaid expenses & other assets  | (143)                     | (520)     |
| Accounts payable   | 426                       | 1,018     |
| Accrued compensation and other expenses  | (3,414)                   | (2,985)   |
| Accrued income taxes   | 1,842                     | (779)     |
| Deferred compensation  | 138                       | 76        |
| Net cash provided by operating activities  | 23,866                    | 14,679    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                           |           |
| Purchases of property, plant and equipment                                       | (1,954)                   | (3,460)   |
| Payments for acquisitions  | (33,285)                  |           |
| Cost to acquire intangible assets  | (34)                      | (105)     |
| Contingent purchase price paid for acquisition                                   |                           | (156)     |
| Proceeds from sale of fixed assets   |                           | 14        |
| Net proceeds from sale of product line   | 739                       | 9,179     |
| Contributions from restricted investments  | (110)                     | 24        |
| Payments for cash surrender value life insurance                                 | (138)                     | (137)     |
| Net cash provided by (used in) investing activities                              | (34,782)                  | 5,359     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                           |           |
| Borrowings on debt   | 2,000                     | 2,104     |
| Payments of principal on debt  | (7,250)                   | (6,304)   |
| Dividend paid  | (5,477)                   | (4,093)   |
| Proceeds from exercise of common stock options                                   | 392                       | 32        |

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|  |                  |                  |
|--|------------------|------------------|
| Payments of statutory minimum taxes on stock options and restricted stock  | (1,182)          | (190)            |
| Excess tax benefit from stock based compensation                           | 730              | 156              |
| Payment for acquisition of non-controlling interest                        | (500)            |                  |
| Net cash used in financing activities                                      | (11,287)         | (8,295)          |
| <b>(DECREASE) INCREASE IN CASH &amp; CASH EQUIVALENTS</b>                  | <b>(22,203)</b>  | <b>11,743</b>    |
| Effect of foreign exchange rates on cash                                   | (1,310)          | 835              |
| <b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                    | <b>53,222</b>    | <b>29,997</b>    |
| <b>CASH &amp; CASH EQUIVALENTS, END OF PERIOD</b>                          | <b>\$ 29,709</b> | <b>\$ 42,575</b> |
| <b>Non-cash Investing and Financing Activities</b>                         |                  |                  |
| Common stock received for payment of stock option exercises                | \$ 1,767         | \$ 579           |
| Property, plant & equipment additions included in accounts payable         | \$ 99            | \$ 59            |
| Deferred tax assets and liabilities acquired from non-controlling interest | \$ 248           | \$               |

See accompanying notes to the consolidated financial statements

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**CHASE CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

*In thousands, except share and per share amounts*

**Note 1 - Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Therefore, they do not include all information and footnote disclosure necessary for a complete presentation of Chase Corporation's financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. Chase Corporation (the Company, Chase, we, or us) filed audited consolidated financial statements, which included all information and notes necessary for such complete presentation for the three years ended August 31, 2014 in conjunction with its 2014 Annual Report on Form 10-K. Certain immaterial reclassifications have been made to the prior year amounts to conform to the current year's presentation.

The results of operations for the interim periods ended May 31, 2015 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2014, which are contained in the Company's 2014 Annual Report on Form 10-K.

The accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary for a fair statement of the Company's financial position as of May 31, 2015, the results of operations, comprehensive income and cash flows for the interim periods ended May 31, 2015 and 2014, and changes in equity for the interim period ended May 31, 2015.

The financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company uses the US dollar as the reporting currency for financial reporting. The financial position and results of operations of the Company's UK-based operations are measured using the UK pound sterling as the functional currency and the financial position and results of operations of the Company's operations based in France are measured using the euro as the functional currency. Foreign currency translation gains and losses are determined using current exchange rates for monetary items and historical exchange rates for other balance sheet items and are recorded as a change in other comprehensive income. Transaction gains and losses generated from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of our foreign operations are included in Other (expense) / income on the consolidated statements of operations.

On January 30, 2015, the Company acquired two product lines from Henkel Corporation (the Seller). The product lines were acquired for a purchase price of \$33,285, excluding any acquisition related costs. As part of this transaction, Chase acquired the Seller's microspheres product line, sold under the Dualite® brand, located in Greenville, SC, and obtained exclusive distribution rights and intellectual property related to the Seller's polyurethane dispersions product line, operating in the Elgin, IL location. We refer to these collectively as the specialty chemical product

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lines. Under the agreement, Chase entered into a ten-year facility operating lease at the Seller's Greenville, SC location. The Seller will perform certain manufacturing and application services for Chase at the Seller's Elgin, IL location for three years. The purchase was funded entirely with available cash on hand. Since the effective date for this acquisition, the financial results of the specialty chemical product lines have been included in the Company's financial statements within the Company's Industrial Materials operating segment. Purchase accounting was completed in the quarter ended May 31, 2015 with no material adjustments made to the initial amounts recorded at the end of the second fiscal quarter. Please see Note 14 to the Consolidated Financial Statements for additional information on the acquisition of the specialty chemical product lines.

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**CHASE CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

*In thousands, except share and per share amounts*

On October 31, 2014, the Company purchased the 50% non-controlling membership interest of NEPTCO JV LLC (the "JV") owned by its now-former joint venture partner, an otherwise unrelated party. Because of the Company's controlling financial interest, the JV's assets, liabilities and results of operations have been consolidated within the Company's consolidated financial statements since June 27, 2012, the date the Company acquired NEPTCO. The Company continues to fully consolidate the assets, liabilities and results of operations of the JV, but no longer records an offsetting amount for a non-controlling interest subsequent to October 31, 2014. The (\$95) recorded in the Consolidated Statement of Operations as Net (gain) loss attributable to non-controlling interest for the nine months ended May 31, 2015, represents the now-former joint venture partner's share of the results of operations of the JV for the period from September 1, 2014 through October 31, 2014.

**Note 2 Recent Accounting Policies**

*Recently Issued Accounting Pronouncements*

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which will replace most of the existing revenue recognition guidance under U.S. Generally Accepted Accounting Principles. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU will be effective for the Company beginning September 1, 2017 (fiscal 2018), including interim periods in its fiscal year 2018, and allows for either retrospective or modified retrospective methods of adoption. The Company is in the process of determining the method of adoption and assessing the impact of this ASU on the Company's consolidated financial position, results of operations and cash flows.

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 820): Amendments to the Consolidation Analysis." ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after September 1, 2016 (fiscal 2017). We are still evaluating what impact, if any, this ASU will have on the Company's consolidated financial position, results of operations and cash flows.

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**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*In thousands, except share and per share amounts*

**Note 3 Inventories**

Inventories consist of the following as of May 31, 2015 and August 31, 2014:

|                   | May 31, 2015 |        | August 31, 2014 |        |
|-------------------|--------------|--------|-----------------|--------|
| Raw materials     | \$           | 13,605 | \$              | 13,785 |
| Work in process   |              | 7,941  |                 | 7,359  |
| Finished goods    |              | 11,509 |                 | 10,395 |
| Total Inventories | \$           | 33,055 | \$              | 31,539 |

**Note 4 Net Income Per Share**

The Company has unvested share-based payment awards with a right to receive nonforfeitable dividends which are considered participating securities under ASC Topic 260, Earnings Per Share. The Company allocates earnings to participating securities and computes earnings per share using the two class method. The determination of earnings per share under the two class method is as follows:

|  | Three Months Ended May 31, |           | Nine Months Ended May 31, |           |
|--|----------------------------|-----------|---------------------------|-----------|
|  | 2015                       | 2014      | 2015                      | 2014      |
| <b>Basic Earnings per Share</b>              |                            |           |                           |           |
| Net income attributable to Chase Corporation | \$                         | 7,166     | \$                        | 6,324     |
| Less: Allocated to participating securities  |                            | 60        |                           | 106       |
| Net income available to common shareholders  | \$                         | 7,106     | \$                        | 6,218     |
| Basic weighted average shares outstanding    |                            | 9,093,602 |                           | 8,950,763 |
| Net income per share - Basic                 | \$                         | 0.78      | \$                        | 0.69      |
|  |                            |           | \$                        | 1.98      |
|  |                            |           |                           | \$        |
|  |                            |           |                           | 2.16      |
| <b>Diluted Earnings per Share</b>            |                            |           |                           |           |
| Net income attributable to Chase Corporation | \$                         | 7,166     | \$                        | 6,324     |
| Less: Allocated to participating securities  |                            | 59        |                           | 103       |
| Net income available to common shareholders  | \$                         | 7,107     | \$                        | 6,221     |
|  |                            |           | \$                        | 17,998    |
|  |                            |           |                           | \$        |
|  |                            |           |                           | 19,294    |



