



Annual Report 2020

A Clear Vision



## ***IT WAS A YEAR NO ONE SAW COMING.***

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A year of unexpected challenges that tested the strength of every business' culture and strategy.

A year that reinforced the reliability and durability of Chase's vision, values and practices:

- Clear-eyed planning for economic and market challenges as well as opportunities.
  - A strong balance sheet providing financial stability and flexibility.
  - A sharp focus on the markets we serve and the ability to quickly adapt to changes.
  - And a culture of responsibility to our people, our customers and our investors.
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In a year of turmoil, this Annual Report will clearly show you why responsibility and reliability are at the heart of the Chase brand.



## Fellow Shareholders,

These are unprecedented times.

We want to start by extending our gratitude to all Chase associates, their families and all essential workers. To a person, and as a worldwide team, we could not be prouder of their hard work and dedication to ensuring that our customers and suppliers receive our full support.

Going into the final month of our second quarter – February 2020 – the severity of coronavirus became crystal clear, with the CDC ultimately declaring it a global pandemic in March 2020.

Was the pandemic unexpected? Yes. But expecting the unexpected is our business posture; how we operate and how we respond to market disruptions.

We continuously assess the circumstance and develop strategic and tactical options. We evaluate our long-term strategies and how they must adjust to the situation.

Financial stability and flexibility are core strategies, and we were and continue to be in a strong financial position.

The impact of COVID-19 was felt across nearly all industries. Despite decreased revenue in all of our operating segments; the Company:

- Increased relative gross margin
- Completed the consolidation of its pulling and detection operations into its existing Hickory, NC location
- Liquidated two real estate assets for gains
- Achieved a year-over-year increase in cashflows from operations
- Ended the fiscal year debt free and with a cash balance of \$99.1 million
- Maintained a fully available credit facility of \$150 million

Recognizing the gravity of the pandemic, we first established a COVID-19 task force to ensure that our focus was crystal clear on the health and well-being of our associates, strategic issues and the need to react quickly and decisively to the changing landscape.

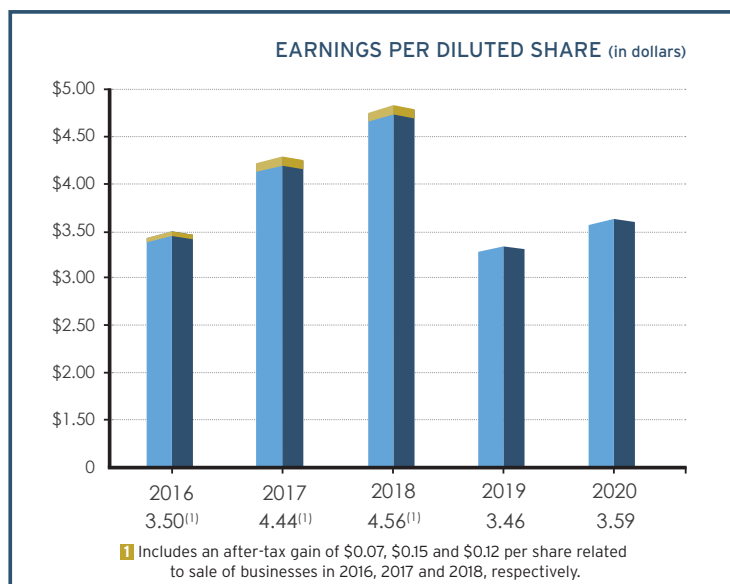
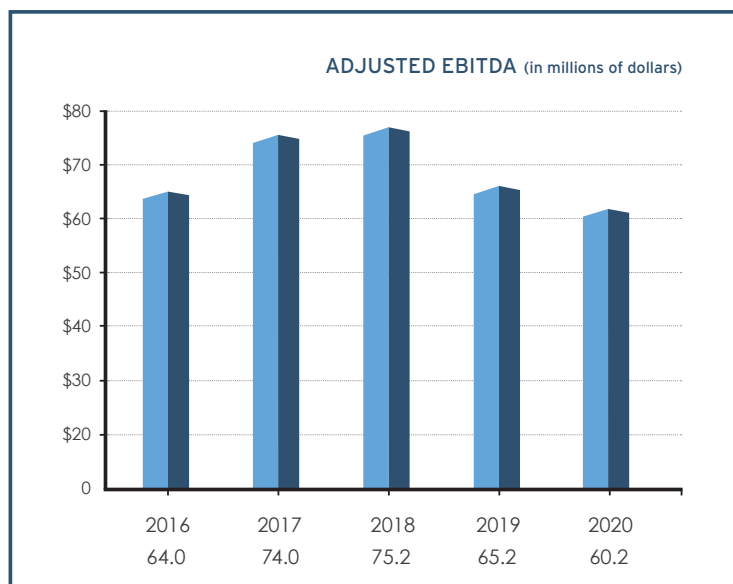
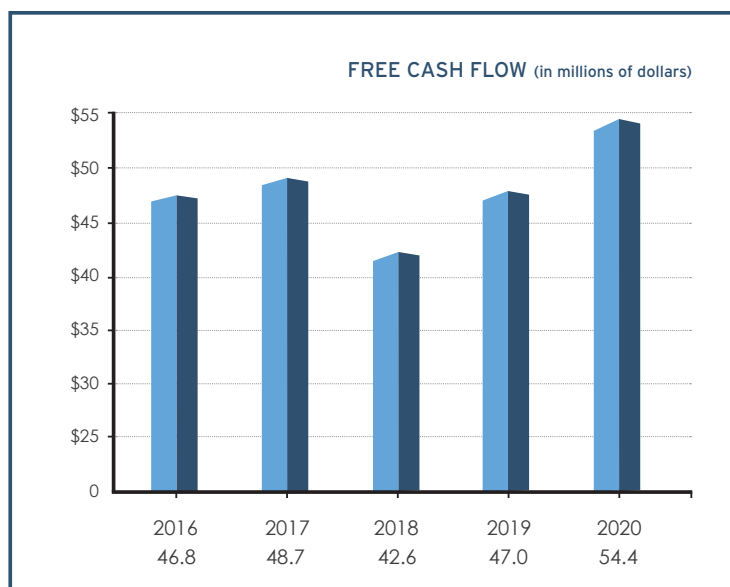
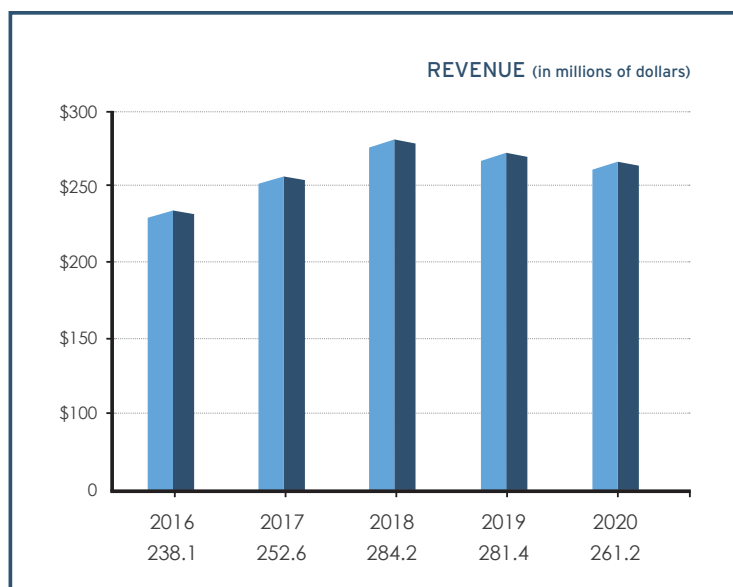
We built upon our strong employee health and safety culture foundation and long-standing programs by implementing new COVID-19 protocols for essential workers including PPE (Personal Protective Equipment), and new guidelines specific to the pandemic.

Our focus on Energy & Resources, Safety Performance and Environmental Impact will continue through our EHS Sustainability initiative. We launched a new Responsibility section on our website to further bring light to the environmental, social and governance ideals we strive for. These elements are consistent with our Mission, which guides us.

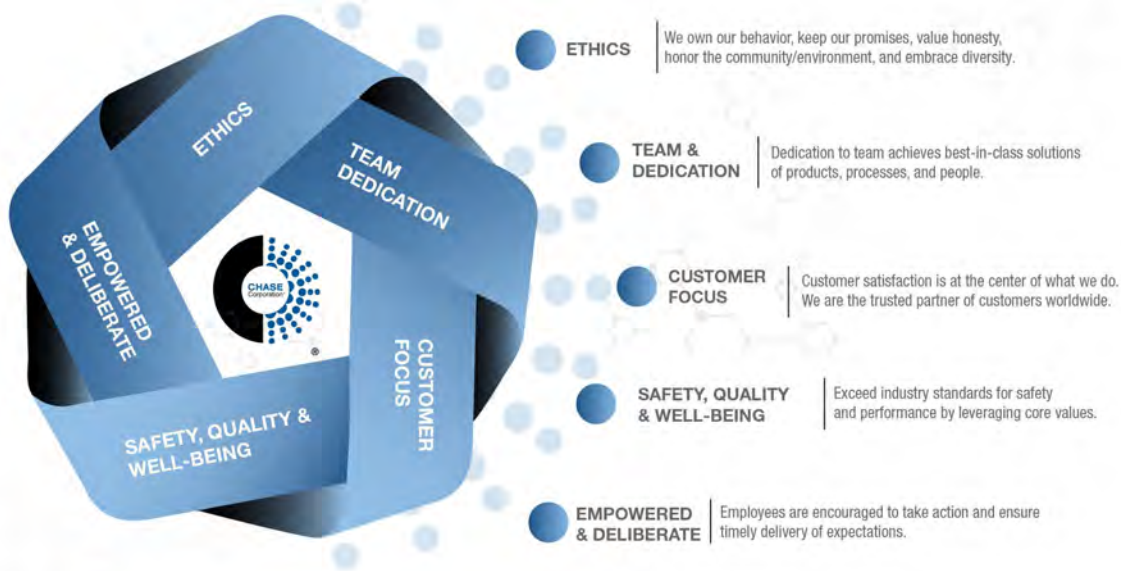
*...We will grow our business responsibly by balancing short and long-term objectives, effectively managing risk, implementing sustainable business practices and continuously improving our operating performance. We will conduct business ethically, contribute to the communities in which we operate, show respect for the environment, and treat our employees fairly.  
Fulfilling our mission will create long-term value for our shareholders.*

# Financial Highlights

(in millions, except per share figures)	2020	2019	%Change
Revenue	261.2	281.4	-7%
Gross Margin %	38.1%	36.0%	
Net Income	34.2	32.7	+4%
Diluted EPS	3.59	3.46	+4%
Adjusted EBITDA	60.2	65.2	-8%
Free Cash Flow	54.4	47.0	+16%
Dividend Per Share	0.80	0.80	



It is not just what we do, but how we do it that helps define Chase. Bringing meaning and substance to our Mission is an established set of Core Values that define Chase's culture and behaviors for our employees and stakeholders.



## FISCAL YEAR 2020 SUMMARY

Our products and services are sold into numerous essential industries (healthcare, utilities, infrastructure and telecommunications, among others), and our responsibility during this time has been to continue supplying our valued customers, while protecting our employees. With minimal disruption, our operations remained online and productive.

So, in a year when the unexpected happened, our team responded with a disciplined approach and remained unrattled by market disruptions. Organizational changes over the past few years have made Chase stronger and better prepared to manage headwinds and respond to unplanned challenges in our markets.

## RESPONSIBILITY DELIVERS RELIABILITY

*In good times and bad, reliability has been a key product of the Chase brand. Driven by a culture of individual and corporate responsibility, Chase has taken decisions and actions that enable us to keep faith with all our stakeholders. We have protected our employees' health and jobs, delivered essential products to our customers around the world, and secured the investments for those who have put their trust in us. We are clear that our success and the success of all those we work with are connected, and only by being responsible can we earn their trust.*

## BUSINESS SEGMENTS

The Company is organized into three reportable operating segments: Adhesives, Sealants and Additives, Industrial Tapes, and Corrosion Protection and Waterproofing.

Revenue from the **Adhesives, Sealants and Additives** segment decreased versus the prior year. Volume within the electronic and industrial coatings product line decreased in North American, European, and Asian markets. This decrease was attributable to the effects of the COVID-19 pandemic on the already strained automotive and industrial markets,



and Asian headwinds. The Company's specialty chemical intermediates product line sales, which have a North American concentration, also experienced a volume drop compared to the prior year. Despite the revenue downturn, the segment maintained its impressive 42% relative gross margin in the current year.

Sales decreased in the **Industrial Tapes** segment compared to the prior year, with the cable materials and specialty products product lines driving the top-line decrease. A primary driver in the sales reduction in the specialty products product line was the Company's planned exit from providing transitional toll manufacturing services to the purchaser of its former structural composites rod and fiber optical cable components businesses, with sales tapering in the first quarter of fiscal 2020 and fully ending in the second quarter. The Company's electronic materials packaging product line, which services Asian markets, achieved volume growth over the prior year. The pulling and detection product line, carried by 5G demand momentum in the North American utility and telecommunication markets, also achieved a year-over-year increase in revenue. While total revenue for the Industrial Tapes segment was down on a year-over-year basis, product mix and operational efficiencies contributed to its relative gross margin increasing 400 basis points to 32% in the current year.

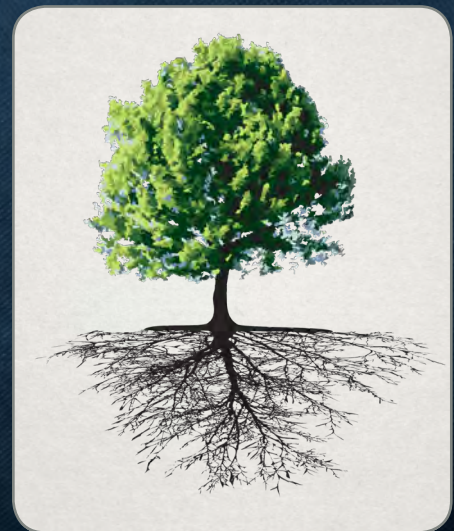
The Company's **Corrosion Protection and Waterproofing** segment's revenue decreased compared to the prior year. The building envelope product line's sales were unfavorable to the prior year, driving much of the segment's overall results. The coating and lining systems, bridge and highway and pipeline coatings product lines all saw volume increases over the prior year. The pipeline coatings product line results were driven by increased sales by our Rye, U.K. facility, especially in the fourth fiscal quarter of 2020 with sales into the Middle East. In spite of its net sales decrease, the segment's relative gross margin improved to 45% in Fiscal 2020, over the 43% achieved in the prior year.

## MARKET KNOWLEDGE. STRATEGIC ROOTS.

*Chase ends this difficult year healthy and strong. This is once again the case because our business is based on two qualities that are key to all our planning and execution.*

*First is broad expertise and flexibility in the markets we serve that allow us to respond to challenges and opportunities to maximize our assets and minimize liabilities.*

*Second is a strong corporate foundation and culture, built over years of conservative business practices, that can withstand the powerful winds of change and feed our strategic growth. It is a highly disciplined approach that has earned the confidence and appreciation of our stakeholders year after year.*



Though M&A activity scaled back industry wide over much of Fiscal 2020, we remained focused on the primary and vital role growth through acquisition will continue to play in Chase's future. In September 2020 (Fiscal 2021), we acquired ABchimie, a Corbelin, France headquartered solutions provider for the cleaning and the protection of electronic assemblies, with additional formulation, production, and research and development capabilities. This acquisition demonstrated our commitment to inorganic growth initiatives and broadens our electronics coatings product portfolio

within the Adhesives, Sealants and Additives reporting segment with high performance, environmentally friendly technologies that are complementary to our existing product lines.

While M&A has been our primary strategic growth component, we believe there is some organic growth potential by leveraging our trusted partnerships and a successful track record of supplying our proven technology to a diverse range of industries. Electric vehicle (EV) and hybrid electric vehicle (HEV) market opportunities were a focus this fiscal year with product development and specification work utilizing our Adhesives, Sealants and Additives technology continuing despite the pandemic. While certain product demand has increased with 5G and broadband infrastructure buildout, others have been negatively affected by unstable oil and gas demand. As we continue to review and refine our product portfolio, we see more promise in the ability to leverage our channels to market and manufacturing footprint across all reporting segments to generate shareholder value.

## LOOKING AHEAD

Fiscal 2021 will continue to pose significant challenges and we are not planning on a return to “normal” soon. Our hope is that a COVID-19 vaccine will be widely available around the world by late Fiscal 2021, though we are not factoring this into our plans at this time. Could there be more “unexpected challenges”? Assuredly yes. We learned much in the last year and are applying this to all activities going forward.

We are pleased with the response of our management, administrative, operations and commercial teams to adapt to the “new normal”. Though revenue declined, we feel that we fared well in other important metrics.

We are confident that with the continued support of our shareholders, our Company will successfully face the year ahead.

Sincerely,



A handwritten signature in black ink that reads "A P Chase".

**Adam P. Chase**  
President and Chief Executive Officer

A handwritten signature in black ink that reads "P R Chase".

**Peter R. Chase**  
Executive Chairman

A handwritten signature in black ink that reads "C J Talma".

**Christian J. Talma**  
Treasurer and Chief Financial Officer

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

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

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.)

**295 University Avenue, Westwood, Massachusetts 02090**

(Address of Principal Executive Offices) (Zip Code)

**(781) 332-0700**

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common stock, \$0.10 par value</b>	<b>CCF</b>	<b>NYSE American</b>

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES  NO

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES  NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the Registrant's most recently completed second fiscal quarter, February 29, 2020, was approximately \$465,871,000.

As of October 31, 2020, the Company had outstanding 9,445,474 shares of common stock, \$0.10 par value, which is its only class of common stock.

**Documents Incorporated By Reference:**

Portions of the registrant's definitive proxy statement for the Annual Meeting of Shareholders, which is expected to be filed within 120 days after the registrant's fiscal year ended August 31, 2020, are incorporated by reference into Part III hereof.

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**CHASE CORPORATION**  
**INDEX TO ANNUAL REPORT ON FORM 10-K**

**For the Year Ended August 31, 2020**

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## Cautionary Note Concerning Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, including without limitation forward-looking statements made under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” involve risks and uncertainties. Any statements contained in this Annual Report that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include, without limitation, statements as to our future operating results; seasonality expectations; plans for the development, utilization or disposal of manufacturing facilities; future economic conditions; our expectations as to legal proceedings; the effect of our market and product development efforts; and expectations or plans relating to the implementation or realization of our strategic goals and future growth, including through potential future acquisitions. Forward-looking statements may also include, among other things, statements relating to future sales, earnings, cash flow, results of operations, use of cash and other measures of financial performance, statements relating to future dividend payments, as well as expected impact of the coronavirus disease 2019 (COVID-19) pandemic on the Company's businesses. Forward-looking statements may be identified through the use of words such as “believes,” “anticipates,” “may,” “should,” “will,” “plans,” “projects,” “expects,” “expectations,” “estimates,” “predicts,” “targets,” “forecasts,” “strategy,” and other words of similar meaning in connection with the discussion of future operating or financial performance. 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. Because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and changes in circumstances that are difficult to predict. Accordingly, the Company’s actual results may differ materially from those contemplated by the forward-looking statements. Investors, therefore, are cautioned against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Readers should refer to the discussions under Item 1A “Risk Factors” of this Annual Report on Form 10-K.



## PART I

### ITEM 1 – BUSINESS

#### Primary Operating Divisions and Facilities and Industry Segments

Chase Corporation (the “Company,” “Chase,” “we,” or “us”), a global specialty chemicals company founded in 1946, is a leading manufacturer of protective materials for high-reliability applications across diverse market sectors. Our strategy is to maximize the performance of our core businesses and brands while seeking future opportunities through strategic acquisitions. Through investments in facilities, systems and organizational consolidation we seek to improve performance and gain economies of scale.

In the fourth quarter of our fiscal year 2019 (the prior year), we reorganized from two into three reportable operating segments: an Adhesives, Sealants and Additives segment, an Industrial Tapes segment and a Corrosion Protection and Waterproofing segment. The segments are distinguished by the nature of the products manufactured and how they are delivered to their respective markets. The Adhesives, Sealants and Additives segment (whose operations were formerly included within the Industrial Materials segment) offers innovative and specialized product offerings consisting of both end-use products and intermediates that are used in, or integrated into, another company’s products. Demand for the segment’s product offerings is typically dependent upon general economic conditions. This segment leverages the core specialty chemical competencies of the Company, and serves diverse markets and applications. The segment sells predominantly into the transportation, appliance, medical, general industrial and environmental market verticals. The Industrial Tapes segment (whose operations were formerly included within the Industrial Materials segment) features legacy wire and cable materials, specialty tapes, and other laminated and coated products. The segment derives its competitive advantage through its proven chemistries, diverse specialty offerings and the reliability its supply chain offers to end customers. These products are generally used in the assembly of other manufacturers’ products, with demand typically dependent upon general economic conditions. This segment sells mostly to established markets, with some exposure to growth opportunities through further development of existing products. Markets served include cable manufacturing, utilities and telecommunications, and electronics packaging. The Corrosion Protection and Waterproofing segment (formerly known as the Construction Materials segment) is principally composed of project-oriented product offerings that are primarily sold and used as “Chase” branded products. End markets include new and existing infrastructure projects on oil, gas, water and wastewater pipelines, highways and bridge decks, water and wastewater containment systems, and commercial buildings. The segment’s products include protective coatings for pipeline applications, coating and lining systems for waterproofing and liquid storage applications, adhesives and sealants used in architectural and building envelope waterproofing applications, high-performance polymeric asphalt additives, and expansion joint systems for waterproofing applications in transportation and architectural markets. With sales generally dependent on outdoor project work, the segment experiences highly seasonal sales patterns. Our manufacturing facilities are distinct to their respective segments apart from our O’Hara Township, PA, Blawnox, PA and Hickory, NC facilities, which produce products related to a combination of operating segments.

A summary of our operating structure as of August 31, 2020 is as follows:

**ADHESIVES, SEALANTS AND ADDITIVES SEGMENT**

<u>Key Products</u>	<u>Primary Operating Locations</u>	<u>Background/History</u>
Protective conformal coatings under the brand name HumiSeal®, moisture protective electronic coatings sold to the electronics industry including circuitry used in automobiles, industrial controls and home appliances.	O'Hara Township, PA	The HumiSeal business and product lines were acquired in the early 1970s.
Advanced adhesives, sealants, and coatings for automotive and industrial applications that require specialized bonding, encapsulating, environmental protection, or thermal management functionality.	Woburn, MA Newark, CA	In September 2016, we acquired certain assets and the operations of Resin Designs, LLC, and entered leases for their existing manufacturing facilities in Massachusetts and California.
Protective conformal coatings under the brand name HumiSeal®, moisture protective electronic coatings sold to the electronics industry including circuitry used in automobiles, industrial controls and home appliances.	Winnersh, Wokingham, England  Paris, France	In October 2005, we acquired all of the capital stock of Concoat Holdings Ltd. and its subsidiaries. In 2006 Concoat was renamed HumiSeal Europe.  In March 2007, we expanded our international presence with the formation of HumiSeal Europe SARL in France. HumiSeal Europe SARL operates a sales/technical service office and warehouse near Paris, France. This business works closely with the HumiSeal operation in Winnersh, Wokingham, England, allowing direct sales and service to the French market.
	Pune, India	In June 2016, we further expanded our international presence through the purchase of Spray Products (India) Private Limited, located in Pune, India. This business enhances the Company's ability to provide technical, sales, manufacturing, chemical handling and packaging services in the region and works closely with our HumiSeal manufacturing operation in Winnersh, Wokingham, England. In December 2016, the business was renamed HumiSeal India Private Limited.
Polymeric microspheres, sold under the Dualite® brand, which are utilized for weight and density reduction and sound dampening across varied industries.	Greenville, SC	In January 2015, we acquired two product lines from Henkel Corporation. They, along with the Superabsorbents business acquired in December 2017, comprise our specialty chemical intermediates product line.
Polyurethane dispersions utilized for various coating products.		The Company currently contracts with manufacturing partners to produce its polyurethane dispersions.
Superabsorbent polymers, sold through our Zappa Stewart division, which are utilized for water and liquid management, remediation and protection in diverse markets including wire and cable, medical, environmental, infrastructure, energy and consumer products.	Hickory, NC McLeansville, NC	In December 2017, we acquired Stewart Superabsorbents, LLC and its Zappa-Tec business (collectively "Zappa Stewart").