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|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Basic weighted average shares outstanding    | 9,093,602 | 8,950,763 | 9,076,386 | 8,943,849 |
| Additional dilutive common stock equivalents | 152,351   | 214,719   | 140,345   | 217,494   |
| Diluted weighted average shares outstanding  | 9,245,953 | 9,165,482 | 9,216,731 | 9,161,343 |
| Net income per share - Diluted               | \$ 0.77   | \$ 0.68   | \$ 1.95   | \$ 2.11   |

For the three and nine months ended May 31, 2015, stock options to purchase 15,169 and 22,750 shares of common stock were outstanding, respectively, but were not included in the calculation of diluted income per share because their inclusion would be anti-dilutive. For the three and nine months ended May 31, 2014, stock options to purchase 25,969 and 18,222 shares of common stock were outstanding, respectively, but were not included in the calculation of diluted income per share because their inclusion would be anti-dilutive. Included in the calculation of dilutive common stock equivalents are the unvested portion of restricted stock and stock options.

**Note 5 Stock Based Compensation**

In September 2013, the Board of Directors of the Company approved the fiscal year 2014 Long Term Incentive Plan ( 2014 LTIP ) for the executive officers and other members of management. The 2014 LTIP is an equity based plan with a grant date of September 1, 2013 and contains a performance and service based restricted stock grant of 7,529 shares in the aggregate, subject to adjustment, with a vesting date of August 31, 2016. Based on the fiscal year 2014 financial results, 5,485 additional shares of restricted stock (total of 13,014 shares) were earned and granted subsequent to the end of fiscal year 2014 in accordance with the performance measurement criteria. No further performance-based measurements apply to this award. Compensation expense is being recognized on a ratable basis over the vesting period.

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**CHASE CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

*In thousands, except share and per share amounts*

In August 2014, the Board of Directors of the Company approved the fiscal year 2015 Long Term Incentive Plan ( 2015 LTIP ) for the executive officers and other members of management. The 2015 LTIP is an equity-based plan with a grant date of September 1, 2014 and contains the following equity components:

*Restricted Shares* (a) a performance-and-service based restricted stock grant of 6,993 shares in the aggregate, subject to adjustment based on fiscal 2015 results, with a vesting date of August 31, 2017. Compensation expense is recognized on a ratable basis over the vesting period based on quarterly probability assessments; (b) time-based restricted stock grant of 8,132 shares in the aggregate, with a vesting date of August 31, 2017. Compensation expense is recognized on a ratable basis over the vesting period.

*Stock options* options to purchase 22,750 shares of common stock in the aggregate with an exercise price of \$35.50 per share. The options will vest in three equal annual installments beginning on August 31, 2015 and ending on August 31, 2017. Of the options granted, 7,438 will expire on August 31, 2024 and 15,312 will expire on September 1, 2024. Compensation expense is recognized over the period of the award on an annual basis consistent with the vesting terms.

As part of their annual retainer, non-employee members of the Board of Directors receive a combined total of \$194 of Chase Corporation common stock, in the form of restricted stock valued in conjunction with the start of the new year of Board service which generally coincides with the Company's annual shareholder meeting. The stock award vests one year from the date of grant. In February 2015, non-employee members of the Board received a total grant of 5,361 shares of restricted stock for service for the period from January 31, 2015 through January 31, 2016. The shares of restricted stock will vest at the conclusion of this service period. Compensation is being recognized on a ratable basis over the twelve-month vesting period.

During the quarter ended May 31, 2015, an additional 16,000 restricted shares were issued to non-executive members of management; 15,000 with a vesting date of April 16, 2020 and 1,000 with a vesting date of January 31, 2018. Compensation expense is being recognized on a ratable basis over the vesting period.

**Note 6 Segment Data & Foreign Operations**

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The Company is organized into two operating segments, an Industrial Materials segment and a Construction Materials segment. The segments are distinguished by the nature of the products and how they are delivered to their respective markets.

The Industrial Materials segment reflects specified products that are used in, or integrated into, another company's product with demand typically dependent upon general economic conditions. Industrial Materials products include insulating and conducting materials for wire and cable manufacturers, moisture protective coatings for electronics and printing services, laminated durable papers, laminates for the packaging and industrial laminate markets, pulling and detection tapes used in the installation, measurement and location of fiber optic cables and water and natural gas lines, cover tapes essential to delivering semiconductor components via tape and reel packaging, and wind energy composite materials and elements. This segment also includes glass-based strength elements products designed to allow fiber optic cables to withstand mechanical and environmental strain and stress and which we operated as a joint venture prior to October 31, 2014. Further, beginning January 30, 2015, the Industrial Materials segment

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includes microspheres, sold under the Dualite brand, and polyurethane dispersions; both obtained through acquisition, and included in the Company's specialty chemical product line.

The Construction Materials segment is composed of typically project-oriented product offerings that are primarily sold and used as Chase branded products. Construction Materials products include protective coatings for pipeline applications, coating and lining systems for use in liquid storage and containment applications, adhesives and sealants used in architectural and building envelope water proofing applications, high performance polymeric asphalt additives, and expansion and control joint systems for use in the transportation and architectural markets.

The following tables summarize information about the Company's reportable segments:

|   | <b>Three Months Ended May 31,</b> |              | <b>Nine Months Ended May 31,</b> |                  |
|---|-----------------------------------|--------------|----------------------------------|------------------|
|   | <b>2015</b>                       | <b>2014</b>  | <b>2015</b>                      | <b>2014</b>      |
| <b>Revenue</b>                                  |                                   |              |                                  |                  |
| Industrial Materials                            | \$ 47,288                         | \$ 42,678    | \$ 130,013                       | \$ 124,268       |
| Construction Materials                          | 17,610                            | 14,920       | 43,122                           | 38,704           |
| Total   | \$ 64,898                         | \$ 57,598    | \$ 173,135                       | \$ 162,972       |
| <b>Income before income taxes</b>               |                                   |              |                                  |                  |
| Industrial Materials                            | \$ 13,129(a)                      | \$ 11,048(c) | \$ 35,957(a)                     | \$ 37,792(c),(d) |
| Construction Materials                          | 5,586                             | 4,109(c)     | 12,051                           | 8,061(c)         |
| Total for reportable segments                   | 18,715                            | 15,157       | 48,008                           | 45,853           |
| Corporate and Common Costs                      | (6,852)                           | (5,432)(c)   | (19,120)(b)                      | (15,664)(c)      |
| Total   | \$ 11,863                         | \$ 9,725     | \$ 28,888                        | \$ 30,189        |
| <b>Includes the following costs by segment:</b> |                                   |              |                                  |                  |
| <b>Industrial Materials</b>                     |                                   |              |                                  |                  |
| Interest  | \$ 235                            | \$ 225       | \$ 690                           | \$ 709           |
| Depreciation                                    | 959                               | 990          | 2,912                            | 2,971            |
| Amortization                                    | 1,647                             | 771          | 3,700                            | 2,291            |
| <b>Construction Materials</b>                   |                                   |              |                                  |                  |
| Interest  | \$ 31                             | \$ 53        | \$ 120                           | \$ 157           |
| Depreciation                                    | 326                               | 289          | 895                              | 866              |
| Amortization                                    | 409                               | 427          | 1,240                            | 1,293            |

(a) Includes \$16 and \$65 of expenses for the three months and nine months ended May 31, 2015, respectively,

related to inventory step-up in fair value related to the January 2015 acquisition of the specialty chemical product lines

- (b) Includes \$584 in expenses related to the January 2015 acquisition of the specialty chemical product lines
- (c) Includes the reclassification of \$2,113, \$1,326, \$7,542 and \$2,820 of expenses from Industrial Materials and Construction Materials segments, respectively, resulting in a net increase in Corporate and Common Costs for the third fiscal quarter of 2014 and the year to date period ended May 31, 2014, respectively. The reclassification reflects the methodology with which the Company internally reviews expenses in the current year
- (d) Includes \$5,706 gain on sale of Insulfab product line, for the year to date period ended May 31, 2014

The Company's products are sold world-wide. For the quarters ended May 31, 2015 and 2014, sales from its operations located in the United Kingdom accounted for 15% and 11% of total Company revenue, respectively. In the fiscal year to date period, sales from its operations located in the United Kingdom accounted for 13% of total Company revenue compared to 10% in the same period in fiscal 2014. No other foreign geographic area accounted for more than 10% of consolidated revenue for the three and nine month periods ended May 31, 2015 and 2014.

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Total assets for the Company's reportable segments as of May 31, 2015 and August 31, 2014:

|                               | May 31, 2015 | August 31, 2014 |
|-------------------------------|--------------|-----------------|
| <b>Total assets</b>           |              |                 |
| Industrial Materials          | \$ 151,964   | \$ 127,820      |
| Construction Materials        | 48,639       | 50,972          |
| Total for reportable segments | 200,603      | 178,792         |
| Corporate and Common Assets   | 47,497       | 66,753          |
| Total                         | \$ 248,100   | \$ 245,545      |

As of May 31, 2015 and August 31, 2014, the Company had long-lived assets (that provide future economic benefit beyond the current year or operating period, including buildings, equipment and leasehold improvements) of \$3,870 and \$4,349, respectively, located in the United Kingdom. These balances exclude goodwill and intangibles of \$9,504 and \$9,924, as of May 31, 2015 and August 31, 2014, respectively, associated with its operations in the United Kingdom.

#### **Note 7 Goodwill and Other Intangibles**

The changes in the carrying value of goodwill are as follows:

|   | Industrial<br>Materials | Construction<br>Materials | Consolidated |
|---|-------------------------|---------------------------|--------------|
| Balance at August 31, 2014                      | \$ 27,528               | \$ 10,752                 | \$ 38,280    |
| Acquisition of specialty chemical product lines | 6,371                   |                           | 6,371        |
| Foreign currency translation adjustment         | (550)                   | (20)                      | (570)        |
| Balance at May 31, 2015                         | \$ 33,349               | \$ 10,732                 | \$ 44,081    |

The Company's goodwill is allocated to each reporting unit based on the nature of the products manufactured by the respective business combinations that originally created the goodwill. The Company identified several reporting units within each of its two operating segments that are used to evaluate the possible impairment of goodwill. Goodwill impairment exists when the carrying amount of goodwill exceeds its fair value. Assessments of possible impairment of goodwill are made when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through future operations. Additionally, testing for possible impairment of recorded goodwill balances is required annually. The amount and timing of any impairment charges based on these assessments require the forecasting of future cash flows and the fair market value of the related assets based on management's best forecast of certain key factors, including future selling prices and

volumes, operating, raw material and energy costs, and various other projected operating and economic factors. When testing, fair values of the reporting units and the related implied fair values of their respective goodwill are established using public company analysis and discounted cash flows. The Company evaluates the possible impairment of goodwill annually each fourth quarter and whenever events or circumstances indicate the carrying value of goodwill may not be recoverable.

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Intangible assets subject to amortization consist of the following as of May 31, 2015 and August 31, 2014:

|                                  | Weighted-Average<br>Amortization Period | Gross Carrying<br>Value | Accumulated<br>Amortization | Net Carrying<br>Value |
|----------------------------------|---|-------------------------|-----------------------------|-----------------------|
| <b>May 31, 2015</b>              |   |                         |                             |                       |
| Patents and agreements           | 12.1 years                              | \$ 2,956                | \$ 2,315                    | \$ 641                |
| Formulas and technology          | 8.4 years                               | 8,446                   | 3,312                       | 5,134                 |
| Trade names                      | 5.9 years                               | 7,235                   | 3,859                       | 3,376                 |
| Customer lists and relationships | 9.3 years                               | 55,392                  | 17,577                      | 37,815                |
|                                  |   | \$ 74,029               | \$ 27,063                   | \$ 46,966             |
| <b>August 31, 2014</b>           |   |                         |                             |                       |
| Patents and agreements           | 11.9 years                              | \$ 3,104                | \$ 2,281                    | \$ 823                |
| Formulas and technology          | 9.1 years                               | 5,849                   | 2,851                       | 2,998                 |
| Trade names                      | 5.7 years                               | 6,406                   | 3,153                       | 3,253                 |
| Customer lists and relationships | 10.2 years                              | 34,797                  | 14,656                      | 20,141                |
|                                  |   | \$ 50,156               | \$ 22,941                   | \$ 27,215             |

Aggregate amortization expense related to intangible assets for the nine months ended May 31, 2015 and 2014 was \$4,940 and \$3,584, respectively. Estimated amortization expense for the remainder of fiscal year 2015 and for the next five years is as follows:

| <b>Years ending August 31,</b> |          |
|--------------------------------|----------|
| 2015 (remaining 3 months)      | \$ 1,957 |
| 2016                           | 7,840    |
| 2017                           | 7,403    |
| 2018                           | 7,172    |
| 2019                           | 6,473    |
| 2020                           | 5,605    |

**Note 8 Sale of Insulfab Product Line**

On October 7, 2013, the Company sold substantially all of the property and assets, including intellectual property, comprising the Insulfab® product line, to an unrelated third party ( Buyer ). The Insulfab product line is primarily focused on manufacturing high quality, engineered barrier laminates used in aerospace applications. The sale proceeds of \$7,394 were subject to certain post-closing adjustments based on the change in the final net book value compared to the bid date net book value. In the quarter ended November 30, 2013, management determined these post-closing adjustments resulted in an increase in the sale proceeds of \$2,516 based on the increase of inventory sold to the Buyer at



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closing. This adjustment was settled and paid by the Buyer to the Company in the quarter ending February 28, 2014, net of amounts held in escrow. The net proceeds from the sale are available for debt reduction, investment in the Company's core businesses and future acquisitions.

This transaction resulted in a pre-tax book gain of \$5,706 (\$3,709 after-tax gain) which was recorded in the quarter ending November 30, 2013. The portion of the sale price held in escrow of \$739 was recorded as a current asset (Due from sale of product line) as of August 31, 2014 and was available to resolve any submitted claims or adjustments up to 18 months from the closing date of the Insulfab sale. The escrow was released and the Company received the full \$739 during the quarter ended May 31, 2015.

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**Note 9 Joint Venture**

On October 31, 2014, the Company purchased the 50% non-controlling membership interest of NEPTCO JV LLC (the "JV") owned by its now-former joint venture partner, an otherwise unrelated party. The purchase consideration is subject to certain contingent adjustments based on certain future events related to the JV. The purchase price, including these contingent adjustments, was not, nor will be, material to the Company. Because of the Company's controlling financial interest, the JV's assets, liabilities and results of operations have been consolidated within the Company's consolidated financial statements since June 27, 2012, the date the Company acquired NEPTCO. The Company continues to fully consolidate the assets, liabilities and results of operations of the JV, but no longer records an offsetting amount for a non-controlling interest. The (\$95) recorded in the Consolidated Statement of Operations as Net (gain) loss attributable to non-controlling interest for the nine months ended May 31, 2015, represents the now-former joint venture partner's share of the results of operations of the JV for the period from September 1, 2014 through October 31, 2014.

The Company accounted for the joint venture partner's non-controlling interest in the JV under ASC Topic 810 Consolidations (ASC 810). Based on the criteria in ASC 810, the Company had determined that the JV qualified as a variable interest entity ("VIE").

Under the JV agreement, which terminated with the Company's October 2014 acquisition of the 50% outstanding non-controlling membership interest in the JV, the JV had agreed to purchase a minimum of 80% of its total glass fiber requirements from the now-former joint venture partner. Additionally, the JV agreed to purchase private-label products exclusively from an affiliate of the now-former joint venture partner; however, the JV was not subject to a minimum purchase requirement on private-label products. Purchases from the now-former joint venture partner totaled \$332 for the period from September 1, 2014 through October 31, 2014 and \$383 and \$1,150 for the three and nine month periods ended May 31, 2014, respectively.