## INDUSTRIAL TAPES SEGMENT

Key Products	Primary Operating Locations	Background/History
Specialty tapes and related products for the electronic and telecommunications industries using the brand name Chase & Sons®.	Oxford, MA	In August 2011, we relocated our manufacturing processes that had been previously conducted at our Webster, MA facility to this location.
Insulating and conducting materials for the manufacture of electrical and telephone wire and cable, electrical splicing, and terminating and repair tapes, which are marketed to wire and cable manufacturers selling into energy-oriented and communication markets, and to public utilities.		In December 2012, we relocated the majority of our manufacturing processes that had been previously conducted at our Randolph, MA facility to this location. Our Randolph facility was one of our first operating facilities, and had been producing products for the wire and cable industry for more than fifty years.
PaperTyger®, a trademark for laminated durable papers sold to the envelope converting and commercial printing industries.		We acquired the Paper Tyger, LLC assets in 2003.
Chase BLH2OCK®, a water-blocking compound sold to the wire and cable industry.	Blawnox, PA	In September 2012, we relocated our Chase BLH2OCK® manufacturing processes that had been previously conducted at our Randolph, MA facility to this location.
Laminated film foils for the electronics and cable industries and cover tapes essential to delivering semiconductor components via tape and reel packaging.	Lenoir, NC Suzhou, China	In June 2012, we acquired all of the capital stock of NEPTCO Incorporated, which operated facilities in Rhode Island, North Carolina and China.
		In October 2013, we moved the manufacturing processes that had been conducted at our Taylorsville, NC facility to our Lenoir, NC location.
		In the fourth quarter of 2018, we moved the wire and cable material manufacturing process that had been conducted at our Pawtucket, RI facility to our Lenoir, NC and Oxford, MA locations.
Pulling and detection tapes used in the installation, measurement and location of fiber optic cable, and water and natural gas lines.	Hickory, NC	In the third quarter of 2019, we began relocating the pulling and detection tapes manufacturing process from our Granite Falls, NC location to our Hickory, NC location. This relocation was completed in the second quarter of fiscal 2020.

## CORROSION PROTECTION AND WATERPROOFING SEGMENT

Key Products	Primary Operating Locations	Background/History
Protective pipe-coating tapes and other protectants for valves, regulators, casings, joints, metals, and concrete, which are sold under the brand name Royston®, to oil companies, gas utilities and pipeline companies.	Blawnox, PA	The Royston business was acquired in the early 1970s.
Rosphalt50® is a polymer additive that provides long-term cost-effective solutions in many applications such as waterproofing of bridge decks and approaches, ramps, racetracks, airport runways and taxiways and specialty road applications.		
Waterproofing membranes for highway bridge deck metal-supported surfaces.		
Waterproofing sealants, expansion joints and accessories for the transportation, industrial and architectural markets.	O'Hara Township, PA	In April 2005, we acquired certain assets of E-Poxy Engineered Materials. Additionally, in September 2006, we acquired all of the capital stock of Capital Services Joint Systems. Both of these acquisitions were combined to form the expansion joints business.
Technologically advanced products, including the brand Tapecoat®, for demanding anti-corrosion applications in the gas, oil and marine pipeline market segments, as well as tapes and membranes for roofing and other construction-related applications.	Evanston, IL	In November 2001, we acquired substantially all the assets of Tapecoat, previously a division of T.C. Manufacturing Inc.
Specialized high-performance coating and lining systems used worldwide in liquid storage and containment applications.	Houston, TX	In September 2009, we acquired all the outstanding capital stock of C.I.M. Industries Inc. ("CIM").
Waterproofing and corrosion protection systems for oil, gas and water pipelines, and a supplier to Europe, the Middle East and Southeast Asia.	Rye, East Sussex, England	In September 2007, we purchased certain product lines and a related manufacturing facility in Rye, East Sussex, England through our wholly-owned subsidiary, Chase Protective Coatings Ltd. This facility joins Chase's North American-based Tapecoat® and Royston® brands to broaden the protective pipeline coatings product line and better address global demand.
The ServiWrap® brand bitumen pipeline protection tapes and products, which offer long-term corrosion protection for buried pipelines in the most challenging natural environments.		In December 2009, we acquired the full range of ServiWrap® pipeline protection products ("ServiWrap") from Grace Construction Products Limited, a U.K.-based unit of W.R. Grace & Co. ServiWrap products complement our portfolio of pipeline protection tapes, coatings and accessories and extend our global customer base.

### Other Business Developments

On September 1, 2020 (subsequent to fiscal 2020), the Company acquired all the capital stock of ABchimie for €18,000,000 (approximately \$21,420,000 at the time of the transaction) net of cash and marketable securities acquired, subject to final working capital adjustment, excluding acquisition-related costs of \$274,000 and with a potential earn out based on performance potentially worth an additional €7,000,000 (approximately \$8,330,000 at the time of the transaction). ABchimie is a Corbelin, France headquartered solutions provider for the cleaning and the protection of electronic assemblies, with further formulation, production, and research and development capabilities. The transaction was funded 100% with cash on hand. The financial results of the business will be included in the Company's fiscal 2021 financial statements within the Adhesives, Sealants and Additives operating segment in the electronic and industrial coatings product line. The Company is currently in the process of finalizing purchase accounting, regarding a final allocation of the purchase price to tangible and identifiable intangible assets assumed and anticipates completion within fiscal 2021. The ABchimie acquisition does not represent a significant business combination so pro forma financial information is not provided.



The Company's second quarter of fiscal 2020 saw the beginning of the global spread of the coronavirus pandemic (COVID-19), which subsequently grew to create significant volatility, uncertainty, and global economic disruption. During the third fiscal quarter, the Company implemented changes to its cost structure designed to address market changes brought on by COVID-19 and demonstrate its commitment to fiscal prudence: (a) the Company made a targeted reduction in its global workforce, contemplated pre-pandemic but catalyzed by COVID-19, which resulted in the recognition of \$183,000 in severance costs during the period; and (b) the Company also instituted a temporary 20% reduction in the base salaries of its named executive officers and select members of senior management, as well as the cash compensation of the non-employee members of its Board of Directors. The reduction in force, which impacted operations in the Company's U.S. facilities, and the adjustments in compensation were both effective May 2020.

During the third quarter of fiscal 2019, Chase began moving the pulling and detection operations housed in its Granite Falls, NC location to its Hickory, NC facility. This is in line with the Company's ongoing initiative to consolidate its manufacturing plants and streamline its existing processes. At the time, the pulling and detection operations were the only Chase-owned production operations in Granite Falls, NC, with the remaining portions of the building being either utilized for research and development or leased to a third party. The process of moving, including moving internal research and development capabilities, was substantially completed during the second quarter of fiscal 2020. The Company recognized \$559,000 in expense related to the move in the six-month period ended February 29, 2020, having recognized \$526,000 in expense during the second half of fiscal 2019. No costs were recognized in the six months ended August 31, 2020, and future costs related to this move are not anticipated to be significant to the consolidated financial statements.

During the fourth quarter of fiscal 2019 (prior year), Chase commissioned engineering studies of certain legacy operations, machinery and locations related to the Company's ongoing facility rationalization and consolidation initiative. Chase completed its review of the data and recommendations provided by the study in the fourth quarter of fiscal 2020 (current year). Following the review, the Company wrote down the value of certain non-operating production assets related to the pipeline coatings product line, within the Corrosion Protection and Waterproofing segment. Given the nature and prospects of the equipment, the Company determined its then carrying value exceeded its fair value and recognized an expense of \$405,000 to write-down the value. Given the ongoing nature of the facility rationalization and consolidation initiative, an estimate of future costs cannot currently be determined.

## **Products and Markets**

Our principal products are specialty tapes, laminates, adhesives, sealants, coatings and chemical intermediates which are sold by our salespeople, manufacturers' representatives and distributors. In our Adhesives, Sealants and Additives segment, these products consist of:

- (i) moisture protective coatings, which are sold to the electronics industry for circuitry manufacturing, including circuitry used in automobiles, industrial controls and home appliances;
- (ii) advanced adhesives, sealants, and coatings for automotive and industrial applications that require specialized bonding, encapsulating, environmental protection, or thermal management functionality;
- (iii) polymeric microspheres utilized by various industries to allow for weight and density reduction and sound dampening;
- (iv) polyurethane dispersions utilized for various coating products; and
- (v) superabsorbent polymers, which are utilized for water and liquid management, remediation and protection in diverse markets including wire and cable, medical, environmental, infrastructure, energy and consumer products.

In our Industrial Tapes segment, these products consist of:

- (i) insulating and conducting materials for the manufacture of electrical and telephone wire and cable, electrical splicing, and terminating and repair tapes, which are marketed to wire and cable manufacturers;
- (ii) laminated film foils, including EMI/RFI shielding tapes used in communication and local area network (LAN) cable;
- (iii) industrial coated or laminate products and custom manufacturing services sold into medical, consumer, automotive, packaging, energy, telecommunications and other specialized markets;
- (iv) laminated durable papers, including laminated paper with an inner security barrier used in personal and mail-stream privacy protection, which are sold primarily to the envelope converting and commercial printing industries;
- (v) pulling and detection tapes used in the installation, measurement and location of fiber optic cable, water and natural gas lines, and power, data, and video cable for commercial buildings; and
- (vi) cover tapes with reliable adhesive and anti-static properties essential to delivering semiconductor components via tape and reel packaging.

In our Corrosion Protection and Waterproofing segment, these products consist of:

- (i) protective coatings, tapes and protectants for pipelines, valves, casings and other metals, which are sold to oil companies, gas companies and water/wastewater utilities for use in both the construction and maintenance of oil, gas, water and wastewater pipelines;
- (ii) fluid-applied coating and lining systems for use in the water and wastewater industry;
- (iii) waterproofing tapes and coatings used in waterproofing of the exterior of both commercial and industrial structures;
- (iv) waterproofing membranes for highway bridge deck metal-supported surfaces, and high-performance polymeric asphalt additives, which are sold to municipal transportation authorities; and
- (v) expansion and control joint systems designed for roads, bridges, stadiums and airport runways.

There is some seasonality in selling products into the construction market, which most acutely effects our Corrosion Protection and Waterproofing segment. Higher demand is often experienced when temperatures are warmer in most of North America (April through October), with lower demand occurring when temperatures are colder (typically our second fiscal quarter).

### **Human Capital Resources**

As of October 31, 2020, we employed approximately 619 people (including union employees). 80% are U.S. based and 20% international. 29% of our employees work in administrative, selling and research and development functions, while 71% work in the manufacture of our products at our facilities. We consider our employee relations to be good. In the U.S., we offer our employees a wide array of company-paid benefits, which we believe are competitive relative to others in our industry. In our operations outside the U.S., we offer benefits that may vary from those offered to our U.S. employees due to customary local practices and statutory requirements.

## **Backlog, Customers and Competition**

As of October 31, 2020, the backlog of customer orders believed to be firm was approximately \$15,949,000. This compared with a backlog of \$17,930,000 as of October 31, 2019. The decrease in backlog from the prior year amount is believed to be primarily due to changes in customers' ordering patterns in the current COVID-19 environment. During fiscal 2020, 2019 and 2018, no customer accounted for more than 10% of sales. No material portion of our business is subject to renegotiation or termination of profits or contracts at the election of the United States Federal Government.

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

## **Raw Materials**

We obtain raw materials from a wide variety of suppliers, with alternative sources of most essential materials available within reasonable lead times.

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

As of August 31, 2020, we owned the following trademarks that we believe were of material importance to our business: Chase Corporation<sup>®</sup>, C-Spray (Logo), a trademark used in conjunction with most of the Company's business segment and product line marketing material and communications; HumiSeal<sup>®</sup>, a trademark for moisture protective coatings sold to the electronics industry; Chase & Sons<sup>®</sup>, a trademark for barrier and insulating tapes sold to the wire and cable industry; Chase BLH2OCK<sup>®</sup>, a trademark for a water-blocking compound sold to the wire and cable industry; Rosphalt50<sup>®</sup>, a trademark for an asphalt additive used predominantly on bridge decks for waterproofing protection; PaperTyger<sup>®</sup>, a trademark for laminated durable papers sold to the envelope converting and commercial printing industries; DuraDocument<sup>®</sup>, a trademark for durable, laminated papers sold to the digital print industry; Defender<sup>®</sup> a trademarked RFID protective material sold to the personal accessories and paper industries; Tapecoat<sup>®</sup>, a trademark for corrosion preventive surface coatings and primers; Maflowrap<sup>®</sup>, a trademark for anti-corrosive tapes incorporating self-adhesive mastic or rubber-backed strips, made of plastic materials; Royston<sup>®</sup>, a trademark for a corrosion-inhibiting coating composition for use on pipes; Ceva<sup>®</sup>, a trademark for epoxy pastes/gels/mortars and elastomeric concrete used in the construction industry; CIM<sup>®</sup> trademarks for fluid-applied coating and lining systems used in the water and wastewater industry; ServiWrap<sup>®</sup> trademarks for pipeline protection tapes, coatings and accessories; NEPTCO<sup>®</sup>, a trademark used in conjunction with most of NEPTCO's products marketing material and communications; NEPTAPE<sup>®</sup>, a trademark for coated shielding and insulation materials used in the wire and cable industry; Muletape<sup>®</sup>, a trademark for pulling and installation tapes sold to the telecommunications industry; Trace-Safe<sup>®</sup>, a trademark for detection tapes sold to the telecommunications and water and gas utilities industries; Dualite<sup>®</sup>, a trademark for polymeric microspheres utilized for density and weight reduction and sound dampening by various industries; 4EvaSeal<sup>®</sup>, a trademark for adhesive-backed tape utilized in various industries; Resin Designs<sup>®</sup>, a trademark for adhesives and sealants sold into the microelectronics and semiconductor industries; SlickTape<sup>®</sup>, a trademark for a lubricated shielding tape sold to the wire and cable industry; HighDraw<sup>®</sup>, a trademark for a highly extensible shielding tape sold to the wire and cable industry; ZapZorb<sup>®</sup>, a trademark for environmental solidification products that are designed to meet the specific challenges posed by a wide range of liquid-bearing waste streams; ZapLoc<sup>®</sup>, a trademark for medical waste solidifier products packaged in bottles or larger packages; and ZapPak<sup>®</sup>, a trademark for medical waste solidifier products packaged in dissolvable film. We do not have any other material trademarks, licenses, franchises, or concessions. While we do hold various patents, as well as other trademarks, we do not believe that they are material to the success of our business.



## **Research and Development**

We expensed approximately \$4,007,000, \$4,021,000 and \$3,940,000 for Company-sponsored research and development during fiscal 2020, 2019 and 2018, respectively, which was recorded within Research and Product Development Costs. Research and development stayed consistent from fiscal 2019 to 2020 as the Company continued focused development work on strategic product lines. The increase in expense from fiscal 2018 to 2019 came as the Company recognized its first full fiscal year with the established research and development department of Zappa Stewart (acquired in the second quarter of fiscal 2018).

## **Available Information**

Chase maintains a website at <http://www.chasecorp.com>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as section 16 reports on Form 3, 4, or 5, are available free of charge on this site as soon as is reasonably practicable after they are filed or furnished with the SEC. Our Code of Conduct and Ethics and the charters for the Audit Committee, the Nominating and Governance Committee and the Compensation and Management Development Committee of our Board of Directors are also available on our internet website. The Code of Conduct and Ethics and charters are also available in print to any shareholder upon request. Requests for such documents should be directed to Shareholder and Investor Relations Department, at 295 University Avenue, Westwood, Massachusetts 02090. Our internet website and the information contained on it or connected to it are not part of nor incorporated by reference into this Form 10-K. Our filings with the SEC are also available on the SEC's website at <http://www.sec.gov>.

## **Financial Information regarding Segment and Geographic Areas**

Please see Notes 11 and 12 to the Company's Consolidated Financial Statements for financial information about the Company's operating segments and domestic and foreign operations for each of the last three fiscal years.

## ITEM 1A – RISK FACTORS

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. We feel that any of the following risks could materially adversely affect our business, operations, industry, financial position or our future financial performance. While we believe that we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operations, industry, financial position and financial performance in the future.

### *Operational and Competitive Risks*

#### **We currently operate in mature markets where increases or decreases in market share could be significant.**

Our sales and net income are largely dependent on sales from a consistent and well-established customer base. Organic growth opportunities are minimal; however, we have used and will continue to use strategic acquisitions as a means to build and grow the business. In this business environment, increases or decreases in market share could have a material effect on our business condition or results of operation. We face intense competition from a diverse range of competitors, including operating divisions of companies much larger and with far greater resources than we have. If we are unable to maintain our market share, our business could suffer.

#### **Fluctuations in the supply and prices of raw materials may negatively impact our financial results.**

We obtain raw materials needed to manufacture our products from a number of suppliers. Many of these raw materials are petroleum-based derivatives. Under normal market conditions, these materials are generally available on the open market and from a variety of producers. From time to time, however, the prices and availability of these raw materials fluctuate, which could impair our ability to procure necessary materials, or increase the cost of manufacturing our products. If the prices of raw materials increase, and we are unable to pass these increases on to our customers, we could experience reduced profit margins.

#### **If our products fail to perform as expected, or if we experience product recalls, we could incur significant and unexpected costs and lose existing and future business.**

Our products are complex and could have defects or errors presently unknown to us, which may give rise to claims against us, diminish our brands or divert our resources from other purposes. Despite testing, new and existing products could contain defects and errors and may in the future contain manufacturing or design defects, errors or performance problems when first introduced, or even after these products have been used by our customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, changes to our manufacturing processes, product recalls, significant increases in our maintenance costs, or exposure to liability for damages, any of which may result in substantial and unexpected expenditures, require significant management attention, damage our reputation and customer relationships, and adversely affect our business, our operating results and our cash flow.

**The Company's results of operations have been adversely affected and could in the future be materially adversely impacted by the coronavirus disease 2019 (COVID-19) pandemic.**

The global spread of the coronavirus disease 2019 (COVID-19) pandemic has created significant volatility, uncertainty and economic disruption. The Company experienced lower sales as a result of the economic disruption, and it has initiated cost-saving measures, including a targeted workforce reduction, in response to the uncertainties associated with the scope and duration of the pandemic. The extent to which the COVID-19 pandemic impacts the Company's business, operations and financial results in future periods will depend on numerous evolving factors that it may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on its customers' demand for its goods and services and its vendors ability to supply it with raw materials; its ability to sell and provide goods and services, including as a result of travel restrictions and people working from home; the ability of its customers to pay for goods and services; and any closures of its customers' offices and facilities. Customers may also slow down decision-making, delay planned work or seek to terminate existing agreements.

Further, the effects of the pandemic may also increase the Company's cost of capital or make additional capital, including the refinancing of its credit facility, more difficult or available only on terms less favorable to it. A sustained downturn may also result in the carrying value of the Company's goodwill or other intangible assets exceeding their fair value, which may require it to recognize an impairment to those assets. A sustained downturn in the financial markets and asset values may have the effect of increasing the Company's pension funding obligations in order to ensure that its qualified pension plan continues to be adequately funded, which may divert cash flow from other uses. The effects of the pandemic, including remote working arrangements for employees, may also impact the Company's financial reporting systems and internal control over financial reporting, including its ability to ensure information required to be disclosed in its 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 its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

**We may experience difficulties in the redesign and consolidation of our manufacturing facilities which could impact shipments to customers, product quality, and our ability to realize cost savings.**

We currently have several ongoing projects to streamline our manufacturing operations, which include the redesign and consolidation of certain manufacturing facilities in order to reduce overhead costs. Despite our planning, we may be unable to effectively leverage assets, personnel, and business processes in the transition of production among manufacturing facilities. Uncertainty is inherent within the facility redesign and consolidation process, and unforeseen circumstances could offset the anticipated benefits of these streamlining projects, disrupt service to customers, and impact product quality.



## *Strategic Risks*

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

From time to time, we engage in discussions with potential target companies concerning potential acquisitions. In executing our acquisition strategy, we may be unable to identify suitable acquisition candidates. In addition, we may face competition from other companies for acquisition candidates, making it more difficult to acquire suitable companies on favorable terms. We have historically financed larger acquisitions with additional borrowings under our bank credit agreements. Our existing credit agreement places certain restrictions on our ability to acquire other businesses, and imposes certain financial covenants on us that may limit our ability to borrow generally. If we incur additional indebtedness in order to finance an acquisition, that indebtedness may reduce the availability of our cash flow to fund future working capital, capital expenditures, and other general corporate purposes, may increase our vulnerability to adverse economic conditions, and may expose us to the risk of increased interest rates. If we finance an acquisition through the issuance of equity securities, the ownership interest of our existing shareholders would be proportionately diluted.

Even if we do identify a suitable acquisition target and are able to negotiate and close a transaction, the integration of an acquired business into our operations involves numerous risks, including potential difficulties in integrating an acquired company's product line with ours; the diversion of our resources and management's attention from other business concerns; the potential loss of key employees; limitations imposed by antitrust or merger control laws in the United States or other jurisdictions; risks associated with entering a new geographical or product market; and the day-to-day management of a larger and more diverse combined company.

We may not realize the synergies, operating efficiencies, market position or revenue growth we anticipate from acquisitions, and our failure to effectively manage the above risks could have a material adverse effect on our business, growth prospects and financial performance.

## *International Risks*

**If we cannot successfully manage the unique challenges presented by international markets, we may not be successful in expanding our international operations.**

Our strategy includes expansion of our operations in existing and new international markets by selective acquisitions and strategic alliances. Our ability to successfully execute our strategy in international markets is affected by many of the same operational risks we face in expanding our U.S. operations. In addition, our international expansion may be adversely affected by our ability to identify and gain access to local suppliers as well as by local laws and customs, legal and regulatory constraints, political and economic conditions and currency regulations of the countries or regions in which we currently operate or intend to operate in the future. The ongoing negotiations to determine the terms of the U.K.'s exit from the European Union (Brexit), pose risks of volatility in global markets and, given our exposure and presence in the U.K., could specifically affect our operations and future financial results. Risks inherent in our international operations also include, among others, the costs and difficulties of managing international operations, adverse tax consequences, domestic and international tariffs and trade policies and greater difficulty in enforcing intellectual property rights. Additionally, foreign currency exchange rates and fluctuations may have an impact on future costs or on future cash flows from our international operations.