**Note 10 Commitments and Contingencies**

The Company is involved from time to time in litigation incidental to the conduct of its business. Although the Company does not expect that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition, results of operations or cashflows, litigation is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best forecast of the ultimate loss in situations where the Company assesses the likelihood of loss as probable.



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**Note 11 - Pensions and Other Post Retirement Benefits**

The components of net periodic benefit cost for the three and nine months ended May 31, 2015 and 2014 are as follows:

|                                    | <b>Three Months Ended May 31,</b> |             | <b>Nine Months Ended May 31,</b> |             |
|------------------------------------|-----------------------------------|-------------|----------------------------------|-------------|
|                                    | <b>2015</b>                       | <b>2014</b> | <b>2015</b>                      | <b>2014</b> |
| Service cost                       | \$ 91                             | \$ 81       | \$ 272                           | \$ 242      |
| Interest cost                      | 170                               | 161         | 509                              | 482         |
| Expected return on plan assets     | (153)                             | (178)       | (459)                            | (533)       |
| Amortization of prior service cost | 1                                 | 1           | 3                                | 3           |
| Amortization of unrecognized loss  | 167                               | 73          | 502                              | 220         |
| Settlement loss                    | 177                               |             | 177                              |             |
| Net periodic benefit cost          | \$ 453                            | \$ 138      | \$ 1,004                         | \$ 414      |

When funding is required, the Company's policy is to contribute amounts that are deductible for federal income tax purposes. As of May 31, 2015, the Company has made contributions of \$214 in the current fiscal year to fund its obligations under its pension plans, and plans to make the necessary contributions over the remainder of fiscal 2015 to ensure the qualified plan continues to be adequately funded given the current market conditions. The Company made contributions of \$200 in the first nine months of the prior year.

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**Note 12 Fair Value Measurements**

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The Company uses a three-tier fair value hierarchy, which classifies the inputs used in measuring fair values. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company utilizes the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The financial assets classified as Level 1 as of May 31, 2015 and August 31, 2014 represent investments that are restricted for use in a nonqualified retirement savings plan for certain key employees and directors.

The following table sets forth the Company's financial assets that were accounted for at fair value on a recurring basis as of May 31, 2015 and August 31, 2014:

|                        | Fair value measurement date | Total    | Fair value measurement category           |   |   |
|------------------------|-----------------------------|----------|---|---|---|
|                        |                             |          | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| <b>Assets:</b>         |                             |          |   |   |   |
| Restricted investments | May 31, 2015                | \$ 1,449 | \$ 1,413                                  | \$ 36   | \$  |
| Restricted investments | August 31, 2014             | \$ 1,256 | \$ 1,216                                  | \$ 40   | \$  |

The following table presents the fair value of the Company's long-term debt as of May 31, 2015 and August 31, 2014, which is recorded at its carrying value:

| Fair value measurement date | Total | Fair value measurement category           |   |   |
|-----------------------------|-------|---|---|---|
|                             |       | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |

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Liabilities:

|                |                 |    |        |    |    |        |    |
|----------------|-----------------|----|--------|----|----|--------|----|
| Long-term debt | May 31, 2015    | \$ | 53,550 | \$ | \$ | 53,550 | \$ |
| Long-term debt | August 31, 2014 | \$ | 58,800 | \$ | \$ | 58,800 | \$ |

The carrying value of the long-term debt approximates its fair value, as the monthly interest rate is set based on the movement of the underlying market rates.

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**Note 13 Accumulated Other Comprehensive Income**

The changes in accumulated other comprehensive income (loss), net of tax, were as follows:

|   | Restricted<br>Investments | Change in Funded<br>Status of Pension<br>Plan | Foreign Currency<br>Translation<br>Adjustment | Total      |
|---|---------------------------|---|---|------------|
| <b>Balance at August 31, 2014</b>   | \$ 209                    | \$ (4,785)                                    | \$ 326  | \$ (4,250) |
| Other comprehensive gains (losses) before reclassifications (1)           | 54                        |   | (3,183)                                       | (3,129)    |
| Reclassifications to net income of previously deferred (gains) losses (2) | (51)                      | 443   |   | 392        |
| Other comprehensive income (loss)   | 3                         | 443   | (3,183)                                       | (2,737)    |
| <b>Balance at May 31, 2015</b>  | \$ 212                    | \$ (4,342)                                    | \$ (2,857)                                    | \$ (6,987) |

- (1) Net of tax benefit of \$29, \$0, \$0, respectively.
- (2) Net of tax expense of \$28, tax benefit of \$239, \$0, respectively.

The following table summarizes the reclassifications from accumulated other comprehensive income (loss) to the unaudited condensed consolidated statements of income:

|   | Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive<br>Income (Loss) into Income |         |                                   |         | Location of Gain (Loss) Reclassified from Accumulated<br>Other Comprehensive Income (Loss) into Income |
|---|--|---------|-----------------------------------|---------|--|
|   | Three Months Ended May 31,<br>2015   | 2014    | Nine Months Ended May 31,<br>2015 | 2014    |  |
| Gains on Restricted Investments:                |  |         |                                   |         |  |
| Realized gain on sale of restricted investments | \$ (3)   | \$ (20) | \$ (79)                           | \$ (57) | Selling, general and administrative expenses   |
| Tax expense (benefit)                           | 1  | 7       | 28                                | 20      |  |
| Gain net of tax                                 | \$ (2)   | \$ (13) | \$ (51)                           | \$ (37) |  |
| Loss on Funded Pension Plan adjustments:        |  |         |                                   |         |  |

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|   |    |       |    |      |    |       |    |      |  |
|---|----|-------|----|------|----|-------|----|------|--|
| Amortization of prior pension service costs and unrecognized losses | \$ | 5     | \$ | 20   | \$ | 16    | \$ | 60   | Cost of products and services sold           |
| Amortization of prior pension service costs and unrecognized losses |    | 163   |    | 54   |    | 489   |    | 162  | Selling, general and administrative expenses |
| Pension settlement costs  |    | 177   |    |      |    | 177   |    |      | Selling, general and administrative expenses |
| Tax expense (benefit)   |    | (121) |    | (26) |    | (239) |    | (78) |  |
| Loss net of tax   | \$ | 224   | \$ | 48   | \$ | 443   | \$ | 144  |  |
| Total net loss reclassified for the period                          | \$ | 222   | \$ | 35   | \$ | 392   | \$ | 107  |  |

**Note 14 Acquisition of Specialty Chemical Intermediates Product Lines**

On January 30, 2015, the Company acquired two product lines from Henkel Corporation (the Seller). The product lines were acquired for a purchase price of \$33,285, after working capital adjustments and excluding any acquisition related costs. As part of this transaction, Chase acquired the Seller's microspheres product line, sold under the Dualite brand, located in Greenville, SC, and obtained exclusive distribution rights and intellectual property related to the Seller's polyurethane dispersions product line, operating in the Elgin, IL location. Under the agreement, Chase entered into a ten-year facility operating lease at the Seller's Greenville, SC location. The Seller will perform certain manufacturing and application services for Chase at the Seller's Elgin, IL location for the next three years. The purchase was funded entirely with available cash on hand.

Since the effective date for this acquisition, January 30, 2015, the financial results of the specialty chemical product lines, have been included in the Company's financial statements within the Industrial Materials operating segment. The acquisition was accounted for as a business combination under ASC Topic 805, Business Combinations. In accordance with this accounting standard, the Company



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expensed \$584 of acquisition-related costs during the nine-month period ended May 31, 2015 to selling, general and administrative expenses.

Purchase accounting was completed in the quarter ended May 31, 2015 with no material adjustments made to the initial amounts recorded at the end of the second fiscal quarter. The purchase price has been allocated to the acquired tangible and identifiable intangible assets assumed, based on their fair values as of the date of the acquisition:

| <b>Assets &amp; Liabilities</b> | <b>Amount</b> |
|---------------------------------|---------------|
| Inventory                       | \$ 610        |
| Property, plant & equipment     | 1,064         |
| Goodwill                        | 6,371         |
| Intangible assets               | 25,240        |
| Total purchase price            | \$ 33,285     |

The excess of the purchase price over the net tangible and intangible assets acquired resulted in goodwill of \$6,371 that is largely attributable to the synergies and economies of scale from combining the operations and technologies of Chase and the two product lines, particularly as it pertains to the expansion of the Company's product and service offerings, the established workforce, and marketing efforts. This goodwill is not deductible for income tax purposes.

All assets, including goodwill, acquired as part of the specialty chemical product lines are included in the Industrial Materials operating segment. Identifiable intangible assets purchased with this transaction are as follows:

| <b>Intangible Asset</b> | <b>Amount</b> | <b>Useful life</b> |
|-------------------------|---------------|--------------------|
| Customer relationships  | \$ 21,300     | 8 years            |
| Technology              | 2,700         | 7 years            |
| Trade name              | 910           | 7 years            |
| Backlog                 | 330           | 2 months           |
| Total intangible assets | \$ 25,240     |                    |

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*Supplemental Pro Forma Data*

The following table presents the *pro forma* results of the Company for the three month period ended May 31, 2014 and nine month periods ended May 31, 2015 and 2014, as though the specialty chemical product lines acquisition described above occurred on September 1, 2013. The actual revenue and expenses for the specialty chemical product lines acquisition are included in the Company's fiscal 2015 consolidated results beginning on January 30, 2015. Revenue and net gain attributable to Chase Corporation for the specialty chemicals product lines since the acquisition date included in the consolidated statement of operations are \$7,236 and \$204, respectively, inclusive of the effects of the \$584 in acquisition costs, \$65 in sale of inventory step-up cost and additional amortization expense recognized as part of the transaction. The *pro forma* results include adjustments for the estimated amortization of intangibles, acquisition related costs, sale of inventory step-up cost and the income tax impact of the *pro forma* adjustments at the statutory rate of 35%. The following *pro forma* information is not necessarily indicative of the results that would have been achieved if the acquisition had been effective on September 1, 2013.

|   | <b>Three Months Ended May 31,</b> |        | <b>Nine Months Ended May 31,</b> |             |
|---|-----------------------------------|--------|----------------------------------|-------------|
|   | <b>2014</b>                       |        | <b>2015</b>                      |             |
|   |                                   |        |                                  | <b>2014</b> |
| Revenue   | \$                                | 63,553 | \$                               | 181,664     |
| Net Income  | \$                                | 7,035  | \$                               | 19,655      |
| Net income attributable to Chase Corporation  | \$                                | 7,038  | \$                               | 19,560      |
| Net income available to common shareholders, per common and common equivalent share |                                   |        |                                  |             |
| Basic earnings per share  | \$                                | 0.78   | \$                               | 2.13        |
| Diluted earnings per share  | \$                                | 0.76   | \$                               | 2.10        |
|   |                                   |        | \$                               | 2.25        |
|   |                                   |        | \$                               | 2.20        |

**Note 15 Subsequent events**

In June 2015, subsequent to the third fiscal quarter, Chase entered into an agreement to sell certain assets of its structural composites product line. This transaction is conditional upon the execution of a definitive asset purchase agreement and certain other deliverables including the transfer of tangible assets and intellectual property. It is anticipated that this transaction will close sometime in the fourth quarter of fiscal 2015 or the first quarter of fiscal 2016, if these conditions are met. The Company has determined the net book value of the assets anticipated to be sold are immaterial to the financial statements, and that these assets will qualify for held for sale disclosure under ASC Topic 360, Property, Plant and Equipment for subsequent periods.

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**Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion provides an analysis of the Company's financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and notes thereto included in Item 1 of Part I of this Quarterly Report on Form 10-Q and with the Company's Annual Report on Form 10-K filed for the fiscal year ended August 31, 2014.

**Overview**

Revenue and operating income in both the quarter and year to date periods exceeded prior year results as the current year has benefited from the first four months of sales of our newly acquired specialty chemical product lines, as well as overall increased demand for our legacy product lines and a favorable sales mix. Net income for the quarter ended May 31, 2015 exceeded prior year results. However, given the significant contribution to earnings provided by the nonrecurring sale of the Insulfab product line in the prior year period, year to date net income did not exceed the prior year.

Quarter to date and year to date revenue from our Industrial Materials segment increased over the prior year as a result of continued high demand for our electronic coatings and pulling and detection products and the first four months of operation for our newly acquired specialty chemicals product lines. These increased sales in the year to date period were partially offset by a reduction in demand for wire and cable and durable paper products.

Revenue for our Construction Materials segment exceeded the prior year in both the quarter and year to date periods. This was primarily driven by the continued increased demand for pipeline coatings products produced at our Rye, UK facility for water infrastructure projects in the Middle East. These have been on-going since the second quarter of the prior year. Additionally, we observed increased demand for our building envelope products. These increases were partially offset in the current quarter and the year to date periods by decreased sales of our coating and lining systems and bridge and highway products.

During the remainder of the fiscal year, we will continue to focus on our key strategies, which include marketing and product development efforts, and a continued emphasis on identifying potential acquisition targets, as well as fully integrating the specialty chemical product lines acquired in the second quarter.

We have two reportable segments as summarized below:

| Segment              | Product Lines  | Manufacturing Focus and Products  |
|----------------------|--|---|
| Industrial Materials | <ul style="list-style-type: none"> <li>Wire and Cable</li> </ul> | Protective coatings and tape products, including insulating and conducting materials for wire and cable manufacturers; moisture protective coatings for electronics and printing services; laminated durable papers, packaging and industrial laminate products; pulling and detection tapes used in the installation, measurement and location of fiber optic cables and water and |

|                        |  |  |
|------------------------|--|--|
|                        | <ul style="list-style-type: none"> <li>• Electronic Coatings</li> <li>• Specialty Products</li> <li>• Pulling and Detection</li> <li>• Electronic Materials</li> <li>• Structural Composites</li> <li>• Fiber Optic Cable</li> </ul> | <p>natural gas lines; cover tapes essential to delivering semiconductor components via tape and reel packaging; wind energy composite materials elements; glass-based strength elements designed to allow fiber optic cables to withstand mechanical and environmental strain and stress; microspheres, sold under the Dualite® brand; and polyurethane dispersions.</p>   |
|                        | <p>Components (JV) (1)</p> <ul style="list-style-type: none"> <li>• Specialty Chemical Intermediates</li> </ul>  |  |
| Construction Materials | <ul style="list-style-type: none"> <li>• Pipeline</li> <li>• Bridge and Highway</li> <li>• Coating and Lining Systems</li> <li>• Building Envelope</li> </ul>  | <p>Protective coatings and tape products, including coating and lining systems for use in liquid storage and containment applications; protective coatings for pipeline and general construction applications; adhesives and sealants used in architectural and building envelope waterproofing applications; high-performance polymeric asphalt additives; and expansion and control joint systems for use in the transportation and architectural markets.</p> |

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(1) Through a 50% owned joint venture until October 31, 2014, when we purchased the non-controlling 50% interest.

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*Revenue and Operating Profit by Segment are as follows (Dollars in Thousands):*

|                                       | Three Months Ended<br>May 31, 2015 | % of<br>Total<br>Revenue   | Three Months Ended<br>May 31, 2014 | % of<br>Total<br>Revenue   | Nine Months Ended<br>May 31, 2015 | % of<br>Total<br>Revenue   | Nine Months Ended<br>May 31, 2014 | % of<br>Total<br>Revenue   |
|---------------------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------------|
| <b>Revenue</b>                        |                                    |                            |                                    |                            |                                   |                            |                                   |                            |
| Industrial Materials                  | \$ 47,288                          | 73%                        | \$ 42,678                          | 74%                        | \$ 130,013                        | 75%                        | \$ 124,268                        | 76%                        |
| Construction<br>Materials             | 17,610                             | 27%                        | 14,920                             | 26%                        | 43,122                            | 25%                        | 38,704                            | 24%                        |
| Total                                 | \$ 64,898                          |                            | \$ 57,598                          |                            | \$ 173,135                        |                            | \$ 162,972                        |                            |
|                                       | Three Months Ended<br>May 31, 2015 | % of<br>Segment<br>Revenue | Three Months Ended<br>May 31, 2014 | % of<br>Segment<br>Revenue | Nine Months Ended<br>May 31, 2015 | % of<br>Segment<br>Revenue | Nine Months Ended<br>May 31, 2014 | % of<br>Segment<br>Revenue |
| <b>Income before<br/>income taxes</b> |                                    |                            |                                    |                            |                                   |                            |                                   |                            |
| Industrial Materials                  | \$ 13,129(a)                       | 28%                        | \$ 11,048(c)                       | 26%                        | \$ 35,957(a)                      | 28%                        | \$ 37,792(d)                      | 30%                        |
| Construction<br>Materials             | 5,586                              | 32%                        | 4,109(c)                           | 28%                        | 12,051                            | 28%                        | 8,061(c)                          | 21%                        |
| Total for reportable<br>segments      | 18,715                             | 29%                        | 15,157                             | 26%                        | 48,008                            | 28%                        | 45,853                            | 28%                        |
| Corporate and<br>Common Costs         | (6,852)                            |                            | (5,432)(c)                         |                            | (19,120)(b)                       |                            | (15,664)(c)                       |                            |
| Total                                 | \$ 11,863                          | 18%                        | \$ 9,725                           | 17%                        | \$ 28,888                         | 17%                        | \$ 30,189                         | 19%                        |