**Current and threatened tariffs on goods from China and other countries could result in lower revenue, profits and cash flows.**

The Company imports raw materials from China, makes sales of finished goods into China and has manufacturing operations in China. The Company works to lower the potential negative effects of the tariffs through seeking alternative sources for our raw materials, when available and pragmatic, and, in certain cases, through altering our manufacturing logistics by utilizing non-U.S. manufacturing where tariffs do not apply. While we also attempt to pass on these additional costs to our customers, competitive factors (including competitors who import from other countries not subject to such tariffs) may limit our ability to sustain price increases and, as a result, may adversely impact our revenue, profits and cash flows. In addition, the imposition of tariffs may influence the sourcing habits of certain end users of our products which, in turn, could have a direct impact on the requirements of our direct customers for our products. Such an impact could adversely affect our revenue, profits and cash flows.

*Industry Risks*

**Our results of operations could be adversely affected by uncertain economic and political conditions and the effects of these conditions on our customers' businesses and levels of business activity.**

Global economic and political conditions can affect the businesses of our customers and the markets they serve. A severe or prolonged economic downturn or a negative or uncertain political climate could adversely affect, among others, the automotive, housing, construction, pipeline, energy, transportation infrastructure or electronics industries. This may reduce demand for our products or depress pricing of those products, either of which may have a material adverse effect on our results of operations. Changes in global economic conditions or foreign and domestic trade policy could also shift demand to products for which we do not have competitive advantages, and this could negatively affect the amount of business that we are able to obtain. In addition, if we are unable to successfully anticipate changing economic and political conditions, we may be unable to effectively plan for and respond to those changes and our business could be negatively affected.

**General economic factors, domestically and internationally, may also adversely affect our financial performance through increased raw material costs or other expenses and by making access to capital more difficult.**

The cumulative effect of higher interest rates, energy costs, inflation, levels of unemployment, healthcare costs, unsettled financial markets, and other economic factors (including changes in foreign currency exchange rates and changes to federal, state, local and international tax laws or the application or enforcement practices of such laws) could adversely affect our financial condition by increasing our manufacturing costs and other expenses at the same time that our customers may be scaling back demand for our products. Prices of certain commodity products, including oil and petroleum-based products, are historically volatile and are subject to fluctuations arising from changes in domestic and international supply and demand, labor costs, competition, weather events and climate change, regional and global public health crises, market speculation, government regulations and periodic delays in delivery. Rapid and significant changes in commodity prices may affect our sales and profit margins. These factors can increase our cost of products and services sold and/or selling, general and administrative expenses, and otherwise adversely affect our operating results. Disruptions in the credit markets may limit our ability to access debt capital for use in acquisitions or other purposes on advantageous terms or at all. If we are unable to manage our expenses in response to general economic conditions and margin pressures, or if we are unable to obtain capital for strategic acquisitions or other needs, then our results of operations would be negatively affected.

## *Other Risks*

### **We are dependent on key personnel.**

We depend significantly on our executive officers including our President and Chief Executive Officer, Adam P. Chase, and on other key employees. The loss of the services of any of these key employees could have a material impact on our business and results of operations. In addition, our acquisition strategy will require that we attract, motivate and retain additional skilled and experienced personnel. The inability to satisfy such requirements could have a negative impact on our ability to remain competitive in the future.

### **Financial market performance may have a material adverse effect on our pension plan assets and require additional funding requirements.**

Significant and sustained declines in the financial markets may have a material adverse effect on the fair market value of the assets of our qualified pension plan. While these pension plan assets are considered non-financial assets since they are not carried on our balance sheet (i.e. the balance sheet reflects only the net of plan assets and obligations), the fair market valuation of these assets could impact our funding requirements, funded status or net periodic pension cost. Any significant and sustained declines in the fair market value of these pension assets could require us to increase our funding requirements, which would have an impact on our cash flow, and could also lead to additional pension expense.

### **If we fail to maintain effective internal control over financial reporting, this may adversely affect investor confidence in our company and, as a result, the value of our common stock.**

We are required under Section 404 of the Sarbanes-Oxley Act to furnish a report by management on the effectiveness of our internal control over financial reporting and to include a report by our independent auditors attesting to such effectiveness. Any failure by us to maintain effective internal control over financial reporting could adversely affect our ability to report accurately our financial condition or results of operations.

As discussed in our Annual Report on Form 10-K for the year ended August 31, 2018 (under "Controls and Procedures"), our management concluded that, as of August 31, 2018, we had a material weakness in our internal control over financial reporting related to our business combination processes. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. We have remediated the identified material weakness, but no assurances can be given that management will not identify in the future other internal control deficiencies that constitute a material weakness in our internal control over financial reporting or that any such material weakness will be remediated in a timely fashion.

If we are unable to maintain effective internal control over financial reporting, or if our independent auditors determine that we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, also could restrict our future access to the capital markets.



**Failure or compromise of security with respect to an operating or information system or portable electronic device could adversely affect our results of operations and financial condition or the effectiveness of our internal controls over operations and financial reporting.**

We are highly dependent on automated systems to record and process our daily transactions and certain other components of our financial statements. Notwithstanding efforts to ensure the integrity of our automated systems, we could experience a failure of one or more of these systems, or a compromise of our security due to technical system flaws, data input or recordkeeping errors, or tampering or manipulation of our systems by employees or unauthorized third parties. Information security risks also exist with respect to the use of portable electronic devices, such as laptops and smartphones, which are particularly vulnerable to loss and theft. We may also be subject to disruptions of any of these systems arising from events that are wholly or partially beyond our control (for example, natural disasters, acts of terrorism, epidemics, pandemics, computer viruses, cyber-attacks, malware, ransomware, and electrical/telecommunications outages). All of these risks are also applicable wherever we rely on outside vendors to provide services. Operating system failures, disruptions, or the compromise of security with respect to operating systems or portable electronic devices could subject us to liability claims, harm our reputation, interrupt our operations, or adversely affect our business, results from operations, financial condition, cash flow or internal control over financial reporting.

## ITEM 1B – UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2 – PROPERTIES

The principal properties of the Company as of August 31, 2020 are situated at the following locations and have the following characteristics:

<b>Location</b>	<b>Square Feet</b>	<b>Owned / Leased</b>	<b>Principal Use</b>
Westwood, MA	20,200	Leased	Corporate headquarters, executive office and global operations center, including research and development, sales and administrative services
Blawnox, PA	44,000	Owned	Manufacture and sale of protective coatings and tape products
Evanston, IL	100,000	Owned	Manufacture and sale of protective coatings and tape products
Granite Falls, NC	108,000	Owned	Manufacture and sale of pulling and detection tapes, as well as research and development services, (through the second quarter of fiscal 2020, when operations were relocated to our Hickory, NC facility). The building is currently being leased to a third party
Greenville, SC	34,600	Leased	Manufacture and sale of polymeric microspheres, as well as research and development
Hickory, NC	180,000	Leased	Manufacture and sale of superabsorbent polymer products and pulling and detection tapes, as well as research and development
Houston, TX	45,000	Owned	Manufacture of coating and lining systems for use in liquid storage and containment applications
Lenoir, NC	110,000	Owned	Manufacture and sale of laminated film foils and cover tapes
McLeansville, NC	41,000	Leased	Sales/technical service office and warehouse for superabsorbent polymer products
Mississauga, Canada	2,500	Leased	Distribution center
Newark, CA	32,500	Leased	Manufacture and sale of sealant systems
O'Hara Township, PA	109,000	Owned	Manufacture and sale of protective electronic coatings, expansion joints and accessories
Oxford, MA	73,600	Owned	Manufacture of tape and related products for the electronic and telecommunications industries, as well as laminated durable papers
Paris, France	1,900	Leased	Sales/technical service office and warehouse allowing direct sales and service to the French market
Pune, India	4,650	Leased	Manufacture, packaging and sale of protective electronic coatings
Rotterdam, Netherlands	2,500	Leased	Distribution center
Rye, East Sussex, England	36,600	Owned	Manufacture and sale of protective coatings and tape products
Suzhou, China	48,000	Leased	Manufacture of packaging tape products for the electronics industries
Winnersh, Wokingham, England	18,800	Leased	Manufacture and sale of protective electronic coatings, as well as research and development
Woburn, MA	34,000	Leased	Manufacture and sale of adhesive systems, as well as research and development

The above facilities vary in age, are in good condition and, in the opinion of management, adequate and suitable for present operations. We also own equipment and machinery that is in good repair and, in the opinion of management, adequate and suitable for present operations. We believe that we could significantly add to our capacity by increasing shift operations. Availability of machine hours through additional shifts would provide expansion of current production volume without significant additional capital investment.

### ITEM 3 – LEGAL PROCEEDINGS

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 cash flows, litigation is inherently unpredictable. Therefore, judgments could be rendered, or settlements agreed to, that could adversely affect the Company's operating results or cash flows in a particular period. The Company routinely assesses all its litigation and threatened litigation as to the probability of ultimately incurring a liability and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable.

### ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 4A – INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table sets forth information concerning our Executive Officers as of October 31, 2020. Each of our Executive Officers is selected by our Board of Directors and holds office until his successor is elected and qualified.

Name	Age	Offices Held and Business Experience during the Past Five Years
Adam P. Chase	48	President of the Company since January 2008, Chief Executive Officer of the Company since February 2015. Adam Chase was the Chief Operating Officer of the Company from February 2007 to February 2015.
Peter R. Chase	72	Chairman of the Board of the Company since February 2007, and Executive Chairman of the Company since February 2015. Peter Chase was the Chief Executive Officer of the Company from September 1993 to February 2015. Peter Chase is the father of Adam Chase.
Christian J. Talma	47	Chief Financial Officer of the Company since February 2019 and Chief Accounting Officer from August 2018 to February 2019. Previously, Vice President Operations Finance and Strategy for Haemonetics Corp. from 2016 to 2018. Prior to that, Christian Talma was employed at Siemens A.G., since 2002, most recently as Head of North America Service Sales Finance.

## **PART II**

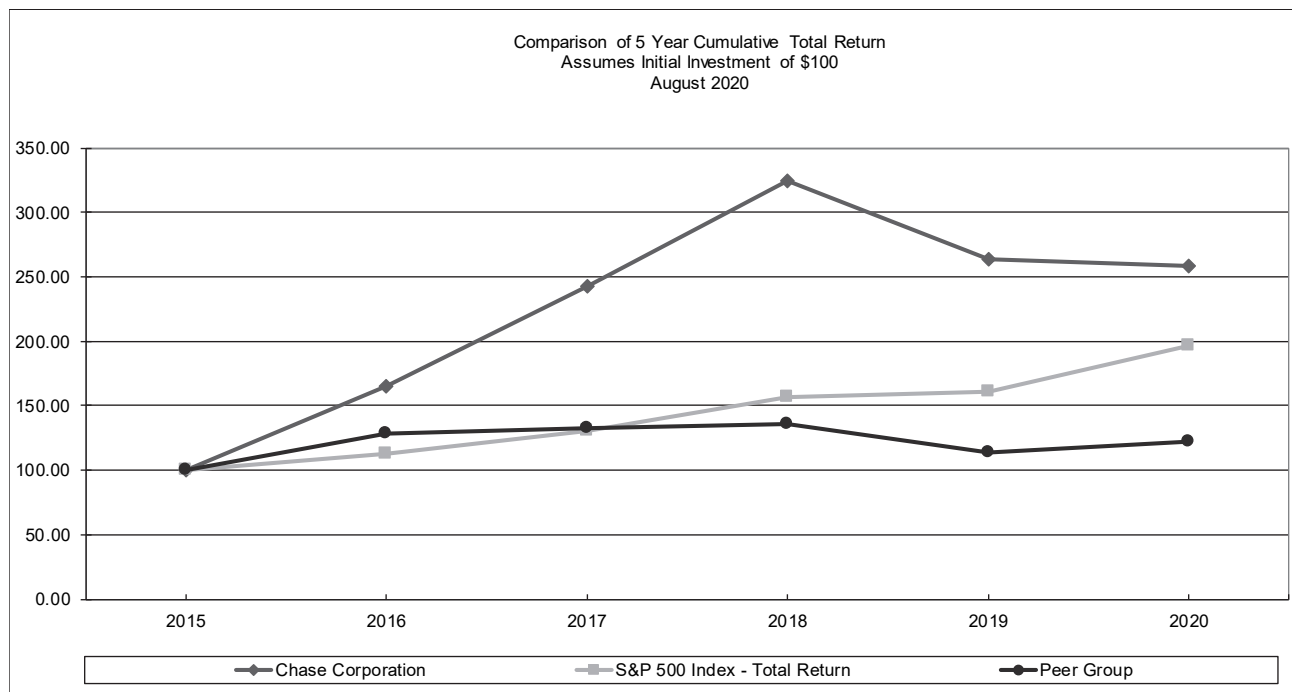
### **ITEM 5 – MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NYSE American under the symbol CCF. As of October 31, 2020, there were 320 shareholders of record of our Common Stock and we believe there were approximately 6,435 beneficial shareholders who held shares in nominee name. On that date, the closing price of our common stock was \$95.16 per share as reported by the NYSE American.

Single annual cash dividend payments were declared and scheduled to be paid subsequent to each year ended August 31, 2020, 2019 and 2018 in the amount of \$0.80 per common share. Our revolving credit facility contains financial covenants which may have the effect of limiting the amount of dividends that we can pay.

## Comparative Stock Performance

The following line graph compares the yearly percentage change in our cumulative total shareholder return on the Common Stock for the last five fiscal years with the cumulative total return on the Standard & Poor's 500 Stock Index (the "S&P 500 Index"), and a composite peer index that is weighted by market equity capitalization (the "Peer Group Index"). The companies included in the Peer Group Index are Henkel AG & Co KGaA, H.B. Fuller Company, Intertape Polymer Group, Rogers Corporation and RPM International, Inc. Cumulative total returns are calculated assuming that \$100 was invested on August 31, 2015 in each of the Common Stock, the S&P 500 Index and the Peer Group Index, and that all dividends were reinvested.



	2015	2016	2017	2018	2019	2020
Chase Corp	\$ 100	\$ 165	\$ 243	\$ 324	\$ 264	\$ 259
S&P 500 Index	\$ 100	\$ 113	\$ 131	\$ 157	\$ 161	\$ 196
Peer Group Index	\$ 100	\$ 128	\$ 133	\$ 136	\$ 114	\$ 123

The information under the caption "Comparative Stock Performance" above is not deemed to be "filed" as part of this Annual Report, and is not subject to the liability provisions of Section 18 of the Securities Exchange Act of 1934. Such information will not be deemed to be incorporated by reference into any filing we make under the Securities Act of 1933 unless we explicitly incorporate it into such a filing at the time.



## ITEM 6 – SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8 – Financial Statements and Supplementary Data.”

	Fiscal Years Ended August 31,				
	2020	2019	2018	2017	2016
	(In thousands, except per share amounts)				
<b>Statement of Operations Data</b>					
Revenue	\$ 261,162	\$ 281,351	\$ 284,188	\$ 252,560	\$ 238,094
Net income	\$ 34,157	\$ 32,711	\$ 43,143	\$ 42,014	\$ 32,807
Net income available to common shareholders, per common and common equivalent share:					
Basic:					
Net income per common and common equivalent share	\$ 3.62	\$ 3.48	\$ 4.60	\$ 4.49	\$ 3.55
Diluted:					
Net income per common and common equivalent share	\$ 3.59	\$ 3.46	\$ 4.56	\$ 4.44	\$ 3.50
<b>Balance Sheet Data</b>					
Total assets	\$ 346,830	\$ 307,968	\$ 316,469	\$ 254,738	\$ 262,819
Long-term debt, including current portion	\$ —	\$ —	\$ 25,000	\$ —	\$ 43,400
Total stockholders' equity	\$ 302,792	\$ 271,227	\$ 246,756	\$ 210,929	\$ 174,089
Cash dividends paid per common and common equivalent share	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.70	\$ 0.65

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

The following discussion provides an analysis of our financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and notes thereto included in Item 8 of this Annual Report on Form 10-K.

### Selected Relationships within the Consolidated Statements of Operations

	Years Ended August 31,		
	2020	2019	2018
	(Dollars in thousands)		
Revenue	\$ 261,162	\$ 281,351	\$ 284,188
Net income	\$ 34,157	\$ 32,711	\$ 43,143
Increase (decrease) in revenue from prior year			
Amount	\$ (20,189)	\$ (2,837)	\$ 31,628
Percentage	(7)%	(1)%	13 %
Increase (decrease) in net income from prior year			
Amount	\$ 1,446	\$ (10,432)	\$ 1,129
Percentage	4 %	(24)%	3 %
Percentage of revenue:			
Revenue	100 %	100 %	100 %
Cost of products and services sold	62	64	62
Selling, general and administrative expenses	19	17	17
Research and Product Development Costs	2	1	1
Other (income) expense, net	*	2	*
Income before income taxes	17 %	15 %	20 %
Income taxes	4	4	5
Net income	13 %	12 %	15 %

\* denotes less than one percent

Note: Some percentage of revenue amounts may not sum due to rounding

### Overview

Chase Corporation emphasized operational and financial discipline in fiscal 2020, a year which continued the macro trend revenue drag observed in the prior year, and ultimately saw the spread of the coronavirus pandemic (COVID-19) across all geographies served by the Company. Domestic and international top-line headwinds attributable to the pandemic affected all three of the Company's operating segments, while the prior year tightness in Asian markets persisted. Through this, the Company was able to increase its relative gross margin, complete the consolidation of its pulling and detection operations into its existing Hickory, NC location, liquidate two real estate assets for gains and achieve a year-over-year increase in cashflows from operations.

Chase Corporation's balance sheet remained strong at August 31, 2020, with cash on hand of \$99,068,000, a current ratio of 7.7 and no outstanding principal balance owed on the Company's \$150,000,000 revolving credit facility. The Company took advantage of its solid financial position with its September 2020 (fiscal 2021) cash on hand funded purchase of ABchimie, a Corbelin, France headquartered solutions provider for the cleaning and the protection of electronic assemblies, with further formulation, production, and research and development capabilities.

As an extension of the Company's pre-existing facility consolidation and rationalization initiative, the Company implemented certain changes in its cost structure in fiscal 2020 designed to address market dynamics brought on by COVID-19. In the third fiscal quarter, these included: (a) a targeted 4.5% reduction in the Company's global workforce, contemplated pre-pandemic but catalyzed by COVID-19; and (b) the institution of a temporary 20% reduction in the

base salaries of named executive officers and select members of senior management, as well as the cash compensation of the non-employee members of the Board. The Company remains profitable with sufficient cash on hand to continue to meet its short- and long-term strategic objectives and implemented the aforementioned expense reductions as a demonstration of fiscal prudence during these uncertain times.

Chase Corporation is a supplier of several essential industries, providing products to critical industries such as healthcare, utilities, infrastructure and telecommunications, and throughout the COVID-19 effected period of fiscal 2020, successfully maintained business continuity for the Company's global customers. As of August 31, 2020, all the Company's facilities were operational, with only two facilities, Pune, India and Newark, CA, having experienced prior temporary closures due to separate general government orders. However, given the magnitude of the uncertainty that COVID-19 has broadly placed on global markets, the pandemic's long-term effects on the Company's results and the Company's ability to maintain current service levels cannot currently be estimated. The Company will continue to assess the situation and take the appropriate actions to ensure it is in the strongest position possible.

During the second fiscal quarter of 2020, the relocation of the Company's pulling and detection product line production operations from the Granite Falls, NC facility to the existing Hickory, NC facility was completed. In the third fiscal quarter of 2020, the Company completed the sale of its Pawtucket, RI location for a net gain. Also during the third quarter, the administrative functions based in the Pawtucket, RI location were moved into the Company's existing Westwood, MA location. In the fourth fiscal quarter of 2020, the Company sold its Randolph, MA property for a net gain.

Net cash provided by operating activities exceeded that of the prior year, with the Company's cash position continuing the positive trend seen in the latter half of fiscal 2019 (prior year) following the full payoff of its outstanding debt. The Company held no outstanding balance on its \$150,000,000 revolving credit facility as of August 31, 2020. The revolving credit facility allows for the Company to pay down debt with excess cash, while retaining access to immediate liquidity to fund future accretive activities, including mergers and acquisitions, as identified.

Revenue from the Adhesives, Sealants and Additives segment decreased versus the prior year. Sales volume within the electronic and industrial coatings product line decreased in North American, European, and Asian markets. This decrease was attributable to the effects of the COVID-19 pandemic on the already strained automotive and industrial markets, and Asian headwinds. The Company's specialty chemical intermediates product line sales, which have a North American concentration, also experienced a volume drop as compared to the prior year.

Net sales decreased in the Industrial Tapes segment as compared to the prior year, with the cable materials and specialty products product lines driving the top-line remission. A primary driver in the sales reduction in the specialty products product line was the Company's planned exit from providing transitional toll manufacturing services to the common purchaser of its former structural composites rod and fiber optical cable components businesses, with sales tapering in the first quarter of fiscal 2020 and fully ending in the second quarter. The Company's electronic materials product line, which sells nearly exclusively to Asian markets, achieved sales growth over the prior year. The pulling and detection product line, carried by sales momentum in the North American utility and telecommunication markets, also achieved a year-over-year increase in sales.

The Company's Corrosion Protection and Waterproofing segment's sales decreased compared to the prior year. The building envelope product line's sales were unfavorable to the prior year, driving the segment's overall unfavorable results. The coating and lining systems, bridge and highway and pipeline coatings product lines all saw sales increases over the prior year. The pipeline coatings product line results were driven by increased sales by our Rye, U.K. facility, especially in the fourth fiscal quarter of 2020 with sales into the Middle East.

Through mergers, acquisitions and divestitures, its marketing and product development efforts and its ability to rationalize and consolidate its operations, the Company remains focused on its core strategies for sustainable long-term growth.

The Company has three reportable operating segments summarized below:

<b>Segment</b>	<b>Product Lines</b>	<b>Manufacturing Focus and Products</b>
Adhesives, Sealants and Additives	Electronic and Industrial Coatings Specialty Chemical Intermediates	Protective coatings, including moisture protective coatings and customized sealant and adhesive systems for electronics; polyurethane dispersions, polymeric microspheres and superabsorbent polymers.
Industrial Tapes	Cable Materials Specialty Products Pulling and Detection Electronic Materials Structural Composites (1)	Protective tape and coating products and services, including insulating and conducting materials for wire and cable manufacturers; laminated durable papers, packaging and industrial laminate products and custom manufacturing services; pulling and detection tapes used in the installation, measurement and location of fiber optic cable and water and natural gas lines; cover tapes essential to delivering semiconductor components via tape and reel packaging; and composite materials elements (now divested).
Corrosion Protection and Waterproofing	Coating and Lining Systems Pipeline Coatings Building Envelope Bridge and Highway	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.

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- (1) Product line was substantially divested with the sale of the structural composites rod business on April 20, 2018. Custom manufacturing performed for the purchaser of the structural composites rod business subsequent to the sale is included within the specialty products product line.

## Results of Operations

Revenue and Income Before Income Taxes by Segment are as follows:

	Revenue	Income Before Income Taxes	% of Revenue
	(Dollars in thousands)		
<b>Fiscal 2020</b>			
Adhesives, Sealants and Additives	\$ 96,208	\$ 25,953	27 %
Industrial Tapes	118,960	31,237 <sup>(a)</sup>	26 %
Corrosion Protection and Waterproofing	45,994	16,638 <sup>(b)</sup>	36 %
	<u>\$ 261,162</u>	<u>73,828</u>	28 %
Less corporate and common costs		(28,508) <sup>(c)</sup>	
Income before income taxes		<u>\$ 45,320</u>	
<b>Fiscal 2019</b>			
Adhesives, Sealants and Additives	\$ 104,796	\$ 27,142 <sup>(d)</sup>	26 %
Industrial Tapes	129,845	28,216 <sup>(e)</sup>	22 %
Corrosion Protection and Waterproofing	46,710	15,909 <sup>(f)</sup>	34 %
	<u>\$ 281,351</u>	<u>71,267</u>	25 %
Less corporate and common costs		(27,714) <sup>(g)</sup>	
Income before income taxes		<u>\$ 43,553</u>	
<b>Fiscal 2018</b>			
Adhesives, Sealants and Additives	\$ 101,690	\$ 35,190 <sup>(h)</sup>	35 %
Industrial Tapes	130,598	30,886 <sup>(i)</sup>	24 %
Corrosion Protection and Waterproofing	51,900	18,178	35 %
	<u>\$ 284,188</u>	<u>84,254</u>	30 %
Less corporate and common costs		(27,289) <sup>(j)</sup>	
Income before income taxes		<u>\$ 56,965</u>	

- (a) Includes \$559 in exit costs related to the movement of the pulling and detection business out of the Granite Falls, NC location and into the Hickory, NC location during the first six months of fiscal 2020
- (b) Includes \$170 gain on the refund of a payment made in fiscal 2019 related to engineering studies performed to assess potential operational changes and further plant rationalization and consolidation and an expense of \$405 for the write-down of certain assets under construction.
- (c) Includes \$150 of expense related to exploratory IT work performed to assess potential future upgrades to the Company's companywide ERP system, a \$760 gain related to the April 2020 sale of the Company's Pawtucket, RI location, a \$1,791 gain related to the August 2020 sale of the Company's Randolph, MA property, \$183 in severance expense related to the May 2020 reduction in force, \$85 in expenses related to the final transition out of the Pawtucket, RI facility, \$155 of pension-related settlement costs due to the timing of lump-sum distribution and \$274 in acquisition-related costs attributable to the September 2020 (fiscal 2021) acquisition of ABchimie
- (d) Includes \$2,410 of loss on impairment of goodwill related to the Company's polyurethane dispersions business
- (e) Includes \$260 of expense related to the closure and exit of our Pawtucket, RI location recognized in the first quarter of fiscal 2019, and \$526 in exit costs related to the movement of the pulling and detection business out of the Granite Falls, NC location and into the Hickory, NC location during the second half of fiscal 2019
- (f) Includes \$200 of expense related to engineering studies performed to assess potential future operational changes and further plant rationalization and consolidation, see note (b)
- (g) Includes \$511 of pension-related settlement costs due to the timing of lump-sum distributions
- (h) Includes \$1,070 of expense related to inventory step-up in fair value attributable to the acquisition of Zappa Stewart
- (i) Includes \$1,085 gain on sale of license related to the structural composites product line recorded in the second quarter of fiscal 2018, \$1,480 gain on sale of business related to the April 2018 sale of the structural composites rod business and \$1,272 of expense related to the exit of our Pawtucket, RI location in the fourth quarter of fiscal 2018
- (j) Includes \$393 in acquisition-related expense attributable to the December 2017 acquisition of Zappa Stewart



## ***Total Revenue***

Total revenue in fiscal 2020 decreased \$20,189,000 or 7% to \$261,162,000 from \$281,351,000 in the prior year.

Revenue in our Adhesives, Sealants and Additives segment decreased \$8,588,000 or 8% to \$96,208,000 for the year ended August 31, 2020 compared to \$104,796,000 in fiscal 2019. The decreases in revenue from the Adhesives, Sealants and Additives segment in fiscal 2020 was primarily due to the electronic and industrial coatings product line's \$6,276,000 sales volume-driven decrease. North American, European, and Asian automotive and industrial weakness, exacerbated by COVID-19, affected revenue, including the royalty received from the Company's licensed manufacturer in Asia. Also contributing to the segment's sales decline was a decrease in revenue from the North American focused specialty chemical intermediates product line, totaling \$2,312,000 in fiscal 2020.

Revenue in our Industrial Tapes segment decreased \$10,885,000 or 8% to \$118,960,000 for the year ended August 31, 2020 compared to \$129,845,000 in fiscal 2019. The decrease in revenue for the segment was primarily due to the following: (a) a sales volume demand decrease of \$7,880,000 from the North American focused cable materials product line; and (b) revenue reduction of \$4,979,000 for the specialty products product line, as the Company ended its arrangement to provide low-margin transitional toll manufacturing services in the second quarter of fiscal 2020. Offsetting the overall sales decreases for the current year were (a) an entirely volume-driven sales increase of \$169,000 in the electronic materials product line, which has a near exclusively Asian end-market; and (b) the pulling and detection tapes product line achieving predominately volume-driven revenue growth of \$1,805,000, with sales primarily into the North American telecommunication and utility industries.

Revenue from our Corrosion Protection and Waterproofing segment decreased \$716,000 or 2% to \$45,994,000 for the year ended August 31, 2020 compared to \$46,710,000 for fiscal 2019. The segment's sales decrease in the current year was driven by the building envelope product line's sales decline of \$1,717,000. Partially offsetting the segment's top-line decline were: (a) the coating and lining systems product line's \$668,000 volume- and price-driven sales increase; (b) the bridge and highway product line's \$244,000 revenue increase; and (c) the pipeline coatings product line's \$89,000 year-over-year increase, driven by increased sales by our Rye, U.K. facility, especially in the fourth fiscal quarter of 2020.

Royalties and commissions in the Adhesive, Sealants and Additives and Industrial Tapes segments totaled \$3,420,000, \$4,512,000 and \$5,226,000 for the years ended August 31, 2020, 2019 and 2018, respectively. The decrease in royalties and commissions in fiscal 2020 compared to both fiscal 2019 and 2018 was primarily due to decreased sales of electronic and industrial coatings products by our licensed manufacturer in Asia.

Export sales from domestic operations to unaffiliated third parties were \$30,067,000, \$30,582,000 and \$42,883,000 for the years ended August 31, 2020, 2019 and 2018, respectively. The decrease in export sales in fiscal 2020 against fiscal 2019 reflects the overall year-over-year decrease in sales results. The decrease in export sales in fiscal 2019 against fiscal 2018 resulted from decreased export sales into China and Europe.

Total revenue in fiscal 2019 decreased \$2,837,000 or 1% to \$281,351,000 from \$284,188,000 in fiscal 2018. Revenue in our Adhesives, Sealants and Additives segment increased \$3,106,000 or 3% to \$104,796,000 for the year ended August 31, 2019 compared to \$101,690,000 in fiscal 2018. The increase in revenue from our Adhesives, Sealants and Additives segment in fiscal 2019 was primarily due to an increase in revenue from our specialty chemical intermediates product line totaling \$7,083,000, which included the first full year of operations from the December 2017 acquired Zappa Stewart business. The segment's net sales increase was negatively affected by our electronic and industrial coatings product line's \$3,977,000 sales-volume-driven decrease, with headwinds seen most acutely in Asian markets in the second half of the fiscal 2019. These headwinds also manifested in a decreased royalty received from our licensed manufacturer in Asia.

Revenue in our Industrial Tapes segment decreased \$753,000 or 1% to \$129,845,000 for the year ended August 31, 2019 compared to \$130,598,000 in fiscal 2018. The decrease in revenue from our Industrial Tapes segment in fiscal 2019 was primarily due to: (a) a sales volume decrease of \$5,077,000 from our structural composite products (following the Company's divestiture of the structural composites rod business in April 2018, product sales revenue for wind energy products significantly declined, and the Company has recognized wind-energy-related revenue, including royalty revenue and revenue for transitional custom manufacturing services performed for the buyer, in our specialty products product line since the sale); and (b) an entirely volume-driven sales decrease of \$2,608,000 in our electronic materials product line, which has a near exclusively Asian end-market. These decreases were partially offset by: (a) a sales increase of \$3,500,000 from our pulling and detection products, from volume and price-driven sales growth into large scale utility and telecommunications infrastructure build in North America; (b) an increase in revenue from our cable materials products of \$2,880,000 on both volume and price; and (c) a sales volume increase of \$552,000 for our specialty products, which, subsequent to the sale of our fiber optic cable components business in April 2017 and our structural composites rod business in April 2018, includes revenue from the manufacturing services provided by the Company to the common purchaser of the divested businesses (totaling \$2,062,000 for fiscal 2019).

Revenue from our Corrosion Protection and Waterproofing segment decreased \$5,190,000 or 10% to \$46,710,000 for the year ended August 31, 2019 compared to \$51,900,000 for fiscal 2018. The decreased revenue for our Corrosion Protection and Waterproofing segment in fiscal 2019 was primarily due to a decrease in sales totaling \$4,680,000 in our pipeline coatings products. Our U.K.-produced water and wastewater pipeline products experienced the sharpest decline attributed to tight credit markets in the Middle East regions they sell into, while our U.S.-produced oil and gas pipeline products had sales levels only slightly below fiscal 2018 levels. Our bridge and highway products failed to repeat the large eastern U.S. bridge work laden fiscal year 2018 sales levels in fiscal 2019 and were off by \$2,353,000 year-over-year. Partially countering the overall decrease in revenue for the segment were: (a) a \$952,000 increase in our building envelope product sales, driven predominantly by an increase in sales volume; and (b) coating and lining systems products, which had a revenue increase of \$891,000.

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

Cost of products and services sold decreased \$18,548,000 or 10% to \$161,615,000 for the fiscal year ended August 31, 2020 compared to \$180,163,000 in fiscal 2019. As a percentage of revenue, cost of products and services sold decreased to 62% in fiscal 2020 compared to 64% for fiscal 2019.

The following table summarizes the relative percentages of cost of products and services sold to revenue for our three operating segments:

<b>Cost of products and services sold</b>	<b>Fiscal Years Ended August 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adhesives, Sealants and Additives	58 %	58 %	52 %
Industrial Tapes	68 %	72 %	71 %
Corrosion Protection and Waterproofing	55 %	57 %	57 %
Total Company	62 %	64 %	62 %

Cost of products and services sold in our Adhesives, Sealants and Additives segment was \$55,902,000 for the fiscal year ended August 31, 2020 compared to \$60,345,000 in fiscal 2019. As a percentage of revenue, cost of products and

services sold in this segment was consistent at 58% in both fiscal 2020 and fiscal 2019. Cost of products and services sold in our Industrial Tapes segment was \$80,351,000 for the fiscal year ended August 31, 2020 compared to \$93,299,000 in fiscal 2019. As a percentage of revenue, cost of products and services sold in this segment decreased to 68% in fiscal 2020 compared to 72% for fiscal 2019. Cost of products and services sold in our Corrosion Protection and Waterproofing segment was \$25,362,000 for the fiscal year ended August 31, 2020 compared to \$26,519,000 in fiscal 2019. As a percentage of revenue, cost of products and services sold in this segment decreased to 55% in fiscal 2020 compared to 57% in fiscal 2019. As a percentage of revenue, cost of products and services overall decreased primarily due to: (a) production efficiencies recognized, most acutely seen at our Oxford, MA and Lenoir, NC locations following the consolidation of our former Pawtucket, RI cable materials plant, and benefiting our Industrial Tapes segment; (b) more favorable sales mix, most specifically obtained in our Industrial Tapes segment, as our lower margin products constituted a comparatively lower portion of total sales; and (c) the full period effects of price increases the Company instituted during fiscal 2019 (prior year) to address inflation then seen in raw material costs.

With the composition of our finished goods and the markets we serve, the costs of certain commodities (including petroleum-based solvents, films, yarns, polymers and nonwovens, aluminum and copper foils, specialty papers, and various resins, adhesives and inks) both directly and indirectly affect the purchase price of our raw materials and the market demand for our product offerings. The Company diligently monitors raw material and commodities pricing across all its product lines in its efforts to preserve margins.

Cost of products and services sold in our Adhesives, Sealants and Additives segment was \$60,345,000 for the fiscal year ended August 31, 2019 compared to \$53,324,000 in fiscal 2018. As a percentage of revenue, cost of products and services sold in this segment increased to 58% for fiscal 2019 compared to 52% in fiscal 2018. Cost of products and services sold in our Industrial Tapes segment was \$93,299,000 for the fiscal year ended August 31, 2019 compared to \$92,418,000 in fiscal 2018. As a percentage of revenue, cost of products and services sold in this segment increased to 72% in fiscal 2019 compared to 71% for fiscal 2018. Cost of products and services sold in our Corrosion Protection and Waterproofing segment was \$26,519,000 for the fiscal year ended August 31, 2019 compared to \$29,394,000 in fiscal 2018. As a percentage of revenue, cost of products and services sold in this segment was consistent at 57% in both fiscal 2019 and fiscal 2018. As a percentage of revenue, cost of products and services overall increased in 2019 compared to 2018 primarily due to: (a) a less favorable sales mix, most specifically felt in our Adhesives, Sealants and Additives segment, as our lower margin products constituted a comparatively higher portion of total sales; (b) increasing supply and demand imbalances and tariffs causing rising raw material costs; and (c) production inefficiencies and additional costs to maintain service levels in the first half of fiscal 2019 at our Oxford, MA and Lenoir, NC locations following the consolidation of our Pawtucket, RI operations.

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

Selling, general and administrative expenses increased \$657,000 or 1% to \$49,364,000 during fiscal 2020 compared to \$48,707,000 in fiscal 2019. As a percentage of revenue, selling, general and administrative expenses increased to 19% of total revenue in fiscal 2020 compared to 17% for fiscal 2019. The year-over-year increase in expenses is primarily attributable to \$1,107,000 of additional corporate development and due diligence costs, beyond that included in acquisition-related costs, increased non-cash stock-based compensation expense of \$1,032,000 given increased restricted stock and stock option grants in fiscal 2020, which were partially offset by decreased amortization expense of \$869,000, as certain intangible assets related to prior acquisitions became fully amortized. The Company continues to closely monitor spending with an emphasis on controlling costs and leveraging existing resources.

During fiscal 2019, selling, general and administrative expenses increased \$1,004,000 or 2% to \$48,707,000 compared to \$47,703,000 in fiscal 2018. As a percentage of revenue, selling, general and administrative expenses stayed consistent at 17% of total revenue for both fiscal 2019 and fiscal 2018. The year-over-year increase in expenses is primarily attributable to: (a) increased amortization expense of \$638,000, primarily related to intangible assets acquired in our December 31, 2017 acquisition of Zappa Stewart; and (b) increased selling and commission expense of \$252,000, principally related to sales growth on our highest commissionable products in the current year, coupled with the addition of a full year of the established sales force of Zappa Stewart.

### ***Research and Product Development Costs***

Research and Product Development Costs decreased \$14,000 or less than one percent to \$4,007,000 during fiscal 2020, compared to \$4,021,000 in fiscal 2019. Research and development stayed relatively consistent from fiscal 2019 to 2020 as the Company continued focused development work on strategic product lines.

During fiscal 2019, Research and Product Development expense increased \$81,000 or 2% to \$4,021,000 compared to \$3,940,000 in fiscal 2018. This increase in expense from fiscal 2018 to 2019 came as the Company recognized its first full fiscal year with the established research and development department of Zappa Stewart (acquired in the second quarter of fiscal 2018).

### ***Operations Optimization Costs***

During the third fiscal quarter of 2020, the Company implemented changes in its cost structure designed to address market changes brought on, in part, by COVID-19. These changes included a targeted reduction of approximately 4.5% of the Company's global workforce. This reduction, which was contemplated pre-pandemic but catalyzed by COVID-19, resulted in the recognition of \$183,000 in severance costs during the third quarter of fiscal 2020. The reduction in force, which impacted operations in the Blawnox, PA, Hickory, NC, Lenoir, NC, Evanston, IL, Oxford, MA and Westwood, MA facilities, was effective May 2020.

During the first quarter of fiscal 2020, the Company commissioned third party led studies regarding the potential upgrading of the Company's current worldwide ERP system. Chase is currently reviewing the data and recommendations provided by the study and may further utilize third-party engineering, IT and other professional services firms in the future for similar work, as well as work around the Company's facilities rationalization and consolidation initiative. The Company recognized \$150,000 in expense related to these services in the first quarter of fiscal 2020. Given the ongoing nature of the review, an estimate of future costs, including costs that could be capitalized, cannot currently be determined.

During the third quarter of fiscal 2019, Chase began moving the pulling and detection operations housed in its Granite Falls, NC location to its Hickory, NC facility. This is in line with the Company's ongoing initiative to consolidate its manufacturing plants and streamline its existing processes. At the time, the pulling and detection operations were the only Chase-owned production operations in Granite Falls, NC, with the remaining portions of the building being either utilized for research and development or leased to a third party. The process of moving, including moving internal research and development capabilities, was substantially completed during the second quarter of fiscal 2020. The Company recognized \$559,000 in expense related to the move in the six-month period ended February 29, 2020, having recognized \$526,000 in expense during the second half of fiscal 2019. No costs were recognized in the six months ended August 31, 2020, and future costs related to this move are not anticipated to be significant to the Consolidated Financial Statements.

During the fourth quarter of fiscal 2019 (prior year), Chase commissioned engineering studies of certain legacy operations, machinery and locations related to the Company's ongoing facility rationalization and consolidation initiative. Chase completed its review of the data and recommendations provided by the study in the fourth quarter of fiscal 2020 (current year). The Company recognized \$200,000 in expense related to these services in fiscal 2019, and a gain of \$170,000 in fiscal 2020, as certain amounts expensed in fiscal 2019 were refunded. Chase may utilize third party engineering, IT and other professional services firms in the future for similar optimization-related work. Given the ongoing nature of the facility rationalization and consolidation initiative, an estimate of future costs cannot currently be determined.

On June 25, 2018, the Company announced to its employees the planned closing of its Pawtucket, RI manufacturing facility effective August 31, 2018. This is in line with the Company's ongoing efforts to consolidate its manufacturing plants and streamline its existing processes. The manufacture of products previously produced in the Pawtucket, RI facility was substantially moved to Company facilities in Oxford, MA and Lenoir, NC during a two-month transition period. In the fourth quarter of fiscal 2018, the Company expensed \$1,272,000 related to the closure. The Company also recognized \$260,000 in expense related to the move in the three-month period ended November 30, 2018, with no additional expense recognized in the remainder of fiscal 2019. The Company completed the sale of its Pawtucket, RI location to a third-party in April 2020, for net proceeds totaling \$1,810,000. This transaction resulted in a gain of \$760,000 which was recorded during the third quarter of fiscal 2020. Also, during the third quarter of fiscal 2020, the Company recognized \$85,000 in final Pawtucket, RI transition and exit costs, with no further costs related to this initiative anticipated in future periods.

#### ***Acquisition-Related Costs***

In fiscal 2020, the Company incurred \$274,000 of costs related to our acquisition of ABchimie. This acquisition was accounted for as a business combination in accordance with applicable accounting standards, and all related professional service fees (including banking, legal, accounting and actuarial fees) were expensed as incurred within the second, third and fourth quarters of fiscal 2020. The transaction was consummated at the beginning of fiscal 2021.

In fiscal 2018, the Company incurred \$393,000 of costs related to our acquisition of Zappa Stewart. This acquisition was accounted for as a business combination in accordance with applicable accounting standards, and all related professional service fees (including banking, legal, accounting and actuarial fees) were expensed as incurred within the second fiscal quarter of 2018.

#### ***Gain on Sale of Real Estate***

In August 2020, the Company finalized the sale of its Randolph, MA property for net proceeds of \$1,805,000. This transaction resulted in a gain of \$1,791,000 which was recorded during the quarter ended August 31, 2020 (fiscal 2020).

In April 2020, the Company finalized the sale of its Pawtucket, RI location for net proceeds of \$1,810,000. This transaction resulted in a gain of \$760,000 which was recorded during the quarter ended May 31, 2020 (fiscal 2020).

Both properties were classified as assets held for sale as of August 31, 2019 (prior year).

#### ***Write-down of certain assets under construction***

In the fourth quarter of fiscal 2020, given the results and recommendations of a commissioned engineering study, the Company wrote down the value of certain non-operating production assets related to the pipeline coatings product line, within the Corrosion Protection and Waterproofing segment. Given the nature and prospects of the equipment, the Company determined its then carrying value exceeded its fair value and recognized an expense of \$405,000 related to the machinery.



### ***Loss on Impairment of Goodwill***

The ordering patterns of the polyurethane dispersions reporting unit's customers during the three-month period ended February 28, 2019 (fiscal 2019), especially those in the automotive industry, combined with a decrease in the reporting unit's backlog of customer orders believed to be firm as of February 28, 2019 indicated an impairment in the carrying value of the reporting unit might have occurred. As such, the Company performed an impairment test on the long-lived assets related to the polyurethane dispersions reporting unit, then part of the Adhesives, Sealants and Additives operating segment, in accordance with ASC Topic 350, "Intangibles — Goodwill and Other" and ASC Topic 360, "Disclosure — Impairment or Disposal of Long-Lived Assets." As a result of impairment testing, which included first testing long-lived assets other than goodwill for impairment under applicable guidance, the Company recorded a charge of \$2,410,000 to loss on impairment of goodwill within the consolidated statement of operations during the quarter ended February 28, 2019.

### ***Interest Expense***

Interest expense decreased \$273,000 or 53% to \$246,000 in fiscal 2020 compared to \$519,000 in fiscal 2019. Interest expense decreased \$653,000 or 56% to \$519,000 in fiscal 2019 compared to \$1,172,000 in fiscal 2018. The decrease in interest expense in fiscal 2020 and 2019 is the result of the decreased average outstanding balance of Chase's revolving debt facility, following the \$65,000,000 draw on the facility in December 2017 (fiscal 2018) to substantially fund the Company's acquisition of Zappa Stewart and subsequent incremental principal payments made.

In fiscal 2018, subsequent to the December 2017 borrowing, the Company made \$40,000,000 in payments against the principal. In fiscal 2019, Chase made an additional \$25,000,000 in principal payments, paying off the outstanding balance in full as of August 31, 2019.

### ***Gain on Sale of License***

In November 2017 (fiscal 2018), the Company entered an agreement with an unrelated party to sell a license, including certain intellectual property, and sell certain construction in process assets, both related to the manufacturing of certain structural composite materials. In the second fiscal quarter of 2018, the transaction was finalized for gross consideration of \$1,111,000 comprising cash proceeds of \$1,000,000 and foreign tax consideration paid by the purchaser on Chase's behalf of \$111,000. This transaction resulted in a gain of \$1,085,000, which was recorded as a gain on sale of license during the fiscal quarter ended February 28, 2018.

In relation to this license agreement, the purchaser also entered into a royalty agreement with the Company. The purchaser will make royalty payments to Chase based on the volume of future sales of certain structural composite material manufactured by the purchaser. Revenue recognized related to this royalty agreement was not material in fiscal 2019 or 2018, and this royalty agreement was terminated in fiscal 2019.