(a) Includes \$16 and \$65 of expenses for the three months and nine months ended May 31, 2015, respectively, related to inventory step-up in fair value related to the January 2015 acquisition of the specialty chemical product lines

(b) Includes \$584 in expenses related to the January 2015 acquisition of the specialty chemical product lines

(c) Includes the reclassification of \$2,113, \$1,326, \$7,542 and \$2,820 of expenses from Industrial Materials and Construction Materials segments, respectively, resulting in a net increase in Corporate and Common Costs for the third fiscal quarter of 2014 and the year to date period ended May 31, 2014, respectively. The reclassification reflects the methodology with which the Company internally reviews expenses in the current year

(d) Includes \$5,706 gain on sale of Insulfab product line, for the year to date period ended May 31, 2014

**Total Revenue**

Total revenue increased \$7,300,000 or 13% to \$64,898,000 for the quarter ended May 31, 2015 compared to \$57,598,000 in the same quarter of the prior year. Total revenue increased \$10,163,000 or 6% to \$173,135,000 in the fiscal year to date period compared to \$162,972,000 in the same period in fiscal 2014.

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Revenue in our Industrial Materials segment increased \$4,610,000 or 11% in the current quarter compared to the prior year quarter and \$5,745,000 or 5% in the year to date period over the prior year. The increase in this segment compared to the prior year periods was primarily due to the following: (a) our newly acquired specialty chemical product lines first full quarter of sales totaling \$5,774,000, with total sales since the January 30, 2015 acquisition date of \$7,236,000; (b) increased sales of \$418,000 and \$1,943,000 from our electronic coatings products resulting from higher sales volume in the Americas, with favorable demand in automotive applications, as well as continued strength in Europe and Asia; and (c) increased sales of \$841,000 and \$2,249,000 from our pulling and detection products reflecting continuing higher demand in product volume by the utility and telecom industries. These increases were partially offset by: (a) decreased sales volume of our wire and cable products in the current quarter and year to date periods of \$1,617,000 and \$3,813,000, respectively, reflecting reduced demand in energy related applications; (b) decreased sales volume for durable paper products of \$55,000 and \$1,208,000 for the current quarter and year to date periods, respectively; and (c) a decrease in specialty materials product sales in the current quarter and year to date fiscal 2015 periods of \$171,000 and \$500,000, respectively.

Revenue from our Construction Materials segment increased \$2,690,000 or 18% in the current quarter compared to the prior year quarter and increased \$4,418,000 or 11% compared to the prior year to date

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period. The increase from our Construction Materials segment compared to the prior year quarter and year to date period was primarily due to increased sales volumes of \$2,824,000 and \$4,208,000, respectively, in pipeline coating products. Net increases in pipeline coating product sales resulted from increased sales of products produced at our Rye, UK facility to meet continued heavy Middle East water infrastructure project demand, partially offset by a decrease in demand for domestically produced pipeline coatings products, which are primarily sold into the oil and gas pipeline industries. This net increase was partially offset by reduced sales of \$749,000 and \$442,000 from our coating and lining systems products for the quarter and year to date periods as compared to the prior fiscal year, respectively.

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

Cost of products and services sold increased \$3,077,000 or 8% to \$40,144,000 for the quarter ended May 31, 2015 compared to \$37,067,000 in the prior year quarter. Cost of products and services sold increased \$2,363,000 or 2% to \$108,859,000 in the fiscal year to date period compared to \$106,496,000 in the same period in fiscal 2014.

The following table summarizes our cost of products and services sold as a percentage of revenue for each of our reporting segments:

| Cost of products and services sold | Three Months Ended May 31, |       | Nine Months Ended May 31, |       |
|------------------------------------|----------------------------|-------|---------------------------|-------|
|                                    | 2015                       | 2014  | 2015                      | 2014  |
| Industrial Materials               | 61.9%                      | 64.1% | 62.6%                     | 64.5% |
| Construction Materials             | 61.8%                      | 65.2% | 63.7%                     | 68.0% |
| Total                              | 61.9%                      | 64.4% | 62.9%                     | 65.3% |

Cost of products and services sold in our Industrial Materials segment was \$29,263,000 and \$81,391,000 in the current quarter and year to date periods compared to \$27,343,000 and \$80,193,000 in the comparable periods in the prior year. Cost of products and services sold in our Construction Materials segment was \$10,881,000 and \$27,468,000 for the quarter and fiscal year to date periods ended May 31, 2015, respectively, compared to \$9,724,000 and \$26,303,000 in the same periods of the prior year. As a percentage of revenue, cost of products and services sold in both segments decreased primarily due to product mix as we had decreased sales volume from our lower margin products within the segments. We continue to closely monitor raw material pricing across all product lines in both segments to preserve margins.

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

Selling, general and administrative expenses increased \$1,607,000 or 15% to \$12,125,000 for the quarter ended May 31, 2015 compared to \$10,518,000 in the prior year quarter. As a percentage of revenue, selling, general and administrative expenses increased to 19% in the current fiscal quarter compared to 18% in the prior year period. Selling, general and administrative expenses increased \$3,957,000 or 13% to \$34,844,000 in the fiscal year to date period compared to \$30,887,000 in the same period in fiscal 2014. For the current fiscal year to date period, selling, general and administrative expenses as a percentage of revenue increased to 20% compared to 19% in the same period in fiscal 2014. The percentage increase for both the current fiscal quarter and year to date period compared to the prior year periods is primarily attributable to: (a) \$584,000 in acquisition related costs recognized in the nine month period ended May 31, 2015 for our January 30, 2015 acquisition of the specialty chemical product lines; (b) increased amortization expense on acquired intangible assets of \$858,000 and \$1,356,000 for the quarter and year to date periods ended May 31, 2015, respectively, primarily attributable to the specialty chemical product lines acquisition in the second quarter; (c) increased international sales commission expenses of \$176,000 and \$837,000 over the prior year quarter

and year to date periods, respectively, incurred related to increased revenue generated by sales in those regions; (d) increased pension costs of



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\$315,000 in the current quarter against the same period in the prior year, and a \$590,000 increase against the prior year to date period, with both current year periods being inclusive of a \$177,000 settlement loss charge; and (e) a quarter over quarter decrease of \$23,000 and year over year decrease of \$97,000 in the capitalization of internal labor, most notably related to our multiyear companywide single ERP system rollout, which was substantially completed as to our previously existing locations in December 2014. These increases in cost were partially offset by our ongoing efforts with production facility consolidation, efficiency improvements and streamlining overhead costs.

***Interest Expense***

Interest expense decreased \$12,000 to \$266,000 for the quarter ended May 31, 2015 compared to \$278,000 in the prior year quarter. Interest expense decreased \$56,000 to \$810,000 for the fiscal year to date period compared to \$866,000 in the same period in fiscal 2014. The decrease in interest expense from the prior year period is a direct result of a reduction in our overall debt balance through required principal payments made from operating cash flow over the past year.