### ***Gain on Sale of Businesses***

On April 20, 2018, Chase finalized an agreement with an unrelated party to sell all inventory, operational machinery and equipment and intangible assets of the Company's structural composites rod business, as well as a license related to the production and sale of rod, for proceeds of \$2,232,000, net of transaction costs and following certain working capital adjustments. This business, which was part of the structural composites product line within the Industrial Tapes segment, had limited growth and profitability prospects as part of the Company, and was outside the areas Chase has identified for strategic emphasis. The resulting pre-tax gain on sale of \$1,480,000 was recognized in the third quarter of fiscal 2018 as a gain on sale of businesses within the Consolidated Statement of Operations. Chase received \$2,075,000, net of transaction costs, in the third quarter of fiscal 2018, with the remaining \$157,000 received in the fourth quarter of fiscal 2018 as a result of a working capital true-up. Chase will provide certain transitional manufacturing and administrative support to the purchaser for which the Company will receive additional consideration upon the performance of services.

In relation to this transaction, the purchaser entered into a royalty agreement with the Company. The purchaser will make royalty payments to Chase based on future sales of certain structural composite material manufactured by the purchaser. Royalty revenue recognized in 2019 and 2018 related to this agreement was not material, and this royalty agreement was terminated in fiscal 2019.

### ***Other Income (Expense)***

Other expense was \$1,675,000 in fiscal 2020 compared to other expense of \$992,000 in fiscal 2019, an increase of \$683,000. Other income (expense) primarily includes 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, non-service cost components of periodic pension expense (including pension-related settlement costs due to the timing of lump-sum distributions), interest income, rental income and other non-trade/non-royalty/non-commission receipts. The increase in total other expense in fiscal 2020 compared to fiscal 2019 was largely due to the recognition of a larger foreign exchange loss in fiscal 2020 as compared to fiscal 2019.

Other expense was \$992,000 in fiscal 2019 compared to other expense of \$172,000 in fiscal 2018, an increase of \$820,000. The increase in total other expense in fiscal 2019 compared to fiscal 2018 was largely due to the recognition of \$511,000 in pension-related settlement costs in fiscal 2019, while no such expense was recognized in fiscal 2018.

## ***Income Taxes***

Our effective tax rate for fiscal 2020 was 24.6% as compared to 24.9% and 24.3% in fiscal 2019 and 2018, respectively.

The current and prior years' effective tax rates were most prominently affected by the passage of the Tax Cuts and Jobs Act (the "Tax Act") in December 2017 and discrete tax benefits related to stock-based compensation, recognized in relation to the Company's early adoption of ASU 2016-09 and described in more detail below. For fiscal 2020 and 2019, the Company utilized the new 21% Federal tax rate enacted by the Tax Act. During fiscal 2018, Chase utilized a blended rate of 25.7%, based on a combination of four months of operations under the old 35% corporate income tax rate, and eight months at the new 21% rate. Please see Note 7 — "Income Taxes" to the Consolidated Financial Statements for further discussion of the effects of the Tax Act.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, included a technical correction to the Tax Act which will allow accelerated deductions for qualified improvement property. The Company is currently evaluating the impact of the CARES Act, but at present does not expect that the qualified improvement property correction nor other provisions of the CARES Act would result in a material tax benefit to us in future periods. The CARES Act had no material effect on the effective tax rate for fiscal 2020.

The Company early adopted ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting", during the first fiscal quarter of 2017. During the fiscal years ended August 31, 2020, 2019 and 2018, the Company recognized excess tax benefits from stock-based compensation of \$149,000, \$157,000 and \$1,921,000, respectively, within income tax expense on the Consolidated Statements of Operations. The current year and prior year decrease in the benefit resulted from a decrease in certain stock option exercise activity in fiscal 2020 and 2019 as compared to fiscal 2018. The Company anticipates the potential for increased periodic volatility in future effective tax rates based on the continued application of ASU No. 2016-09.

## ***Net Income***

Net income increased \$1,446,000 or 4% to \$34,157,000 compared to \$32,711,000 in fiscal 2019. The increase in net income in fiscal 2020 was primarily due to: (a) a nonrecurring impairment of goodwill charge recognized in the prior year; (b) the gain on sale of the Pawtucket, RI and Randolph, MA locations; and (c) a lower pension expense. Partially offsetting this increase were: (a) acquisition-related costs; (b) a write-down of certain assets under construction; and (c) a larger foreign exchange loss in the current year.

Net income in fiscal 2019 decreased \$10,432,000 or 24% to \$32,711,000 compared to \$43,143,000 in fiscal 2018. The decrease in net income in 2019 was primarily due to: (a) a lower gross profit on sales; (b) a loss on impairment of goodwill; (c) increased amortization expense recognized in the current period and related to our December 2017 acquisition of Zappa Stewart; (d) nonrecurring gains on sales of both a business and a license in the prior year period; and (e) increased pension-related settlement costs due to the timing of lump-sum disbursements in fiscal 2019.

## Liquidity and Sources of Capital

Our cash balance increased \$51,297,000 to \$99,068,000 at August 31, 2020 from \$47,771,000 at August 31, 2019. The increased cash balance was primarily attributable to cash from operations of \$55,734,000, partially offset by a cash dividend payment of \$7,539,000. Of the above noted amounts, \$42,615,000 and \$17,235,000 were held outside the U.S. by Chase Corporation and our foreign subsidiaries as of August 31, 2020 and 2019, respectively. Given our cash position and borrowing capability in the United States and the potential for increased investment and acquisitions in foreign jurisdictions, prior to the second quarter of fiscal 2018, we did not have a history of repatriating a significant portion of our foreign cash. With the passage of the Tax Cuts and Jobs Act (the “Tax Act”) in the second fiscal quarter of 2018, significant changes in the Internal Revenue Code were enacted, changing the U.S. taxable nature of previously unrepatriated foreign earnings. Following the passage of the Tax Act, the Company repatriated \$10,499,000 in U.K. foreign earnings in fiscal 2018 and \$17,230,000 in fiscal 2019. No additional amounts were repatriated in fiscal year 2020. We do not currently take the position that undistributed foreign subsidiaries’ earnings are considered to be permanently reinvested. See Note 7 — “Income Taxes” to the Consolidated Financial Statements included in this Report for further discussion of the effects of the Tax Act.

Our cash balance increased \$12,943,000 to \$47,771,000 at August 31, 2019 from \$34,828,000 at August 31, 2018. The increased cash balance was primarily attributable to cash from operations of \$49,535,000, partially offset by: (a) \$25,000,000 in principal debt pay down on debt incurred to acquire Zappa Stewart in the prior year; and (b) a cash dividend payment of \$7,522,000.

Cash provided by operations was \$55,734,000 for the year ended August 31, 2020 compared to \$49,535,000 in fiscal 2019. Cash provided by operations during fiscal 2020 was primarily due to operating income and decreased levels of accounts receivable (resulting from lower sales) and inventory.

Cash provided by operations was \$49,535,000 for the year ended August 31, 2019 compared to \$46,071,000 in fiscal 2018. Cash provided by operations during fiscal 2019 was primarily due to operating income and decreased accounts receivable, which contracted on lower sales levels. Partially offsetting the overall increase of cash provided by operations were decreased payables.

The ratio of current assets to current liabilities was 7.7 as of August 31, 2020 compared to 6.0 as of August 31, 2019. The increase in our current ratio in fiscal 2020 was primarily attributable to increased cash and cash equivalents, primarily generated by cash flow from operations.

Cash provided by investing activities was \$2,077,000 for the year ended August 31, 2020 compared to \$2,166,000 in cash used in investing activities in fiscal 2019. During fiscal 2020, cash provided by investing activities was largely due to the net cash received for the sales of the Pawtucket, RI and Randolph, MA locations, partially offset by cash spent on capital purchases of machinery and equipment.

Cash used in investing activities was \$2,166,000 for the year ended August 31, 2019 compared to \$73,766,000 in fiscal 2018. During fiscal 2019, cash used in investing activities was primarily due to cash spent on capital purchases of machinery and equipment, partially offset by the final escrow payment received by the Company for our April 2017 sale of the fiber optic cable components business.

Cash used in financing activities was \$8,420,000 for the year ended August 31, 2020 compared to \$33,450,000 used in financing activities in fiscal 2019 and \$14,423,000 provided by financing activities in fiscal 2018. During fiscal 2019 and 2018, Chase repaid \$25,000,000 and \$40,000,000, respectively, on the \$65,000,000 it borrowed on its revolving debt facility to substantially fund its purchase of Zappa Stewart in fiscal 2018. Chase also paid annual dividends of \$7,539,000, \$7,522,000 and \$7,497,000 in 2020, 2019 and 2018, respectively.

On November 12, 2020, we announced a cash dividend of \$0.80 per share (totaling approximately \$7,556,000) to shareholders of record on November 27, 2020 and payable on December 7, 2020.

On November 13, 2019, we announced a cash dividend of \$0.80 per share (resulting in payment of \$7,539,000) to shareholders of record on November 26, 2019 and payable on December 4, 2019.

On November 13, 2018, we announced a cash dividend of \$0.80 per share (resulting in payment of \$7,522,000) to shareholders of record on November 23, 2018 and payable on December 5, 2018.

On December 15, 2016, we entered an Amended and Restated Credit Agreement (the “Credit Agreement”) with Bank of America, acting as administrative agent, and with participation from Citizens Bank and JPMorgan Chase Bank (collectively with Bank of America, the “Lenders”). The Credit Agreement is initially an all-revolving credit facility with a borrowing capacity of \$150,000,000, which can be increased by an additional \$50,000,000 at the request of the Company and the individual or collective option of any of the Lenders. The Credit Agreement contains customary affirmative and negative covenants that, among other things, restrict our ability to incur additional indebtedness and require certain lender approval for acquisitions by us and our subsidiaries over a certain size. It also requires us to maintain certain financial ratios on a consolidated basis, including a consolidated net leverage ratio (as defined in the facility) of no more than 3.25 to 1.00, and a consolidated fixed charge coverage ratio (as defined in the facility) of at least 1.25 to 1.00. We were in compliance with our debt covenants as of August 31, 2020 and 2019. The applicable interest rate for the Credit Agreement is based on the effective LIBOR plus an additional amount in the range of 1.00% to 1.75%, depending on our consolidated net leverage ratio or, at our option, at the bank’s base lending rate. At both August 31, 2020 and 2019, there was no outstanding principal balance, and as such, no applicable interest rate. The Credit Agreement was used to refinance our previously existing credit facility, which consisted of a \$70,000,000 five-year term loan entered into in June 2012 in connection with our acquisition of NEPTCO, together with a \$15,000,000 revolving line of credit, each bearing interest at LIBOR plus an additional amount in the range of 1.75% to 2.25%, depending on our leverage ratio. The Credit Agreement also provides for additional liquidity to finance potential acquisitions, working capital, capital expenditures, and other general corporate purposes.

The Company has several ongoing capital projects, as well as its facility rationalization and consolidation initiative, which are important to its long-term strategic goals. Machinery and equipment may be added as needed to increase capacity or enhance operating efficiencies in the Company’s production facilities.

During the third fiscal quarter of 2020, Company implemented changes in its cost structure designed to address market changes brought on, in part, by COVID-19. These changes included a targeted reduction of approximately 4.5% of the Company’s global workforce. During fiscal 2019, the Company announced it had begun moving the production of its pulling and detection products from its Granite Falls, NC location to its Hickory, NC location, with completion of the move occurring in the first half of fiscal 2020. During fiscal 2018, the Company announced the planned closing of its Pawtucket, RI manufacturing facility effective August 31, 2018. The manufacturing of products previously produced in the Pawtucket, RI facility was moved to Company facilities in Oxford, MA and Lenoir, NC, and the facility was subsequently sold in fiscal 2020. During the fourth quarter of fiscal 2019, the Company commissioned engineering studies to assess potential future operational changes and further plant rationalization and consolidation. These actions are in line with the Company’s ongoing efforts to consolidate its manufacturing plants and streamline its processes. A total of all potential future costs arising from any further plant rationalization and consolidation cannot be estimated at this time.

We may acquire companies or other assets in future periods which are complementary to our business. We believe that our existing resources, including cash on hand and the Credit Agreement, 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 assurance that additional financing, if needed, 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 material off-balance sheet arrangements.

## Contractual Obligations

The following table summarizes our contractual cash obligations at August 31, 2020 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (dollars in thousands):

Contractual Obligations	Total	Payments Due				
		2021	2022	2023	2024	2025 and thereafter
Operating leases	\$ 8,978	\$ 2,085	\$ 1,500	\$ 1,346	\$ 1,360	\$ 2,687
<b>Total</b> <sup>(1) (2) (3)</sup>	<u>\$ 8,978</u>	<u>\$ 2,085</u>	<u>\$ 1,500</u>	<u>\$ 1,346</u>	<u>\$ 1,360</u>	<u>\$ 2,687</u>

- (1) We may be required to make payments related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with these unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of \$1,941,000 as of August 31, 2020 have been excluded from the contractual obligations table above. See Note 7 — “Income Taxes” to the Consolidated Financial Statements for further information.
- (2) This table does not include the expected payments for our obligations for pension and other post-retirement benefit plans. As of August 31, 2020, we had recognized an accrued benefit plan liability of \$12,495,000 representing the unfunded obligations of the pension benefit plans. See Note 9 — “Benefits and Pension Plans” to the Consolidated Financial Statements for further information, including expected pension benefit payments for the next 10 years.
- (3) Purchase orders or contracts for normal purchases of raw materials and other goods and services are not included in the table above. The Company does not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed expected requirements or extend beyond one year.

## Recently Issued Accounting Standards

For discussion of the newly issued accounting pronouncements see “Recently Issued Accounting Standards” and “Recently Adopted Accounting Standards” in Note 1 — “Summary of Significant Accounting Policies” to the Consolidated Financial Statements included in this Report.

## **Critical Accounting Policies, Judgments, and Estimates**

The U.S. Securities and Exchange Commission (“SEC”) requires companies to provide additional disclosure and commentary on their most critical accounting policies. The SEC has defined the most critical accounting policies as the ones that are most important to the portrayal of a company’s financial condition and operating results, and require management to make its most significant estimates and judgments in the preparation of its Consolidated Financial Statements. Our critical accounting policies are described below.

### *Accounts Receivable*

We evaluate the collectability of accounts receivable balances based on a combination of factors. In cases where we are aware of circumstances that may impair a specific customer’s ability to meet its financial obligations to us, a specific allowance against amounts due to us is recorded, and thereby reduces the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due, industry and geographic concentrations, the current business environment and our historical experience. If the financial condition of our customers deteriorates or if economic conditions worsen, additional allowances may be required in the future, which could have an adverse impact on our future operating results.

### *Inventory*

We value inventory at the lower of cost or net realizable value using the first in, first out (FIFO) method. Management assesses the recoverability of inventory based on types and levels of inventory held, forecasted demand and changes in technology. These assessments require management judgments and estimates, and valuation adjustments for excess and obsolete inventory may be recorded based on these assessments. We estimate excess and obsolescence exposures based upon assumptions about future demand, product transitions, and market conditions, and record adjustments to reduce inventories to their estimated net realizable value. The failure to accurately forecast demand may lead to additional excess and obsolete inventory and future charges.

### *Business Combinations*

We assign the value of the consideration transferred to acquire a business to the tangible assets and identifiable intangible assets acquired, and liabilities assumed on the basis of their fair values at the date of acquisition. We assess the fair value of assets, including intangible assets, using a variety of methods, and each asset is measured at fair value from the perspective of a market participant. The method used to estimate the fair values of intangible assets incorporates significant assumptions regarding the estimates a market participant would make in order to evaluate an asset, including a market participant’s use of the asset and the appropriate discount rates for a market participant. Assets recorded from the perspective of a market participant that are determined to not have economic use for us are expensed immediately. Any excess purchase price over the fair value of the net tangible and intangible assets acquired is allocated to goodwill. Transaction costs and restructuring costs associated with a transaction to acquire a business are expensed as incurred.



### *Goodwill, Intangible Assets, and Other Long-Lived Assets*

Long-lived assets consist of goodwill, identifiable intangible assets, trademarks, and patents and property, plant, and equipment. Intangible assets and property, plant, and equipment, excluding goodwill, are amortized over their estimated useful life. We review long-lived assets and all intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

Goodwill is also reviewed at least annually for impairment. We perform our annual goodwill impairment assessment during the fourth fiscal quarter of each year. In fiscal 2017, we early adopted Accounting Standards Update (“ASU”) No. 2017-04 “Intangibles — Goodwill and Other Topics (Topic 350): Simplifying the Test for Goodwill Impairment.” When evaluating the potential impairment of goodwill, we first assess a range of qualitative factors, including but not limited to, industry conditions, the competitive environment, changes in the market for our products and services, entity-specific factors such as strategy and changes in key personnel, and the overall financial performance for each of our reporting units relative to historical or projected future operating results. If after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then assess goodwill for impairment by comparing the fair value of the reporting unit to its carrying amount. If the fair value of a reporting unit is less than its carrying value, an impairment loss, limited to the amount of goodwill allocated to that reporting unit, is recorded. Fair values for reporting units are determined based on the income approach (discounted cash flow method).

### *Revenue*

Effective September 1, 2018 (fiscal 2019), the Company adopted accounting standard ASU No. 2014-09, “Revenue from Contracts with Customers” (ASC 606) using the modified retrospective method for contracts that were not completed as of August 31, 2018. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings, whereby the cumulative impact of all prior periods is recorded in retained earnings or other impacted balance sheet line items upon adoption. The comparative information (for all periods prior to September 1, 2018) has not been adjusted and continues to be reported under ASU No. 2009-13 “Revenue Recognition” (ASC 605). The impact on the Company’s consolidated balance sheet and statements of operations, equity and cash flows as of the adoption date as a result of applying ASC 606 have been reflected within those respective financial statements. The Company’s accounting policy has been updated to align with ASC 606.

The adoption of ASC 606 represents a change in accounting principle that provides enhanced revenue recognition disclosures. The Company accounts for revenue from contracts with customers when: (a) there is approval and commitment from both parties; (b) the rights of the parties are identified; (c) payment terms are identified; (d) the contract has commercial substance; and (e) collectability of consideration is probable. Revenue is primarily derived from customer purchase orders, master sales agreements, and negotiated contracts, all of which represent contracts with customers. See Note 26 to the Consolidated Financial Statements included in this Report for more information on our accounting for revenue.

### *Uncertain Tax Positions*

We are subject to routine income tax audits that occur periodically in the normal course of business. Our contingent income tax liabilities are estimated based on the methodology prescribed in the guidance for accounting for uncertain tax positions. The guidance prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Our liabilities related to uncertain tax positions require an assessment of the probability of the income tax-related exposures and settlements. Our assessment is based on our historical audit experiences with various state and federal taxing authorities, as well as by current income tax trends. If circumstances change, we may be required to record adjustments that could be material to our reported financial condition and results of operations. See Note 7 to the Consolidated Financial Statements included in this Report for more information on our accounting for uncertain tax positions.

### *Deferred Income Taxes*

We evaluate the need for a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

### *Stock-Based Compensation*

We measure compensation cost for share-based compensation at fair value and recognize the expense over the period that the recipient is required to provide service in exchange for the award, which generally is the vesting period. We use the Black-Scholes option pricing model to measure the fair value of stock options. This model requires significant estimates related to the award's expected life and future stock price volatility of the underlying equity security. Since we early adopted ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting," in fiscal 2017, we have elected to account for forfeitures as they occur.

### *Pension Benefits*

We sponsor a non-contributory defined benefit pension plan covering employees of certain divisions of the Company. In calculating our retirement plan obligations and related expense, we make various assumptions and estimates. These assumptions include discount rates, benefits earned, expected return on plan assets, mortality rates, and other factors. While we believe that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our pension obligations and future expense.

Effective December 1, 2008, the Chase defined benefit pension plan was amended to include a "soft freeze" whereby any employee hired after the effective date of December 1, 2008 will not be admitted to the plan. The only exception related to employees who are members of the International Association of Machinists and Aerospace Workers Union whose contract was amended to include a soft freeze whereby any employees hired after the effective date of July 15, 2012 will not be admitted to the plan. All eligible participants who were previously admitted to the plan prior to the applicable soft freeze dates will continue to accrue benefits as detailed in the plan agreements.

Through our wholly-owned subsidiary NEPTCO, we had another defined benefit pension plan which covered substantially all of our union employees at our Pawtucket, RI plant. This plan was frozen effective October 31, 2006, and as a result, no new participants could enter the plan and the benefits of current participants were frozen as of that date. The benefits were based on years of service and the employee's average compensation during the earlier of five years before retirement, or October 31, 2006. In August 2019, the Board of Directors voted to terminate the NEPTCO defined benefit plan. The Company established November 15, 2019 as the plan termination date, subsequent to which it performed the administrative actions required to carry out the termination, inclusive of making full payouts to (or setting up annuities for) all participants. No balance related to the NEPTCO defined benefit plan was carried on the Company's consolidated balance sheet as of August 31, 2020.

We account for our pension plans following the requirements of ASC Topic 715, "Compensation – Retirement Benefits" ("ASC 715"). ASC 715 requires an employer to: (a) recognize in its statement of financial position the funded status of a benefit plan; (b) measure defined benefit plan assets and obligations as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise but are not recognized as components of net periodic benefit costs pursuant to prior existing guidance.

### **Impact of Inflation**

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

## ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We limit the amount of credit exposure to any one issuer. At August 31, 2020, 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 and Asian 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 not denominated in U.S. dollars. The effect of an immediate hypothetical 10% change in the exchange rate between the British pound or euro and the U.S. dollar would not have a material effect on the Company's overall liquidity. As of August 31, 2020, the Company had cash balances in the following foreign currencies (with USD equivalents in thousands):

<u>Currency Code</u>	<u>Currency Name</u>	<u>USD Equivalent at August 31, 2020</u>
EUR	Euro	\$ 25,926
GBP	British Pound	\$ 11,408
CAD	Canadian Dollar	\$ 1,450
INR	Indian Rupee	\$ 355
CNY	Chinese Yuan	\$ 350

The Company will continue to review its current cash balances denominated in foreign currency considering current tax guidelines, including the impact of the Tax Act to the U.S. Internal Revenue Code, working capital requirements, infrastructure improvements and potential acquisitions. The increased euro denominated balance at August 31, 2020 was done in preparation of the September 1, 2020 (fiscal 2021) purchase of ABchimie. See Note 1 — “Summary of Significant Accounting Policies” and Note 14 — “Acquisitions” to the Consolidated Financial Statements for additional information regarding our fiscal 2021 purchase of ABchimie.

The Company recognized a foreign currency translation gain for the year ended August 31, 2020 in the amount of \$3,163,000 related to our European and Indian operations, which is recorded in accumulated other comprehensive income (loss) within our consolidated statement of equity. The functional currency for all our other operations is the U.S. Dollar. 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. There was no outstanding balance of long-term debt at August 31, 2020 and 2019. See “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Sources of Capital,” Note 6 — “Long-Term Debt” and Note 16 — “Fair Value Measurements” to the Consolidated Financial Statements for additional information regarding our outstanding long-term debt. The effect of an immediate hypothetical 10% change in variable interest rates would not have a material effect on our Consolidated Financial Statements.

## ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Chase Corporation

### Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Chase Corporation (a Massachusetts corporation) and subsidiaries (the “Company”) as of August 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the two years in the period ended August 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended August 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of August 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated November 12, 2020 expressed an unqualified opinion.

### Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2019.

Boston, Massachusetts  
November 12, 2020

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Chase Corporation

### **Opinion on the Financial Statements**

We have audited the consolidated statements of operations, of comprehensive income, of equity and of cash flows of Chase Corporation and its subsidiaries (the “Company”) for the year ended August 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended August 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Boston, Massachusetts

November 27, 2018, except for the change in composition of reportable segments discussed in Note 11 to the consolidated financial statements, as to which the date is November 13, 2019

We served as the Company's auditor from 2003 to 2018.

**CHASE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

*In thousands, except share and per share amounts*

	August 31, 2020	August 31, 2019
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 99,068	\$ 47,771
Accounts receivable, less allowance for doubtful accounts of \$438 and \$739	36,993	39,324
Inventory	39,058	42,354
Prepaid expenses and other current assets	2,470	2,418
Assets held for sale	—	1,064
Prepaid income taxes	231	1,451
Total current assets	177,820	134,382
Property, plant and equipment, less accumulated depreciation of \$52,283 and \$49,730	25,574	29,326
Other Assets		
Goodwill	82,402	81,986
Intangible assets, less accumulated amortization of \$78,351 and \$65,862	41,200	52,704
Cash surrender value of life insurance	4,450	4,450
Restricted investments	1,619	1,260
Deferred income taxes	4,929	3,804
Operating lease right-of-use asset (Note 8)	8,821	—
Other assets	15	56
Total assets	\$ 346,830	\$ 307,968
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 12,525	\$ 12,105
Accrued payroll and other compensation	5,751	6,300
Accrued expenses	4,867	4,035
Total current liabilities	23,143	22,440
Operating lease long-term liabilities (Note 8)	6,395	—
Deferred compensation	1,629	1,275
Accumulated pension obligation	10,930	10,485
Other liabilities	—	217
Accrued income taxes	1,941	2,324
Commitments and contingencies (Notes 6, 8, 21)		
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; 9,439,082 shares at August 31, 2020 and 9,400,748 shares at August 31, 2019 issued and outstanding	944	940
Additional paid-in capital	16,674	14,351
Accumulated other comprehensive loss	(13,092)	(14,324)
Retained earnings	298,266	270,260
Total equity	302,792	271,227
Total liabilities and equity	\$ 346,830	\$ 307,968

See accompanying notes to the Consolidated Financial Statements.



**CHASE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

*In thousands, except share and per share amounts*

	Years Ended August 31,		
	2020	2019	2018
<b>Revenue</b>			
Sales	\$ 257,742	\$ 276,839	\$ 278,962
Royalties and commissions	3,420	4,512	5,226
	<u>261,162</u>	<u>281,351</u>	<u>284,188</u>
<b>Costs and Expenses</b>			
Cost of products and services sold	161,615	180,163	175,136
Selling, general and administrative expenses	49,364	48,707	47,703
Research and product development costs	4,007	4,021	3,940
Operations optimization costs (Note 20)	807	986	1,272
Acquisition-related costs (Note 14)	274	—	393
Gain on sale of real estate (Note 19)	(2,551)	—	—
Write-down of certain assets under construction (Note 20)	405	—	—
Loss on impairment of goodwill (Note 4)	—	2,410	—
	<u>47,241</u>	<u>45,064</u>	<u>55,744</u>
Operating income	47,241	45,064	55,744
<b>Interest expense</b>			
Interest expense	(246)	(519)	(1,172)
Gain on sale of license (Note 15)	—	—	1,085
Gain on sale of businesses (Note 18)	—	—	1,480
Other income (expense)	(1,675)	(992)	(172)
	<u>45,320</u>	<u>43,553</u>	<u>56,965</u>
Income before income taxes	45,320	43,553	56,965
Income taxes (Note 7)	11,163	10,842	13,822
	<u>34,157</u>	<u>32,711</u>	<u>43,143</u>
Net income	\$ 34,157	\$ 32,711	\$ 43,143
<b>Net income available to common shareholders, per common and common equivalent share (Note 17)</b>			
Basic	\$ 3.62	\$ 3.48	\$ 4.60
Diluted	\$ 3.59	\$ 3.46	\$ 4.56
<b>Weighted average shares outstanding</b>			
Basic	9,359,940	9,334,232	9,296,648
Diluted	9,439,750	9,379,207	9,366,071
Annual cash dividends declared per share	\$ 0.80	\$ 0.80	\$ 0.80

See accompanying notes to the Consolidated Financial Statements.

**CHASE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*In thousands, except share and per share amounts*

	<b>Years Ended August 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net income	\$ 34,157	\$ 32,711	\$ 43,143
Other comprehensive income (loss):			
Net unrealized gain on restricted investments, net of tax	115	28	5
Change in funded status of pension plans, net of tax	(658)	(475)	385
Foreign currency translation adjustment	3,163	(1,541)	743
Total other comprehensive income (loss)	2,620	(1,988)	1,133
Comprehensive income	<u>\$ 36,777</u>	<u>\$ 30,723</u>	<u>\$ 44,276</u>

See accompanying notes to the Consolidated Financial Statements.

**CHASE CORPORATION**  
**CONSOLIDATED STATEMENTS OF EQUITY**

*In thousands, except share and per share amounts*

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
Balance at August 31, 2017	9,354,136	\$ 935	\$ 14,060	\$ (13,469)	\$ 209,403	\$ 210,929
Restricted stock grants, net of forfeitures	16,701	2	(2)			1,669
Amortization of restricted stock grants			1,669			459
Exercise of stock options	64,012	6	1,214			1,220
Common stock received for payment of stock option exercises	(9,693)	(1)	(1,027)			(1,028)
Common stock retained to pay statutory minimum withholding taxes on common stock	(28,209)	(3)	(3,269)			(3,272)
Cash dividend paid, \$0.80 per share					(7,497)	(7,497)
Change in funded status of pension plans, net of tax \$130				385		385
Foreign currency translation adjustment				743		743
Net unrealized gain on restricted investments, net of tax \$2				5		5
Net income				(12,336)	43,143	43,143
Balance at August 31, 2018	9,396,947	\$ 939	\$ 13,104	\$ (12,336)	\$ 245,049	\$ 246,756
Restricted stock grants, net of forfeitures	8,818	1	(1)			—
Amortization of restricted stock grants			1,673			1,673
Exercise of stock options	7,022	1	300			503
Common stock received for payment of stock option exercises	(954)	—	(119)			(119)
Common stock retained to pay statutory minimum withholding taxes on common stock	(11,085)	(1)	(1,109)			(1,110)
Cash dividend paid, \$0.80 per share					(7,522)	(7,522)
Change in funded status of pension plans, net of tax \$218				(475)		(475)
Foreign currency translation adjustment				(1,541)		(1,541)
Net unrealized gain on restricted investments, net of tax (\$5)				28		28
Adoption of ASC 606 (Note 26)					22	22
Net income				32,711	32,711	32,711
Balance at August 31, 2019	9,400,748	\$ 940	\$ 14,351	\$ (14,324)	\$ 270,260	\$ 271,227
Restricted stock grants, net of forfeitures	45,621	5	(5)			—
Amortization of restricted stock grants			2,290			2,290
Exercise of stock options	3,618	—	123			123
Common stock received for payment of stock option exercises	(1,057)	—	(123)			(123)
Common stock retained to pay statutory minimum withholding taxes on common stock	(9,848)	(1)	(880)			(881)
Cash dividend on common stock, \$0.80 per share					(7,539)	(7,539)
Change in funded status of pension plans, net of tax (\$215)				(658)		(658)
Foreign currency translation adjustment				3,163		3,163
Net unrealized gain (loss) on restricted investments, net of tax \$40				115		115
Adoption of ASU 2018-02 (Note 1)				(1,388)	1,388	—
Net income				(13,092)	34,157	34,157
Balance at August 31, 2020	9,439,082	\$ 944	\$ 16,674	\$ (13,092)	\$ 298,266	\$ 302,792

See accompanying notes to the Consolidated Financial Statements.

**CHASE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*In thousands*

	Years Ended August 31,		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 34,157	\$ 32,711	\$ 43,143
Adjustments to reconcile net income to net cash provided by operating activities			
Gain on sale of real estate	(2,551)	—	—
Gain on sale of license	—	—	(1,085)
Loss on impairment of goodwill	—	2,410	—
Write-down of certain assets under construction	405	—	—
Gain on sale of businesses	—	—	(1,480)
Depreciation	4,015	4,762	5,817
Amortization	11,576	12,445	11,807
Cost of sale of inventory step-up	—	—	1,070
(Recovery) provision for allowance for doubtful accounts	(307)	183	101
Stock-based compensation	3,208	2,176	2,128
Realized gain on restricted investments	(37)	(11)	(97)
Pension curtailment and settlement loss	155	511	—
Deferred taxes	(769)	(2,312)	(2,473)
Increase (decrease) from changes in assets and liabilities			
Accounts receivable	3,092	4,858	(2,968)
Inventory	3,562	(2,864)	(8,845)
Prepaid expenses and other assets	43	356	569
Accounts payable	260	(5,493)	2,847
Accrued compensation and other expenses	(1,865)	(1,536)	(501)
Accrued income taxes	790	1,339	(3,962)
Net cash provided by operating activities	<u>55,734</u>	<u>49,535</u>	<u>46,071</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(1,371)	(2,488)	(3,488)
Cost to acquire intangible assets	—	(36)	(18)
Payments for acquisitions	—	—	(73,469)
Proceeds from sale of real estate	3,615	—	—
Proceeds from sale of license	—	—	1,000
Proceeds from sale of businesses	—	400	2,232
Changes in restricted investments	(167)	(122)	(23)
Proceeds from settlement of life insurance policies	—	80	—
Net cash provided by (used in) investing activities	<u>2,077</u>	<u>(2,166)</u>	<u>(73,766)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings on debt	—	—	65,000
Payments of principal on debt	—	(25,000)	(40,000)
Dividend paid	(7,539)	(7,522)	(7,497)
Proceeds from exercise of common stock options	—	182	192
Payments of taxes on stock options and restricted stock	(881)	(1,110)	(3,272)
Net cash (used in) provided by financing activities	<u>(8,420)</u>	<u>(33,450)</u>	<u>14,423</u>
<b>INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>49,391</b>	<b>13,919</b>	<b>(13,272)</b>
Effect of foreign exchange rates on cash	1,906	(976)	746
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>47,771</b>	<b>34,828</b>	<b>47,354</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b><u>\$ 99,068</u></b>	<b><u>\$ 47,771</u></b>	<b><u>\$ 34,828</u></b>

See Note 13 for supplemental cash flow information including non-cash financing and investing activities  
See accompanying notes to the Consolidated Financial Statements.

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*In thousands, except share and per share amounts*

**Note 1—Summary of Significant Accounting Policies**

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

***Products and Markets***

Our principal products are specialty tapes, laminates, adhesives, sealants, coatings and chemical intermediates that are sold by our salespeople, manufacturers' representatives and distributors. In our Adhesives, Sealants and Additives segment, these products consist of:

- (i) moisture protective coatings, which are sold to the electronics industry for circuitry manufacturing, including circuitry used in automobiles, industrial controls and home appliances;
- (ii) advanced adhesives, sealants, and coatings for automotive and industrial applications that require specialized bonding, encapsulating, environmental protection, or thermal management functionality;
- (iii) polymeric microspheres utilized by various industries to allow for weight and density reduction and sound dampening;
- (iv) polyurethane dispersions utilized for various coating products; and
- (v) superabsorbent polymers, which are utilized for water and liquid management, remediation and protection in diverse markets including wire and cable, medical, environmental, infrastructure, energy and consumer products.

In our Industrial Tapes segment, these products consist of:

- (i) insulating and conducting materials for the manufacture of electrical and telephone wire and cable, electrical splicing, and terminating and repair tapes, which are marketed to wire and cable manufacturers;
- (ii) laminated film foils, including EMI/RFI shielding tapes, used in communication and local area network (LAN) cable;
- (iii) industrial coated or laminate products and custom manufacturing services sold into medical, consumer, automotive, packaging, energy, telecommunications and other specialized markets;
- (iv) laminated durable papers, including laminated paper with an inner security barrier used in personal and mail-stream privacy protection, which are sold primarily to the envelope converting and commercial printing industries;
- (v) pulling and detection tapes used in the installation, measurement and location of fiber optic cable, water and natural gas lines, and power, data and video cable for commercial buildings; and
- (vi) cover tapes with reliable adhesive and anti-static properties essential to delivering semiconductor components via tape and reel packaging.

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*In thousands, except share and per share amounts*

In our Corrosion Protection and Waterproofing segment, these products consist of:

- (i) protective coatings, tapes and protectants for pipelines, valves, casings and other metals, which are sold to oil companies, gas companies and water/wastewater utilities for use in both the construction and maintenance of oil, gas, water and wastewater pipelines;
- (ii) fluid applied coating and lining systems for use in the water and wastewater industry;
- (iii) waterproofing tapes and coatings used in waterproofing of the exterior of both commercial and industrial structures;
- (iv) waterproofing membranes for highway bridge deck metal supported surfaces, which are sold to municipal transportation authorities, and high-performance polymeric asphalt additives; and
- (v) expansion and control joint systems designed for roads, bridges, stadiums and airport runways.

***Basis of Presentation***

The financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company uses the U.S. dollar as the functional currency for financial reporting. Certain reclassifications have been made to the prior year amounts to conform to the current year's presentation.

***Other Business Developments***

On September 1, 2020 (subsequent to fiscal 2020), the Company acquired all the capital stock of ABchimie for €18,000 (approximately \$21,420 at the time of the transaction) net of cash and marketable securities acquired, subject to final working capital adjustment, excluding acquisition-related costs of \$274 and with a potential earn out based on performance potentially worth an additional €7,000 (approximately \$8,330 at the time of the transaction). ABchimie is a Corbelin, France headquartered solutions provider for the cleaning and the protection of electronic assemblies, with further formulation, production, and research and development capabilities. The transaction was funded 100% with cash on hand. The financial results of the business will be included in the Company's fiscal 2021 financial statements within the Adhesives, Sealants and Additives operating segment in the electronic and industrial coatings product line. The Company is currently in the process of finalizing purchase accounting, regarding a final allocation of the purchase price to tangible and identifiable intangible assets assumed and anticipates completion within fiscal 2021. The ABchimie acquisition does not represent a significant business combination so pro forma financial information is not provided.

The second, third and fourth fiscal quarters of 2020 saw the global spread of the coronavirus pandemic (COVID-19), which grew to create significant volatility, uncertainty and global economic disruption. During the third fiscal quarter, the Company implemented changes to its cost structure designed to address market changes brought on by COVID-19 and demonstrate its commitment to fiscal prudence: (a) the Company made a targeted reduction in its global workforce, contemplated pre-pandemic but catalyzed by COVID-19, which resulted in the recognition of \$183 in severance costs during the period; and (b) the Company also instituted a temporary 20% reduction in the base salaries of its named executive officers and select members of senior management, as well as the cash compensation of the non-employee members of its Board of Directors. The reduction in force, which impacted operations in the Company's U.S. facilities, and the adjustments in compensation, were both effective May 2020.

During the first quarter of fiscal 2020, the Company commissioned third party led studies regarding the potential upgrading of the Company's current worldwide ERP system. Chase Corporation is currently reviewing the data and recommendations provided by the study and may further utilize third-party engineering, IT and other professional

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*In thousands, except share and per share amounts*

services firms in the future for similar work, as well as work around the facilities rationalization and consolidation initiative. The Company recognized \$150 in expense related to these services in the first quarter of fiscal 2020, with no expense recognized in the second, third or fourth fiscal quarters. Given the ongoing nature of the review, an estimate of future costs, including those that may be capitalized, cannot currently be determined.

During the third quarter of fiscal 2019, the Company began moving the pulling and detection operations housed in its Granite Falls, NC location to its Hickory, NC facility. This is in line with the Company's ongoing initiative to consolidate its manufacturing plants and streamline its existing processes. At the time, the pulling and detection operations were the only Chase-owned production operations in Granite Falls, NC, with the remaining portions of the building being either utilized for research and development or leased to a third party. The process of moving, including moving internal research and development capabilities, was substantially completed during the second quarter of fiscal 2020. The Company recognized \$559 in expense related to the move in the six-month periods ended February 29, 2020, having recognized \$526 in expense during the second half of fiscal 2019. No costs were recognized in the six months ended August 31, 2020, and future costs related to this move are not anticipated to be significant to the consolidated financial statements.

During the fourth quarter of fiscal 2019 (prior year), Chase Corporation commissioned engineering studies of certain legacy operations, machinery and locations related to the Company's ongoing facility rationalization and consolidation initiative. Chase completed its review of the data and recommendations provided by the study in the fourth quarter of fiscal 2020 (current year). The Company recognized \$200 in expense related to these services in fiscal 2019, and a gain of \$170 in fiscal 2020, as certain amounts expensed in fiscal 2019 were refunded. Also in the fourth quarter of fiscal 2020 and related to the recommendations of the commissioned engineering studies, the Company wrote down the value of certain non-operating production assets related to the pipeline coatings product line, within the Corrosion Protection and Waterproofing segment. Given the nature and prospects of the equipment, the Company determined its then carrying value exceeded its fair value and recognized an expense of \$405 related to the machinery. Chase may utilize third party engineering, IT and other professional services firms in the future for similar optimization-related work. Given the ongoing nature of the facility rationalization and consolidation initiative, an estimate of future costs cannot currently be determined.

On June 25, 2018, the Company announced to its employees the planned closing of its Pawtucket, RI manufacturing facility effective August 31, 2018. This is in line with the Company's ongoing efforts to consolidate its manufacturing plants and streamline its existing processes. The manufacture of products previously produced in the Pawtucket, RI facility was substantially moved to Company facilities in Oxford, MA and Lenoir, NC during a two-month transition period. In the fourth quarter of fiscal 2018, the Company expensed \$1,272 related to the closure. The Company also recognized \$260 in expense related to the move in the three-month period ended November 30, 2018, with no additional expense recognized in the remainder of fiscal 2019. The Company completed the sale of its Pawtucket, RI location to a third party in the third quarter of fiscal 2020 for net proceeds totaling \$1,810, recognizing a gain on sale of real estate of \$760. Also, during the third quarter of fiscal 2020, the Company recognized \$85 in final Pawtucket, RI transition and exit costs, with no further costs related to this initiative anticipated in future periods.

On April 20, 2018, Chase Corporation finalized an agreement with an unrelated party to sell all inventory, operational machinery and equipment and intangible assets of the Company's structural composites rod business, as well as a license related to the production and sale of rod, for proceeds of \$2,232, net of transaction costs and following certain working capital adjustments. This business, which was part of the structural composites product line within the Industrial Tapes segment, had limited growth and profitability prospects as part of the Company, and was outside the areas Chase has identified for strategic emphasis. The resulting pre-tax gain on sale of \$1,480 was recognized in the third quarter of fiscal 2018 as a gain on sale of businesses within the consolidated statement of operations. Chase received \$2,075, net of transaction costs, in the third quarter of fiscal 2018, with the remaining \$157 received in the fourth quarter of fiscal 2018 as a result of a working capital true-up. Chase Corporation will provide certain transitional manufacturing



**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*In thousands, except share and per share amounts*

and administrative support to the purchaser for which the Company will receive additional consideration upon the performance of services.

On December 29, 2017, Chase Corporation entered an agreement to acquire Stewart Superabsorbents, LLC (“SSA, LLC”), an advanced superabsorbent polymer (SAP) formulator and solutions provider, with operations located in Hickory and McLeansville, NC. The transaction closed on December 31, 2017. In its final fiscal year before its acquisition, SSA, LLC, and its then recently-acquired Zappa-Tec business (collectively “Zappa Stewart”) had combined revenue in excess of \$24,000. This acquisition proved to be immediately accretive to the Company’s earnings in the period of acquisition, after adjusting for nonrecurring costs associated with the transaction and financing. The business was acquired for a purchase price of \$73,469 after final working capital adjustments and excluding acquisition-related costs. As part of this transaction, Chase Corporation acquired all assets of the business, and entered multiyear leases at both locations. The Company expensed \$393 of acquisition-related costs during the second quarter of fiscal 2018. The purchase was funded from a combination of Chase’s existing revolving credit facility and available cash on hand. Zappa Stewart’s protective materials technology complements Chase’s current specialty chemicals offerings. This acquisition is aligned with the Company’s core strategies and extends its reach into growing medical, environmental and consumer applications. The Company finalized purchase accounting in the first quarter of fiscal 2019, without any adjustment to amounts recorded at August 31, 2018. Following the effective date of the acquisition the financial results of Zappa Stewart’s operations have been included in the Company’s financial statements in the specialty chemical intermediates product line, contained within the Adhesives, Sealants and Additives operating segment.

The Company has evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, and other than: (a) the cash dividend announced on November 12, 2020 of \$0.80 per share to shareholders of record on November 27, 2020 and payable on December 7, 2020; and (b) the acquisition of ABchimie discussed in Note 14, the Company is not aware of any other events or transactions that occurred subsequent to the balance sheet date, but prior to filing, that would require recognition or disclosure in its consolidated financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

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

***Accounts Receivable***

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

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*In thousands, except share and per share amounts*

***Inventory***

The Company values inventory at the lower of cost or net realizable value using the first in, first out (FIFO) method. Management assesses the recoverability of inventory based on types and levels of inventory held, forecasted demand and changes in technology. These assessments require management judgments and estimates, and valuation adjustments for excess and obsolete inventory may be recorded based on these assessments. The Company estimates excess and obsolescence exposures based upon assumptions about future demand, product transitions and market conditions, and records adjustments to reduce inventories to their estimated net realizable value. The failure to accurately forecast demand may lead to additional excess and obsolete inventory and future charges.

***Goodwill***

The Company accounts for goodwill in accordance with ASC Topic 350, “Intangibles — Goodwill and Other.” The Company performs impairment reviews annually each fourth quarter and whenever events or circumstances indicate the carrying value of goodwill may not be recoverable.

During the three-month period ended February 28, 2019, the ordering patterns of the polyurethane dispersions reporting unit’s customers, especially those in the automotive industry, combined with a decrease in the reporting unit’s backlog of customer orders believed to be firm as of February 28, 2019, indicated that an impairment in the carrying value of the reporting unit might have occurred. The Company performed an impairment test on the indefinite-lived and long-lived assets related to the polyurethane dispersions reporting unit, now part of the Adhesives, Sealants and Additives operating segment and reporting unit (part of the former Industrial Materials segment during the second fiscal quarter of 2019), in accordance with ASC Topic 350, “Intangibles — Goodwill and Other” and ASC Topic 360, “Disclosure — Impairment or Disposal of Long-Lived Assets.” As a result of impairment testing, which included first testing long-lived assets other than goodwill for impairment under applicable guidance, the Company recorded a charge of \$2,410 to loss on impairment of goodwill within the consolidated statement of operations during the quarter ended February 28, 2019. The polyurethane dispersions reporting unit’s fair value was determined based on the income approach (discounted cash flow method).