***Gain on sale of product line***

On October 7, 2013, we sold substantially all of our property and assets, including intellectual property, comprising the Insulfab product line, to an unrelated buyer. This transaction resulted in a pre-tax book gain of \$5,706,000, which was recorded in the nine month period ended May 31, 2014.

***Other Income (Expense)***

Other income (expense) was an expense of \$500,000 in the quarter ended May 31, 2015 compared to an expense of \$10,000 in the same period in the prior year, a difference of \$490,000. Other income (expense) was an income of \$266,000 for the fiscal year to date period compared to an expense of \$240,000 in the same period in the prior year, a difference of \$506,000. Other income (expense) primarily includes interest income and foreign exchange gains (losses) caused by changes in exchange rates on transactions or balances denominated in currencies other than the functional currency of our subsidiaries.

***Income Taxes***

The effective tax rates for the third quarter and nine month period ended May 31, 2015 were 39.6 % and 36.9%, respectively, and 35% for both the quarter and year to date period ended May 31, 2014. The higher than historically observed effective tax rates for the quarter and year-to-date periods ended May 31, 2015 were due primarily to the finalization of our state and federal tax returns for the year ended August 31, 2014, which were filed during the three months ended May 31, 2015. A federal deduction return to provision true-up resulted from the inclusion of the one-time gain on the sale of the Insulfab product line in the calculation of our domestic production deduction and resulted in an additional \$355,000 tax expense in both the third quarter and year-to-date period. Future blended effective tax rates are anticipated to be closer to historically observed rates.

*Non-controlling Interest*

The income (loss) from non-controlling interest relates to a joint venture we had, prior to our October 2014 acquisition of the 50% outstanding non-controlling membership interest. The joint venture between the Company and its now-former joint venture partner (an otherwise unrelated party) was managed and operated on a day-to-day basis by the Company.

Table of Contents***Net Income attributable to Chase Corporation***

Net income attributable to Chase Corporation increased \$842,000 or 13% to \$7,166,000 in the quarter ended May 31, 2015 compared to \$6,324,000 in the prior year quarter. The increase in net income in the current quarter is primarily due to increased sales volume, including increases in revenue and earnings provided by the recently acquired specialty chemical product lines, and a favorable product sales mix which drove improved margins in the current quarter.

Net income attributable to Chase Corporation decreased \$1,482,000 or 8% to \$18,137,000 for the fiscal year to date period compared to \$19,619,000 in the same period in fiscal 2014. The decrease in net income in the year to date period is primarily due to the \$5,706,000 (\$3,709,000 after-tax) gain on the Company's Insulfab product line sold in October 2013 which significantly contributed to earnings and cash flows in the first nine months of the prior fiscal year, and which did not reoccur in fiscal 2015.

**Other Important Performance Measures**

We believe that EBITDA and Adjusted EBITDA are useful performance measures. They are used by our executive management team and Board of Directors to measure operating performance, to allocate resources, to evaluate the effectiveness of our business strategies and to communicate with our Board of Directors and investors concerning our financial performance. The Company believes EBITDA and Adjusted EBITDA are commonly used by financial analysts and others in the industries in which the Company operates and, thus, provide useful information to investors. EBITDA and Adjusted EBITDA are non-GAAP financial measures.

We define EBITDA as follows: net income attributable to Chase Corporation before interest expense from borrowings, income tax expense, depreciation expense from fixed assets, and amortization expense from intangible assets. We define Adjusted EBITDA as EBITDA excluding costs and gains/losses related to our acquisitions and divestitures, costs of products sold related to inventory step-up to fair value, settlement (gains), losses resulting from lump sum distributions to participants from our defined benefit plan, and other significant nonrecurring items.

The use of EBITDA and Adjusted EBITDA has limitations and these performance measures should not be considered in isolation from, or as an alternative to, U.S. GAAP measures such as net income. Our measurement of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

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

|  | <b>Three Months Ended May 31,</b> |              | <b>Nine Months Ended May 31,</b> |               |
|--|-----------------------------------|--------------|----------------------------------|---------------|
|  | <b>2015</b>                       | <b>2014</b>  | <b>2015</b>                      | <b>2014</b>   |
| Net income attributable to Chase Corporation | \$ 7,166,000                      | \$ 6,324,000 | \$ 18,137,000                    | \$ 19,619,000 |

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|                                       |               |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Interest expense                      | 266,000       | 278,000       | 810,000       | 866,000       |
| Income taxes                          | 4,697,000     | 3,404,000     | 10,656,000    | 10,566,000    |
| Depreciation expense                  | 1,426,000     | 1,426,000     | 4,238,000     | 4,278,000     |
| Amortization expense                  | 2,056,000     | 1,198,000     | 4,940,000     | 3,584,000     |
| EBITDA                                | \$ 15,611,000 | \$ 12,630,000 | \$ 38,781,000 | \$ 38,913,000 |
| Acquisition related costs (a)         |               |               | 584,000       |               |
| Gain on sale of Insulfab (b)          |               |               |               | (5,706,000)   |
| Cost of sale of inventory step-up (c) | 16,000        |               | 65,000        |               |
| Pension settlement costs (d)          | 177,000       |               | 177,000       |               |
| Adjusted EBITDA                       | \$ 15,804,000 | \$ 12,630,000 | \$ 39,607,000 | \$ 33,207,000 |

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- (a) Represents costs related to the January 2015 acquisition of the specialty chemical product lines
- (b) Represents gain on sale of Insulfab product line that was completed in October 2013
- (c) Represents expenses related to the step-up in fair value of inventory through purchase accounting from the January 2015 acquisition of specialty chemical product lines
- (d) Represents pension-related settlement costs due to the timing of lump sum distributions

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**Liquidity and Sources of Capital**

Our overall cash and cash equivalents balance decreased \$23,513,000 to \$29,709,000 at May 31, 2015, from \$53,222,000 at August 31, 2014. The decreased cash balance is primarily attributable to the \$33,285,000 purchase of the specialty chemical product lines, and payment of \$5,477,000 for the annual dividend in December 2014, partially offset by cash from operations. Of the above noted amounts, \$18,427,000 and \$14,575,000 were held outside the U.S. by our foreign subsidiaries as of May 31, 2015 and August 31, 2014, respectively. Given our cash position and borrowing capability in the U.S. and the potential for increased investment and acquisitions in foreign jurisdictions, we do not have a history of permanently repatriating a significant portion of our foreign cash. However, we do not currently take the position that undistributed foreign subsidiaries' earnings are considered to be permanently reinvested. Accordingly, we recognize a deferred tax liability for the estimated future tax effects attributable to temporary differences due to these unremitted earnings. In the event that circumstances should change in the future and we decide to repatriate these foreign amounts to fund U.S. operations, the Company would pay the applicable U.S. taxes on these repatriated foreign amounts, less any tax credit offsets, to satisfy all previously recorded tax liabilities.

Cash flow provided by operations was \$23,866,000 in the first nine months of fiscal year 2015 compared to \$14,679,000 in the prior year period. Cash provided by operations during the first nine months of fiscal 2015 was primarily related to operating income, offset by increased inventory and accounts receivable balances, both primarily due to the January 30, 2015 acquisition of the specialty chemical product lines, and a decrease in accrued payroll and other compensation due to the payment of our annual incentive program.

The ratio of current assets to current liabilities was 3.1 as of May 31, 2015, compared to 3.5 as of August 31, 2014. The decrease in our current ratio at May 31, 2015 was primarily attributable to the January 2015 purchase of the specialty chemical product lines with cash on hand and a decrease in accrued payroll and other compensation due to the payment of our annual incentive program.

Cash flow used in investing activities of \$34,782,000 was primarily due to the acquisition of the specialty chemical product lines in January 2015, in addition to cash paid for purchases of machinery and equipment at our manufacturing locations during the first nine months of fiscal 2015.

Cash flow used in financing activities of \$11,287,000 was primarily due to our annual dividend payment and payments made on the bank loans used to finance our acquisition of NEPTCO, described in more detail below, as well as the repayment of a \$2,000,000 revolver borrowing during the quarter.

On October 23, 2014, we announced a cash dividend of \$0.60 per share (totaling \$5,477,000), composed of \$0.50 related to earnings from continuing operations and \$0.10 related to the sale of a product line. The dividend was paid on December 4, 2014 to shareholders of record on November 3, 2014.