In fiscal 2017, we early adopted Accounting Standards Update (“ASU”) No. 2017-04 “Intangibles — Goodwill and Other Topics (Topic 350): Simplifying the Test for Goodwill Impairment.” When evaluating the potential impairment of goodwill, we first assess a range of qualitative factors, including but not limited to, industry conditions, the competitive environment, changes in the market for our products and services, entity-specific factors such as strategy and changes in key personnel, and the overall financial performance for each of our reporting units relative to historical or projected future operating results. If after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then assess goodwill for impairment by comparing the fair value of the reporting unit to its carrying amount. If the fair value of a reporting unit is less than its carrying value, an impairment loss, limited to the amount of goodwill allocated to that reporting unit, is recorded. Fair values for reporting units are determined based on the income approach (discounted cash flow method).

For the annual fiscal 2020 fourth quarter review, no goodwill impairment, nor at-risk reporting units, was indicated as of August 31, 2020. For the annual fiscal 2020 goodwill impairment test, we performed a qualitative assessment of goodwill impairment and concluded that it was more likely than not that our reporting units' fair values exceeded their carrying values (i.e. indicated no impairment of goodwill). Accordingly, it was not necessary for us to perform the quantitative analysis.

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*In thousands, except share and per share amounts*

***Intangible Assets***

Intangible assets consist of patents, formulas, trade names, customer relationships and trademarks. The Company capitalizes costs related to patent applications and technology agreements. The costs of these assets are amortized over the lesser of the useful life of the asset or its statutory life. Capitalized costs are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

***Property, Plant and Equipment***

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

Buildings and improvements	15 to 40 years
Machinery and equipment	3 to 10 years

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

***Restricted Investments and Deferred Compensation***

The Company has a non-qualified deferred savings plan that covers its Board of Directors and a separate plan covering selected employees. Participants may elect to defer a portion of their compensation for payment in a future tax year. The plans are funded by trusteed assets that are restricted to the payment of deferred compensation or satisfaction of the Company's general creditors. The Company's restricted investments under the plans were \$1,619 and \$1,260 at August 31, 2020 and 2019, respectively, and corresponding deferred compensation liabilities were \$1,629 and \$1,275 at August 31, 2020 and 2019, respectively. The Company accounts for the restricted investments as available for sale by recording net unrealized gains or losses in other comprehensive income as a component of stockholders' equity.

***Revenue***

Effective September 1, 2018, the Company adopted accounting standard ASU No. 2014-09, "Revenue from Contracts with Customers" (ASC 606) using the modified retrospective method for contracts that were not completed as of August 31, 2018. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings, whereby the cumulative impact of all prior periods is recorded in retained earnings or other impacted balance sheet line items upon adoption. The comparative information (for all periods prior to September 1, 2018) has not been adjusted and continues to be reported under ASU No. 2009-13 "Revenue Recognition" (ASC 605). The impact on the Company's consolidated balance sheets, and statements of operations, equity or cash flows as of the adoption date as a result of applying ASC 606 have been reflected within those respective financial statements. The Company's accounting policy has been updated to align with ASC 606.

The adoption of ASC 606 represents a change in accounting principle that provides enhanced revenue recognition disclosures. The Company accounts for revenue from contracts with customers when: (a) there is approval and commitment from both parties; (b) the rights of the parties are identified; (c) payment terms are identified; (d) the contract has commercial substance; and (e) collectability of consideration is probable. Revenue is primarily derived from customer purchase orders, master sales agreements, and negotiated contracts, all of which represent contracts with customers. See Note 26 to the consolidated financial statements for more information on our accounting for revenue.

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***Research and Product Development Costs***

Research and product development costs are expensed as incurred and include primarily engineering salaries, overhead and materials used in connection with research and development projects. Research and development expense amounted to \$4,007, \$4,021 and \$3,940 for the years ended August 31, 2020, 2019 and 2018, respectively, and was recorded within Research and product development costs on the consolidated statements of operations.

***Pension Plans***

The Company accounts for its pension plans following the requirements of ASC Topic 715, “Compensation — Retirement Benefits” (“ASC 715”). ASC 715 requires an employer to: (a) recognize in its statement of financial position the funded status of a benefit plan; (b) measure defined benefit plan assets and obligations as of the end of the employer’s fiscal year (with limited exceptions); and (c) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise but are not recognized as components of net periodic benefit costs pursuant to prior existing guidance.

***Stock-Based Compensation***

In accordance with the accounting for stock-based compensation guidance, ASC Topic 718 “Compensation – Stock Compensation” (“ASC 718”), the Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. This includes restricted stock, restricted stock units and stock options. The guidance allows for the continued use of the simplified method as the Company has concluded that its historical share option exercise experience does not provide a reasonable basis for estimating expected term.

Stock-based compensation expense recognized in fiscal years 2020, 2019 and 2018 was \$3,208, \$2,176 and \$2,128, respectively.

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the years ending August 31, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Expected dividend yield	0.7 %	0.7 %	0.9 %
Expected life	6.0 years	6.0 years	6.0 years
Expected volatility	31.0 %	31.4 %	34.7 %
Risk-free interest rate	1.4 %	2.7 %	1.9 %

Expected volatility is determined by looking at a combination of historical volatility over the past six years as well as implied future volatility.

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***Translation of Foreign Currency***

The financial position and results of operations of the Company's HumiSeal Europe Ltd and Chase Protective Coatings Ltd businesses are measured using the British pound as the functional currency. The financial position and results of operations of the Company's HumiSeal Europe SARL business in France are measured using euros as the functional currency. The financial position and results of the Company's HumiSeal India Private Limited business in India are measured using the Indian rupee as the functional currency. The functional currency for all our other operations is the U.S. dollar. Revenue and expenses of these international businesses have been translated at average exchange rates. 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 (a component of stockholders' equity). Transaction gains and losses generated from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of these international operations are included in other income (expense) on the consolidated statements of operations and were gains (losses) of (\$911), (\$48) and \$85 for the fiscal years ended August 31, 2020, 2019 and 2018, respectively.

***Income Taxes***

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

The Company estimates contingent income tax liabilities based on the guidance for accounting for uncertain tax positions as prescribed in ASC Topic 740, "Income Taxes." See Note 7 for more information on the Company's income taxes, including information on the effects of the Tax Cuts and Jobs Act of 2017 (the "Tax Act") on our financial position and results of operations, including adjustments that were recorded during fiscal 2018 and 2019 related to the Tax Act.

***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" ("ASC 260"). The Company allocates earnings to participating securities and computes earnings per share using the two-class method.

***Comprehensive Income***

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

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***Segments***

ASC Topic 280 “Segment Reporting” of the Financial Accounting Standards Board (“FASB”) codification establishes standards for reporting information about operating segments. In the fourth quarter of its 2019 fiscal year (prior year), the Company reorganized into three reportable operating segments, an Adhesives, Sealants and Additives segment, an Industrial Tapes segment and a Corrosion Protection and Waterproofing segment. The segments are distinguished by the nature of the products manufactured and how they are delivered to their respective markets.

The Adhesives, Sealants and Additives segment offers innovative and specialized product offerings consisting of both end-use products and intermediates that are used in, or integrated into, another company’s products. Demand for the segment’s product offerings is typically dependent upon general economic conditions. The Adhesives, Sealants and Additives segment leverages the core specialty chemical competencies of the Company, and serves diverse markets and applications. The segment sells predominantly into the transportation, appliances, medical, general industrial and environmental market verticals. The segment’s products include moisture protective coatings and customized sealant and adhesive systems for electronics, polymeric microspheres, polyurethane dispersions and superabsorbent polymers. Beginning December 31, 2017, the Adhesives, Sealants and Additives segment includes the acquired operations of Zappa Stewart, within the specialty chemical intermediates product line.

The Industrial Tapes segment features legacy wire and cable materials, specialty tapes, and other laminated and coated products. The segment derives its competitive advantage through its proven chemistries, diverse specialty offerings and the reliability its supply chain offers to end customers. These products are generally used in the assembly of other manufacturers’ products, with demand typically dependent upon general economic conditions. The Industrial Tapes segment sells mostly to established markets, with some exposure to growth opportunities through further development of existing products. Markets served include cable manufacturing, utilities and telecommunications, and electronics packaging. The segment’s offerings include insulating and conducting materials for wire and cable manufacturers, laminated durable papers, laminates for the packaging and industrial laminate markets, custom manufacturing services, pulling and detection tapes used in the installation, measurement and location of fiber optic cable and water and natural gas lines, and cover tapes essential to delivering semiconductor components via tape and reel packaging.

The Corrosion Protection and Waterproofing segment is principally composed of project-oriented product offerings that are primarily sold and used as “Chase” branded products. End markets include new and existing infrastructure projects on oil, gas, water and wastewater pipelines, highways and bridge decks, water and wastewater containment systems, and commercial buildings. The segment’s products include protective coatings for pipeline applications, coating and lining systems for waterproofing and liquid storage applications, adhesives and sealants used in architectural and building envelope waterproofing applications, high-performance polymeric asphalt additives, and expansion joint systems for waterproofing applications in transportation and architectural markets. With sales generally dependent on outdoor project work, the segment experiences highly seasonal sales patterns.

***Recently Issued Accounting Standards***

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which modifies the measurement approach for credit losses on financial assets measured on an amortized cost basis from an ‘incurred loss’ method to an ‘expected loss’ method. In November 2019, the FASB issued ASU 2019-11, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses.” ASU 2019-11 is an accounting pronouncement that amends ASU 2016-13. The ASU 2019-11 amendment provides clarity and improves the codification to ASU 2016-13. The pronouncements are concurrently effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years (effective fiscal 2021). The Company is currently evaluating the effects of this pronouncement on its consolidated financial statements.

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***Recently Adopted Accounting Standards***

*Fiscal 2020*

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” Under the new guidance, lessees are required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which represents the lessee’s right to use, or control the use of, a specified asset for the lease term. In July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842) Targeted Improvements.” The updated guidance provided an optional transition method, which allows for the application of the standard as of the adoption date with no restatement of prior period amounts. The Company adopted the standard on September 1, 2019 (start of fiscal 2020) under the optional transition method described above. Consequently, historical financial information was not updated, and the disclosures required under the new standard are not provided for dates and periods prior to September 1, 2019.

The new standard provides several optional practical expedients in transition. The Company has elected to apply the “package of practical expedients” which allows it to not reassess i) whether existing or expired arrangements contain a lease, ii) the lease classification of existing or expired leases, or iii) whether previous initial direct costs would qualify for capitalization under the new lease standard. In preparation for adoption of the standard, the Company enhanced its internal controls to enable the preparation of financial information including the assessment of the impact of the standard. The initial adoption of the ASU resulted in the recognition of additional lease liabilities of \$9,644 (\$2,071 short-term and \$7,573 long-term) and right-of-use assets of \$10,200 as of September 1, 2019 on the consolidated balance sheet as it relates to the Company’s operating leases. The new standard did not have a material impact on the Company’s consolidated statement of operations or cash flows.

In February 2018, the FASB issued ASU 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This ASU was issued to address a narrow-scope financial reporting issue that arose as a result of the enactment of the Tax Cuts and Jobs Act (“Tax Reform”) on December 22, 2017. The objective of ASU 2018-02 is to address the tax effects of items within accumulated other comprehensive income (referred to as “stranded tax effects”) that do not reflect the appropriate tax rate enacted in the Tax Reform. As a result, the ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate. The amount of the reclassification would be the difference between the historical corporate income tax rate of 35 percent and the current enacted corporate income tax rate of 21 percent. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted, including adoption in an interim period. The amendments in this ASU may be applied retrospectively to each period in which the effect of the change in the U.S. Federal corporate income tax rate in the Tax Reform is recognized. Therefore, the Company adopted ASU 2018-02 in the first quarter of the year ending August 31, 2020, and has elected to reclassify the income tax effects of the Tax Reform related to its pension funding from accumulated other comprehensive loss to retained earnings.

*Fiscal 2019*

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” The amended guidance establishes a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance, including industry-specific guidance.

The amended guidance clarifies that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange



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for those goods or services. In applying the amended guidance, an entity will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASC 606 was effective for the Company's interim and annual reporting periods beginning September 1, 2018 (fiscal 2019), and could have been adopted using either a full retrospective or modified retrospective transition method.

The Company adopted the amended guidance and all related amendments using the modified retrospective approach on September 1, 2018. The Company recognized the cumulative effect of initially applying the new revenue standard to all open contracts requiring recognition over time that were not completed on the date of adoption as an adjustment to the opening balance of retained earnings.

At the adoption date, the cumulative impact of revenue that would have been recognized over time was \$80. The related adoption impact to retained earnings was \$22, net of tax. The impact to net sales and net income as a result of applying ASC 606 was an increase of \$67 and \$5, respectively, for the year ended August 31, 2019. See Note 26 — "Revenue from Contracts with Customers" for further discussion of the effects of adoption.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230)." This ASU provides guidance on the presentation and classification of specific cash flow items to improve consistency within the statement of cash flows. The Company adopted ASU No. 2016-15 on September 1, 2018, and the adoption did not have a material effect on its financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." The new guidance dictates that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, it should be treated as an acquisition or disposal of an asset. The Company adopted the ASU on September 1, 2018. The adoption had no material effect on the financial statements and related disclosures in fiscal 2020 and 2019. The effect ASU No. 2017-01 will have on the financial statements and related disclosures of the Company in future periods will be dependent on the nature of potential future acquisitions and divestitures.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." This ASU applies to all employers that offer to their employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715, Compensation — Retirement Benefits. The ASU requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. The ASU also allows only the service cost component to be eligible for capitalization when applicable (e.g., as a cost of internally manufactured inventory or a self-constructed asset). The Company adopted ASU No. 2017-07 on September 1, 2018, which resulted in the reclassification of \$654 and \$1,065, previously reported in selling, general and administrative expense, to other income (expense) for the years ended August 31, 2018 and 2017 (prior years), respectively.

*Fiscal 2018*

The Company did not adopt any new accounting standards in fiscal 2018.

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**Note 2—Inventory**

Inventory consisted of the following as of August 31, 2020 and 2019:

	August 31, 2020	August 31, 2019
Raw materials	\$ 18,993	\$ 20,325
Work in process	7,761	8,748
Finished goods	12,304	13,281
Total Inventory	<u>\$ 39,058</u>	<u>\$ 42,354</u>

**Note 3—Property, Plant and Equipment**

Property, plant and equipment consisted of the following as of August 31, 2020 and 2019:

	2020	2019
Land and improvements	\$ 4,997	\$ 6,079
Buildings	17,992	17,900
Machinery and equipment	51,942	51,934
Leasehold improvements	2,212	1,828
Construction in progress	714	1,315
	<u>77,857</u>	<u>79,056</u>
Accumulated depreciation	(52,283)	(49,730)
Property, plant and equipment, net	<u>\$ 25,574</u>	<u>\$ 29,326</u>

**Note 4—Goodwill and Intangible Assets**

The changes in the carrying value of goodwill, by operating segment, were as follows:

	Adhesives, Sealants and Additives	Industrial Tapes	Corrosion Protection and Waterproofing	Consolidated
Balance at August 31, 2018	\$ 52,787	\$ 21,215	\$ 10,694	\$ 84,696
Loss on impairment of polyurethane dispersions business	(2,410)	—	—	(2,410)
Foreign currency translation adjustment	(287)	—	(13)	(300)
Balance at August 31, 2019	\$ 50,090	\$ 21,215	\$ 10,681	\$ 81,986
Foreign currency translation adjustment	397	—	19	416
Balance at August 31, 2020	<u>\$ 50,487</u>	<u>\$ 21,215</u>	<u>\$ 10,700</u>	<u>\$ 82,402</u>

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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 has identified a total of three reporting units, corresponding to its three reportable 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 and certain intangible asset balances is required annually. The amount and timing of any impairment charges based on these assessments require the estimation of future cash flows and the fair market value of the related assets based on management's best estimates of certain key factors, including future selling prices and volumes; operating, raw material and energy costs; and various other projected operating and economic factors, including the anticipated future impact of the coronavirus disease 2019 (COVID-19) pandemic. When testing, fair values of the reporting units and the related implied fair values of their respective goodwill are established using discounted cash flows.

In fiscal 2017, we early adopted Accounting Standards Update ("ASU") No. 2017-04 "Intangibles — Goodwill and Other Topics (Topic 350): Simplifying the Test for Goodwill Impairment." When evaluating the potential impairment of goodwill, we first assess a range of qualitative factors, including but not limited to, industry conditions, the competitive environment, changes in the market for our products and services, entity-specific factors such as strategy and changes in key personnel, and the overall financial performance for each of our reporting units relative to historical or projected future operating results. If after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then assess goodwill for impairment by comparing the fair value of the reporting unit to its carrying amount. If the fair value of a reporting unit is less than its carrying value, an impairment loss, limited to the amount of goodwill allocated to that reporting unit, is recorded. Fair values for reporting units are determined based on the income approach (discounted cash flow method).

During the three-month period ended February 28, 2019, the ordering patterns of the polyurethane dispersions reporting unit's customers, especially those in the automotive industry, combined with a decrease in the reporting unit's backlog of customer orders believed to be firm as of February 28, 2019, indicated that an impairment in the carrying value of the reporting unit might have occurred. The Company performed an impairment test on the indefinite-lived and long-lived assets related to the polyurethane dispersions reporting unit, now part of the Adhesives, Sealants and Additives operating segment and reporting unit (part of the former Industrial Materials segment during the second fiscal quarter of 2019), in accordance with ASC Topic 350, "Intangibles — Goodwill and Other" and ASC Topic 360, "Disclosure — Impairment or Disposal of Long-Lived Assets." As a result of impairment testing, which included first testing long-lived assets other than goodwill for impairment under applicable guidance, the Company recorded a charge of \$2,410 to loss on impairment of goodwill within the consolidated statement of operations during the quarter ended February 28, 2019. The polyurethane dispersions reporting unit's fair value was determined based on the income approach (discounted cash flow method).

The Company performs impairment reviews annually each fourth quarter and whenever events or circumstances indicate the carrying value of goodwill may not be recoverable. For the annual fiscal 2020 goodwill impairment test, we performed a qualitative assessment of goodwill impairment and concluded that it was more likely than not that our reporting units' fair values exceeded their carrying values (i.e. indicated no impairment of goodwill). Accordingly, it was not necessary for us to perform the quantitative analysis.

As of August 31, 2020 and 2019, the Company had a total goodwill balance of \$82,402 and \$81,986, respectively, related to its acquisitions, of which \$31,591 and \$34,778, respectively, remained deductible for income taxes.

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Intangible assets subject to amortization consisted of the following as of August 31, 2020 and 2019:

	<u>Weighted Average Amortization Period</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
<b>August 31, 2020</b>				
Patents and agreements	14.6 years	\$ 1,760	\$ 1,705	\$ 55
Formulas and technology	7.8 years	10,250	9,121	1,129
Trade names	5.8 years	8,575	7,781	794
Customer lists and relationships	9.1 years	98,966	59,744	39,222
		<u>\$ 119,551</u>	<u>\$ 78,351</u>	<u>\$ 41,200</u>
<b>August 31, 2019</b>				
Patents and agreements	14.6 years	\$ 1,760	\$ 1,693	\$ 67
Formulas and technology	7.8 years	10,164	7,969	2,195
Trade names	5.8 years	8,503	7,261	1,242
Customer lists and relationships	9.1 years	98,139	48,939	49,200
		<u>\$ 118,566</u>	<u>\$ 65,862</u>	<u>\$ 52,704</u>

Aggregate amortization expense related to intangible assets for the years ended August 31, 2020, 2019 and 2018 was \$11,576, \$12,445 and \$11,807, respectively. As of August 31, 2020 estimated amortization expense for the next five fiscal years is as follows:

<u>Years ending August 31,</u>	
2021	11,066
2022	10,036
2023	6,768
2024	5,560
2025	3,961

**Note 5—Cash Surrender Value of Life Insurance**

The Company recognized cash surrender value of a life insurance policy with the following carrier as of August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
John Hancock	\$ 4,450	\$ 4,450
Cash surrender value of life insurance policies	<u>\$ 4,450</u>	<u>\$ 4,450</u>

The policy is subject to periodic review. The Company currently intends to maintain the policy through the life or retirement of the insured, and records at the premium paid balance.

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**Note 6—Long-Term Debt**

Long-term debt consisted of the following at August 31, 2020 and 2019:

	2020	2019
All-revolving credit facility with a borrowing capacity of \$150,000	\$ —	\$ —
Long-term debt	<u>\$ —</u>	<u>\$ —</u>

On December 15, 2016, the Company entered an Amended and Restated Credit Agreement (the “Credit Agreement”) with Bank of America, acting as administrative agent, and with participation from Citizens Bank and JPMorgan Chase Bank (collectively with Bank of America, the “Lenders”). The Credit Agreement is initially an all-revolving credit facility with a borrowing capacity of \$150,000, which can be increased by an additional \$50,000 at the request of the Company and the individual or collective option of any of the Lenders. The Credit Agreement contains customary affirmative and negative covenants that, among other things, restrict our ability to incur additional indebtedness and require certain lender approval for acquisitions by the Company and its subsidiaries over a certain size. It also requires us to maintain certain financial ratios on a consolidated basis, including a consolidated net leverage ratio (as defined in the facility) of no more than 3.25 to 1.00, and a consolidated fixed charge coverage ratio (as defined in the facility) of at least 1.25 to 1.00. We were in compliance with our debt covenants as of August 31, 2020 and 2019. The Credit Agreement is guaranteed by all of Chase Corporation’s direct and indirect domestic subsidiaries, which collectively had a carrying value of \$246,096 at August 31, 2020. The Credit Agreement was entered both to refinance our previously existing term loan and revolving line of credit, and to provide for additional liquidity to finance potential acquisitions, working capital, capital expenditures, and for other general corporate purposes.

The applicable interest rate for the revolver portion of the Credit Agreement (the “Revolving Facility”) and any Term Loan (defined below) is based on the effective London Interbank Offered Rate (LIBOR) plus an additional amount in the range of 1.00% to 1.75%, depending on the consolidated net leverage ratio of Chase Corporation and its subsidiaries. At August 31, 2020 and 2019, there was no outstanding principal balance, and therefore no applicable interest rate. The Credit Agreement has a five-year term with interest payments due at the end of the applicable LIBOR period (but in no event less frequently than the three-month anniversary of the commencement of such LIBOR period) and principal payment due at the expiration of the agreement, December 15, 2021. The Company may elect a base rate option for all or a portion of the Revolving Facility, in which case, interest payments shall be due with respect to such portion of the Revolving Facility on the last business day of each quarter.

Subject to certain conditions set forth in the Credit Agreement, the Company may elect to convert all or a portion of the outstanding Revolving Facility into a term loan (each, a “Term Loan”), which shall be payable quarterly in equal installments sufficient to amortize the original principal amount of such Term Loan on a seven year amortization schedule; provided, however, that the final principal repayment installment shall be repaid on December 15, 2021 and in any event shall be in an amount equal to the aggregate principal amount of all Term Loans outstanding on such date. Prepayment is allowed by the Credit Agreement at any time during the term of the agreement, subject to customary notice requirements.

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In December 2017 (fiscal year 2018), the Company utilized \$65,000 of the Credit Agreement to finance the majority of the acquisition cost of Zappa Stewart. See Note 14 to the consolidated financial statements for additional information on this acquisition. The Company paid down \$40,000 of the outstanding balance in fiscal 2018, and made additional principal payments totaling \$25,000 in fiscal 2019, resulting in an outstanding balance of \$0 at August 31, 2020 and 2019.