In June 2012, as part of our acquisition of NEPTCO, we borrowed \$70,000,000 under a five year term debt financing arrangement led and arranged by Bank of America, with participation from RBS Citizens (the Credit Facility). The applicable interest rate is based on the effective LIBOR plus a range of 1.75% to 2.25%, depending on our consolidated leverage ratio. At May 31, 2015, the applicable interest rate was 1.93% per annum and the outstanding principal amount was \$53,550,000. We are required to repay the principal amount of the term loan in quarterly installments of \$1,400,000 beginning in September 2012 through June 2014, increasing to \$1,750,000 per quarter thereafter through June 2015,

and to \$2,100,000

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per quarter thereafter through March 2017. The Credit Facility matures in June 2017 and prepayment of the Credit Facility is allowed at any time.

We have a revolving line of credit with Bank of America (the Revolver) totaling \$15,000,000, which bears interest at LIBOR plus a range of 1.75% to 2.25%, depending on our consolidated leverage ratio, or, at our option, at the bank's base lending rate. As of May 31, 2015 and June 30, 2015, the entire amount of \$15,000,000 was available for use. The Revolver is scheduled to mature in June 2017. This Revolver allows for increased flexibility for working capital requirements going forward, and we plan to use this availability to help finance our cash needs, including potential acquisitions, in future periods.

The Credit Facility with Bank of America contains customary affirmative and negative covenants that, among other things, restrict our ability to incur additional indebtedness. It also requires us to maintain a ratio of consolidated indebtedness to consolidated EBITDA (each as defined in the facility) of no more than 3.00 to 1.00, and to maintain a consolidated fixed charge coverage ratio (as calculated in the facility) of at least 1.25 to 1.00. We were in compliance with our debt covenants as of May 31, 2015.

We currently have several on-going capital projects that are important to our long term strategic goals. Machinery and equipment will also be added as needed to increase capacity or enhance operating efficiencies in our manufacturing plants.

We may also consider the acquisition of companies or other assets in fiscal 2015 or in future periods which are complementary to our business. We believe that our existing resources, including cash on hand and our Revolver, together with cash generated from operations and additional bank borrowings, will be sufficient to fund our cash flow requirements through at least the next twelve months. However, there can be no assurances that additional financing will be available on favorable terms, if at all.

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

We have no significant off balance sheet arrangements.

**Contractual Obligations**

Please refer to Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations section in our Annual Report on Form 10-K for the fiscal year ended August 31, 2014 for a complete discussion of our contractual obligations.

**Recent Accounting Standards**

In May 2014, the FASB issued Accounting Standards Update ( ASU ) No. 2014-09, Revenue from Contracts with Customers , which will replace most of the existing revenue recognition guidance under U.S. Generally Accepted Accounting Principles. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU will be effective for the Company beginning September 1, 2017 (fiscal 2018), including interim periods in its fiscal year 2018, and allows for either retrospective or modified retrospective methods of adoption. The Company is in the process of determining the method of adoption and assessing the impact of this ASU on the Company s consolidated financial position, results of operations and cash flows.



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In February 2015, the FASB issued ASU No. 2015-2, Consolidation (Topic 820): Amendments to the Consolidation Analysis. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after September 1, 2016 (fiscal 2017). We are still evaluating what impact, if any, this ASU will have on the Company's consolidated financial position, results of operations and cash flows.

**Critical Accounting Policies**

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. To apply these principles, we must make estimates and judgments that affect our reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. In many instances, we reasonably could have used different accounting estimates and, in other instances, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations will be affected. We base our estimates and judgments on historical experience and other assumptions that we believe to be reasonable at the time and under the circumstances, and we evaluate these estimates and judgments on an ongoing basis. We refer to accounting estimates and judgments of this type as critical accounting policies, judgments, and estimates. Management believes there have been no material changes during the nine months ended May 31, 2015 to the critical accounting policies reported in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended August 31, 2014.

**Forward Looking Information**

The part of this Quarterly Report on Form 10-Q captioned Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements, which involve risks and uncertainties. Forward-looking statements include, without limitation, statements as to our future operating results, seasonality expectations, plans for manufacturing facilities, future economic conditions and expectations or plans relating to the implementation or realization of our strategic goals and future growth. These statements are based on current expectations, estimates and projections about the industries in which we operate, and the beliefs and assumptions made by management. Readers should refer to the discussions under Forward Looking Information and Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended August 31, 2014 concerning certain factors that could cause our actual results to differ materially from the results anticipated in such forward-looking statements. These discussions and Risk Factors are hereby incorporated by reference into this Quarterly Report.

Table of Contents**Item 3 - Quantitative and Qualitative Disclosures about Market Risk**

We limit the amount of credit exposure to any one issuer. At May 31, 2015, other than our restricted investments (which are restricted for use in a non-qualified retirement savings plan for certain key employees and members of the Board of Directors), all of our funds were either in demand deposit accounts or investment instruments that meet high credit quality standards such as money market funds, government securities, or commercial paper.

Our domestic operations have limited currency exposure since substantially all transactions are denominated in U.S. dollars. However, our European operations are subject to currency exchange fluctuations. We continue to review our policies and procedures to control this exposure while maintaining the benefit from these operations and sales to European customers. As of May 31, 2015, the Company had cash balances in the following foreign currencies (with USD equivalents):

| Currency Code | Currency Name   | USD Equivalent at May 31, 2015 |
|---------------|-----------------|--------------------------------|
| GBP           | British Pound   | \$ 12,409,194                  |
| EUR           | Euro            | \$ 3,643,728                   |
| CNY           | Chinese Yuan    | \$ 241,213                     |
| CAD           | Canadian Dollar | \$ 173,095                     |

We will continue to review our current cash balances denominated in foreign currency in light of current tax guidelines, working capital requirements, infrastructure improvements and potential acquisitions.

We recognized a foreign currency translation loss for the nine months ended May 31, 2015 in the amount of \$3,183,000 related to our European operations, which is recorded in other comprehensive income (loss) within our Statement of Equity and Statement of Comprehensive Income. We do not have or utilize any derivative financial instruments.

We pay interest on our outstanding long-term debt at interest rates that fluctuate based upon changes in various base interest rates. The carrying value of our long-term debt was \$53,550,000 at May 31, 2015. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Sources of Capital and Note 12 - Fair Value Measurements to the Consolidated Financial Statements for additional information regarding our outstanding long-term debt. An immediate hypothetical 10% change in variable interest rates would not have a material effect on our Consolidated Financial Statements.

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**Item 4 - Controls and Procedures**

*Evaluation of disclosure controls and procedures*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carry out a variety of ongoing procedures under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

*Changes in internal control over financial reporting*

Effective April 1, 2013, the Company began the process of implementing a single enterprise resource planning ( ERP ) computer system world-wide. Since then, the Company expanded its existing ERP modules to all of its previously existing domestic and international locations, which resulted in changes to the Company's processes and procedures affecting its internal control over financial reporting. The Company integrated the newly acquired specialty chemical product lines on the single ERP system in the quarter ended May 31, 2015.

Otherwise, there have not been any changes in the Company's internal control over financial reporting during its most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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**Part II OTHER INFORMATION**

**Item 1 Legal Proceedings**

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

**Item 1A Risk Factors**

Please refer to Item 1A in our Form 10-K for the fiscal year ended August 31, 2014 for a complete discussion of the risk factors which could materially affect our business, financial condition or future results.

**Item 6 - Exhibits**

| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 31.1                      | Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2                      | Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32.1                      | Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2                      | Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 101.INS                   | XBRL Instance Document  |
| 101.SCH                   | XBRL Taxonomy Extension Schema Document   |
| 101.CAL                   | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.LAB                   | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE                   | XBRL Taxonomy Extension Presentation Linkbase Document  |
| 101.DEF                   | XBRL Taxonomy Extension Definition Linkbase Document  |

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\* Furnished, not filed

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**SIGNATURES**

Pursuant to the requirements 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**

Dated: July 10, 2015

By: */s/ Adam P. Chase*  
Adam P. Chase,  
President and Chief Executive Officer

Dated: July 10, 2015

By: */s/ Kenneth J. Feroldi*  
Kenneth J. Feroldi  
Treasurer and Chief Financial Officer