**Note 7—Income Taxes**

On December 22, 2017 (fiscal 2018), President Trump signed into law the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Tax Act impacted the U.S. statutory Federal tax rate that the Company will use going forward, reducing it from 35% to 21%. As the Company has an August 31 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory Federal rate of 25.7% for our fiscal year ended August 31, 2018, and a rate of 21% for fiscal 2019 and 2020.

To transition to the reduced U.S. corporate tax rate, we were required to make an adjustment to our net U.S. deferred tax assets. During fiscal 2018, predominantly in the three months ended February 28, 2018 (the second fiscal quarter of 2018), the Company recorded initial provisional adjustments to the U.S. deferred tax assets and liabilities and uncertain tax positions resulting in a net discrete tax expense of \$681 recorded to the consolidated statement of operations. This net discrete tax expense recorded in fiscal 2018 is the result of the following: (a) a \$379 tax benefit resulting from the remeasurement and reclassification of our then existing deferred tax liability related to unrepatriated foreign earnings to accrued income tax balance (discussed in more detail below); (b) a \$917 tax expense for the remeasurement of the remaining net U.S. deferred tax assets in recognition of the new lower Federal rate; and (c) a \$143 tax expense recorded as the result of remeasuring the Federal benefit on our uncertain tax positions. During fiscal 2019, no additional transitional adjustments were made related to the adoption of the Tax Act in the quarters ended November 30, 2018, May 31, 2019 and August 31, 2019, and only immaterial adjustments were made in the quarter ended February 28, 2019. During fiscal 2020, no additional transitional adjustments were made.

The Tax Act includes a transition tax or "toll charge," which is a one-time tax charge on unrepatriated foreign earnings. The calculation of accumulated foreign earnings requires an analysis of each foreign entity's financial results going back to 1986. During fiscal 2018, the Company recorded a provisional transition tax adjustment associated with its accumulated unrepatriated foreign earnings reducing long-term deferred tax liabilities by \$2,298 and increasing short and long-term accrued income taxes by \$153 and \$1,766, respectively (the short-term payable representing eight percent of the total amount due, the amount payable within the first year as per the Tax Act). The difference between the decrease in the deferred tax liabilities for unrepatriated foreign earnings and the increase in accrued income taxes, \$379, was recorded as a discrete tax benefit in fiscal 2018. During fiscal 2019 (prior year), the Company paid the entire long-term and short-term toll charge balances that had been accrued at August 31, 2018.

Under the guidance set forth in the SEC's Staff Accounting Bulletin No. 118 ("SAB 118"), the Company may record provisional amounts for the impact of the Tax Act. For the second quarter of fiscal 2018, the Company made a provisional and reasonable estimate of the effects of the Tax Act on its existing deferred tax balances, including a provisional adjustment for the toll charge, and made provisional adjustments to these initially recorded amounts in the third and fourth quarters of fiscal 2018. The Company made complete and final adjustments during the quarter ended February 28, 2019 (the second quarter of fiscal 2019), which were not material in nature.

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In fiscal 2019, the Company began recognizing an additional component of total Federal tax expense, the tax on Global Intangible Low-Taxed Income (“GILTI”) provision of the Tax Act, which became applicable to the Company in fiscal 2019. The Company elected to account for GILTI as a period cost, and therefore included GILTI expense in the effective tax rate calculation. This provision did not have a material effect on the effective tax rate for the years ended August 31, 2020 and 2019.

The Company concluded that the Base Erosion and Anti Abuse Tax (“BEAT”) provision of the Tax Act, which also became applicable to the Company in fiscal 2019, had no effect on our effective tax rate for fiscal 2019 or 2020. Additionally, the Company has deferred the application of Foreign-Derived Intangible Income (“FDII”) for 2019 and 2020, in anticipation of further guidance and the establishment of industry standards by the U.S. Treasury Department and trade associations.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, included a technical correction to the Tax Act which will allow accelerated deductions for qualified improvement property. The Company is currently evaluating the impact of the CARES Act, but at present does not expect that the qualified improvement property correction nor other provisions of the CARES Act would result in a material tax benefit to us in future periods. The CARES Act had no material effect on the effective tax rate for fiscal 2020.

Domestic and foreign pre-tax income for the years ended August 31, 2020, 2019 and 2018 was:

	Year Ended August 31,		
	2020	2019	2018
United States	\$ 42,027	\$ 37,088	\$ 48,962
Foreign	3,293	6,465	8,003
	<u>\$ 45,320</u>	<u>\$ 43,553</u>	<u>\$ 56,965</u>

The provision (benefit) for income taxes for the years ended August 31, 2020, 2019 and 2018 was:

	Year Ended August 31,		
	2020	2019	2018
<b>Current:</b>			
Federal	\$ 9,157	\$ 9,880	\$ 12,872
State	1,813	1,699	1,662
Foreign	962	1,575	1,761
Total current income tax provision	<u>11,932</u>	<u>13,154</u>	<u>16,295</u>
<b>Deferred:</b>			
Federal	(520)	(1,699)	(2,214)
State	(184)	(529)	(263)
Foreign	(65)	(84)	4
Total deferred income tax benefit	<u>(769)</u>	<u>(2,312)</u>	<u>(2,473)</u>
Total income tax provision	<u>\$ 11,163</u>	<u>\$ 10,842</u>	<u>\$ 13,822</u>

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The provision (benefit) for income taxes differs from the amount computed by applying the Federal statutory income tax rate to income before income taxes. The Company's combined federal, state and foreign effective tax rate as a percentage of income before taxes for fiscal 2020, 2019 and 2018, net of offsets generated by federal, state and foreign tax benefits, was 24.6%, 24.9% and 24.3%, respectively. The following is a reconciliation of the effective income tax rate with the U.S. Federal statutory income tax rate for the years ended August 31, 2020, 2019 and 2018:

	Year Ended August 31,		
	2020	2019	2018
Federal statutory rates	21.0 %	21.0 %	25.7 %
Adjustment resulting from the tax effect of:			
State and local taxes, net of federal benefit	3.0 %	2.1 %	1.9 %
Domestic production deduction	0.0 %	0.0 %	(1.6)%
Foreign tax rate differential	0.0 %	0.1 %	(0.3)%
Adjustment to uncertain tax position	(1.1)%	1.0 %	1.1 %
Transaction costs not deductible	0.5 %	0.0 %	0.0 %
Research credit generated	(0.1)%	(0.3)%	(0.2)%
Stock Compensation	(0.3)%	(0.4)%	(3.4)%
Permanent items	0.9 %	1.1 %	0.9 %
Tax effect of undistributed earnings	0.3 %	0.6 %	(0.8)%
Other	0.4 %	(0.4)%	(0.8)%
Change in valuation allowance	0.0 %	0.1 %	0.1 %
Deferred income tax remeasurement	0.0 %	0.0 %	1.7 %
Effective income tax rate	24.6 %	24.9 %	24.3 %



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The following table summarizes the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities:

	<b>As of August 31,</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax assets:		
Allowance for doubtful accounts	\$ 309	\$ 432
Inventories	994	1,193
Accruals	504	541
Warranty reserve	14	22
Pension accrual	2,749	2,623
Deferred compensation	391	300
Foreign currency loss on previously taxed income	96	96
Loan finance costs	7	34
Restricted stock grants	823	456
Non-qualified stock options	211	258
Right-of-use asset	2,354	—
Foreign net operating loss, net of valuation allowance	247	—
Other	572	353
	<u>9,271</u>	<u>6,308</u>
Deferred tax liabilities:		
Prepaid liabilities	(16)	(8)
Lease liability	(2,693)	—
Depreciation and amortization	(1,633)	(2,496)
	<u>(4,342)</u>	<u>(2,504)</u>
Net deferred tax assets (liabilities)	<u>\$ 4,929</u>	<u>\$ 3,804</u>

As of August 31, 2020, the Company had \$727 of gross foreign operating loss carry forwards to offset future taxable income, the net balance of which was included within deferred income taxes. The net operating losses will begin to expire in fiscal year ending August 31, 2027.

Chase Corporation is required to apply a valuation allowance to reduce the deferred tax assets reported if based on the weight of the evidence it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of August 31, 2020, the Company determined that a valuation allowance was not needed.

Consistent with the Company's practice prior to the passage of the Tax Act, we do not currently take the position that undistributed foreign subsidiaries' earnings are considered to be permanently reinvested.

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A summary of the Company's adjustments to its uncertain tax positions, included within long-term accrued income taxes on the consolidated balance sheet, in fiscal years ended August 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Balance, at beginning of the year	\$ 2,324	\$ 1,889	\$ 1,257
Increase for tax positions related to the current year	101	55	47
(Decrease) increase for tax positions related to prior years	(609)	300	595
Increase for interest and penalties	125	106	71
Decrease for lapses of statute of limitations	—	(26)	(81)
Balance, at end of year	<u>\$ 1,941</u>	<u>\$ 2,324</u>	<u>\$ 1,889</u>

The unrecognized tax benefits mentioned above include an aggregate of \$1,002 of accrued interest and penalty balances related to uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. An increase in accrued interest and penalty charges of approximately \$125, net of Federal tax expense, was recorded as a tax expense during the current fiscal year. The Company does not anticipate that its accrual for uncertain tax positions will change by a material amount over the next twelve-month period, as it does not expect to settle any potential disputed items with the appropriate taxing authorities nor does it expect the statute of limitations to expire for any material items.

The Company is subject to U.S. Federal income tax, as well as to income tax of multiple state, local and foreign tax jurisdictions. The statute of limitations for all material U.S. Federal, state, and local tax filings remains open for fiscal years subsequent to 2016. For foreign jurisdictions, the statute of limitations remains open in the U.K. for fiscal years subsequent to 2016 and in France for fiscal years subsequent to 2019.

**Note 8—Leases**

Effective September 1, 2019 (the start of fiscal 2020), the Company adopted ASU 2016-02, Leases (Topic 842), using the modified retrospective approach and utilizing the effective date as its date of initial application. As a result, prior periods are presented in accordance with the previous guidance in ASC 840, Leases (“ASC 840”). The Company has elected to apply the ‘package of practical expedients’ which allows it to not reassess i) whether existing or expired arrangements contain a lease, ii) the lease classification of existing or expired leases, or iii) whether previous initial direct costs would qualify for capitalization under the new lease standard.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as right-of-use (ROU) assets and short-term and long-term lease liabilities, as applicable. The Company does not have any financing leases that are material in nature.

Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease term. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Company believes it could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment.

The Company has elected not to recognize leases with an original term of one year or less on the balance sheet. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew.

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The following table presents the right-of-use asset and short-term and long-term lease liabilities amounts recorded on the consolidated balance sheet as of August 31, 2020:

	<u>August 31,</u> <u>2020</u>
<b>Assets</b>	
Operating lease right-of-use asset	\$ 8,821
<b>Liabilities</b>	
Current (accrued expense)	\$ 1,865
Operating lease long-term liabilities	6,395
Total lease liability	<u>\$ 8,260</u>

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*Lease cost*

The components of lease costs for the year ended August 31, 2020 are as follows:

	<b>Year Ended August 31, 2020</b>
Operating lease cost <sup>(a)</sup>	\$ 3,783

(a) Includes short-term leases and variable lease costs (e.g. common area maintenance), which are immaterial.

*Maturity of lease liability*

The maturity of the Company's lease liabilities on August 31, 2020 was as follows:

<b>Year ending August 31,</b>	<b>Future Operating Lease Payments</b>
2021	\$ 2,085
2022	1,500
2023	1,346
2024	1,360
2025 and thereafter	2,687
Less: Interest	(718)
Present value of lease liabilities	\$ 8,260

The weighted average remaining lease term and discount rates are as follows:

	<b>August 31, 2020</b>
<b>Lease Term and Discount Rate</b>	
Weighted average remaining lease term (years)	
Operating leases	5.5
Weighted average discount rate (percentage)	
Operating leases	3.1 %

*Other Information*

Supplemental cash flow information related to leases is as follows:

	<b>Year Ended August 31, 2020</b>
Operating cash outflows from operating leases	\$ 2,444
Total cash paid for amounts included in the measurement of lease liabilities	\$ 2,444

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Minimum lease payments under operating leases prior to adoption of ASU 2016-02 were as follows:

<u>Year ending August 31,</u>	<u>Future Operating Lease Payments</u>
2020	\$ 2,468
2021	2,059
2022	1,371
2023	1,187
2024	1,200
2025 and thereafter	2,608
Total future minimum lease payments	<u>\$ 10,893</u>

Total rental expense for all operating leases amounted to \$3,783, \$3,734 and \$3,114 for the years ended August 31, 2020, 2019 and 2018, respectively.

**Note 9—Benefits and Pension Plans**

***401(k) Plans***

The Company has a defined contribution plan adopted pursuant to section 401(k) of the Internal Revenue Code of 1986 (the “Chase 401(k) Plan”). Any qualified employee who has attained age 21 and has been employed by the Company for at least six months may contribute a portion of his or her salary to the plan and the Company will match 100% of the first one percent of salary contributed and 50% thereafter, up to an amount equal to three and one-half percent of such employee’s annual salary.

Through our wholly-owned subsidiary NEPTCO, the Company had two additional 401(k) savings plans, one for union employees and one for nonunion employees. Under these plans, substantially all employees of NEPTCO were eligible to participate by making pre-tax contributions to these plans. Participants could elect to defer between 1% and 10% of their annual compensation. The Company could contribute \$0.75 for each \$1.00 of participant deferrals up to 6% of the nonunion participant’s compensation. The Company could match union employee contributions by \$0.50 for each \$1.00 of participant deferrals up to 6% of the participant’s compensation. The nonunion plan was merged into the Chase 401(k) Plan effective January 1, 2018 and the union plan was merged into the Chase 401(k) Plan effective November 15, 2018.

The Company’s contribution expense for all 401(k) plans was \$852, \$787 and \$702 for the years ended August 31, 2020, 2019 and 2018, respectively.

***Non-Qualified Deferred Savings Plans***

The Company has a non-qualified deferred savings plan covering the Board of Directors and a separate plan covering selected employees. Participants may elect to defer a portion of their compensation for future payment. The plans are funded by trustee assets that are restricted to the payment of deferred compensation or satisfaction of the Company’s general creditors. The Company’s liability under the plans was \$1,629 and \$1,275 on August 31, 2020 and 2019, respectively.

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***Pension Plans***

The Company has noncontributory defined benefit pension plans covering employees of certain divisions of the Company. The Company has a funded, qualified plan (“Qualified Plan”) and an unfunded supplemental plan (“Supplemental Plan”) designed to maintain benefits for certain employees at the plan formula level. The plans provide for pension benefits determined by a participant’s years of service and final average compensation. The Qualified Plan assets consist of separate pooled investment accounts with a trust company. The measurement date for the plans is August 31, 2020.

Effective December 1, 2008, a “soft freeze” in the Qualified Plan was adopted whereby no new employees hired would be admitted to the Qualified Plan, with the exception of employees who were members of the International Association of Machinists and Aerospace Workers Union whose contract was amended in June 2012 to include a soft freeze with an effective date of July 15, 2012. All eligible participants who were admitted to the plan prior to the applicable soft freeze dates continue to accrue benefits as detailed in the plan agreements.

Through our wholly-owned subsidiary NEPTCO, the Company had a third defined benefit pension plan (“NEPTCO Pension Plan”) covering our union employees at our Pawtucket facility. This plan was frozen effective October 31, 2006, and as a result, no new participants could enter the plan and the benefits of current participants were frozen as of that date. The benefits were based on years of service and the employee’s average compensation during the earlier of five years before retirement, or October 31, 2006. The NEPTCO Pension Plan assets consisted of separate pooled investment accounts with a trust company. The measurement date for the NEPTCO Pension Plan was historically the same as the Company’s fiscal year end.

In August 2019, the Board of Directors approved a plan to terminate the NEPTCO Pension Plan. The Company established November 15, 2019 as the plan termination date and during fiscal 2020 performed the administrative actions required to carry out the termination. In relation to the Company’s intention to terminate the plan in less than one year following the prior year balance sheet date, the liability associated with the NEPTCO Pension Plan was classified as a current liability, within accrued payroll and other compensation, on the consolidated balance sheet as of August 31, 2019 (prior year). No balance related to the NEPTCO defined benefit plan was carried on the Company’s consolidated balance sheet as of August 31, 2020.

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The following tables reflect the status of the Company's pension plans for the years ended August 31, 2020, 2019 and 2018:

	Year Ended August 31,		
	2020	2019	2018
<b><u>Change in benefit obligation</u></b>			
Projected benefit obligation at beginning of year	\$ 20,087	\$ 21,860	\$ 22,673
Service cost	295	283	283
Interest cost	451	696	629
Actuarial (gain) loss	2,253	995	17
Settlements	—	—	—
Benefits paid	(2,423)	(3,747)	(1,742)
Projected benefit obligation at end of year	\$ 20,663	\$ 20,087	\$ 21,860
<b><u>Change in plan assets</u></b>			
Fair value of plan assets at beginning of year	\$ 7,859	\$ 9,855	\$ 9,003
Actual return on plan assets	868	181	509
Employer contribution	1,864	1,570	2,085
Settlements	—	—	—
Benefits paid	(2,423)	(3,747)	(1,742)
Fair value of plan assets at end of year	\$ 8,168	\$ 7,859	\$ 9,855
Funded status at end of year	\$ (12,495)	\$ (12,228)	\$ (12,005)
	Year Ended August 31,		
	2020	2019	2018
<b><u>Amounts recognized in consolidated balance sheets</u></b>			
Noncurrent assets	\$ —	\$ —	\$ 301
Current liabilities	(1,565)	(1,743)	(1,570)
Noncurrent liabilities	(10,930)	(10,485)	(10,736)
Net amount recognized in consolidated balance sheets	\$ (12,495)	\$ (12,228)	\$ (12,005)
<b><u>Actuarial present value of benefit obligation and funded status</u></b>			
Accumulated benefit obligations	\$ 18,307	\$ 18,244	\$ 20,075
Projected benefit obligations	\$ 20,663	\$ 20,087	\$ 21,858
Plan assets at fair value	\$ 8,168	\$ 7,859	\$ 9,855
<b><u>Amounts recognized in accumulated other comprehensive income</u></b>			
Prior service cost	\$ 44	\$ 47	\$ 54
Net actuarial loss	10,595	9,638	9,377
Adjustment to pre-tax accumulated other comprehensive income	\$ 10,639	\$ 9,685	\$ 9,431

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	Year Ended August 31,		
	2020	2019	2018
<b><u>Other changes in plan assets and benefit obligations recognized in other comprehensive income</u></b>			
Net (gain)/loss	\$ 711	\$ 1,863	\$ (704)
Amortization of loss	(664)	(472)	(484)
Supplemental plan assumption change	1,065	(620)	676
Amortization of prior service cost	(3)	(3)	(3)
Effect of settlement on accumulated other comprehensive income	(155)	(511)	—
Total recognized in other comprehensive income	954	257	(515)
Net periodic pension cost	1,178	1,537	937
Total recognized in net periodic pension cost and other comprehensive income	\$ 2,132	\$ 1,794	\$ 422
<b><u>Estimated amounts that will be amortized from accumulated comprehensive income over the next fiscal year</u></b>			
Prior service cost	\$ 3	\$ 3	\$ 3
Net actuarial loss	656	500	475

Prior service cost arose from the amendment of the plan's benefit schedules to comply with the Tax Reform Act of 1986 and adoption of the unfunded supplemental pension plan.



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Components of net periodic pension cost for the fiscal years ended August 31, 2020, 2019 and 2018 included the following:

	2020	2019	2018
<b>Components of net periodic benefit cost</b>			
Service cost	\$ 295	\$ 283	\$ 283
Interest cost	451	696	629
Expected return on plan assets	(390)	(428)	(462)
Amortization of prior service cost	3	3	3
Amortization of accumulated loss	664	472	484
Curtailment and settlement loss	155	511	—
Net periodic benefit cost	<u>\$ 1,178</u>	<u>\$ 1,537</u>	<u>\$ 937</u>

Weighted average assumptions used to determine benefit obligations as of August 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
<b>Discount rate</b>			
Qualified plan	1.92 %	2.58 %	3.80 %
Supplemental plan	1.65 %	2.37 %	3.57 %
NEPTCO plan	— %	2.29 %	3.59 %
<b>Rate of compensation increase</b>			
Qualified and Supplemental plan	3.50 %	3.50 %	3.50 %
NEPTCO plan	— %	— %	— %

Weighted average assumptions used to determine net periodic benefit cost for the years ended August 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
<b>Discount rate</b>			
Qualified plan	2.58 %	3.80 %	3.30 %
Supplemental plan	2.37 %	3.57 %	2.73 %
NEPTCO plan	2.29 %	3.59 %	2.95 %
<b>Expected long-term return on plan assets</b>			
Qualified plan	5.60 %	5.40 %	5.40 %
Supplemental plan	— %	— %	— %
NEPTCO plan	5.60 %	5.40 %	5.20 %
<b>Rate of compensation increase</b>			
Qualified and Supplemental plan	3.50 %	3.50 %	3.50 %
NEPTCO plan	— %	— %	— %

It is the Company's policy to evaluate, on an annual basis, the discount rate used to determine the projected benefit obligation to approximate rates on high quality, long-term obligations. The Moody's Corporate Aa Bond index has generally been used as a benchmark for this purpose, with adjustments made if the duration of the index differed from that of the plan. The discount rate is determined by matching the expected payouts from the respective plans to the spot rates inherent in the FTSE Pension Discount Curve (formerly Citigroup Pension Discount Curve). A single rate is then developed, that when applied to the expected cash flows, results in the same present value as determined using the various spot rates. The Company believes that this approach produces the most appropriate approximation of the plan liability.

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The Company estimates that each 100-basis point reduction in the discount rate would result in additional (decreased) net periodic pension cost, the Company's primary pension obligation, of approximately \$41 for the Qualified Plan and (\$57) for the Supplemental Plan. For the current fiscal year, the NEPTCO Pension Plan expense is insignificant so sensitivity disclosure is not presented. The expected return on plan assets is derived from a periodic study of long-term historical rates of return on the various asset classes included in the Company's targeted pension plan asset allocation. The Company estimates that each 100-basis point reduction in the expected return on plan assets would result in additional net periodic pension cost of approximately \$68 for the Qualified Plan. No rate of return is assumed for the Supplemental Plan since that plan is currently not funded. The rate of compensation increase is also evaluated and is adjusted by the Company, if necessary, periodically.

*Qualified Plan Assets*

The investment policy for the Qualified Plan is based on ERISA standards for prudent investing. The fundamental goal underlying the investment policy is to ensure that the assets of the plans are invested in a prudent manner to meet the obligations of the plans as these obligations come due. The primary investment objectives include providing a total return which will promote the goal of benefit security by attaining an appropriate ratio of plan assets to plan obligations, to provide for real asset growth while also tracking plan obligations, to diversify investments across and within asset classes, to reduce the impact of losses in single investments, and to follow investment practices that comply with applicable laws and regulations.

The primary policy objectives will be met by investing assets to achieve a reasonable tradeoff between return and risk relative to the plan's obligations. This includes investing a portion of the assets in funds selected in part to hedge the interest rate sensitivity to plan obligations.

The Qualified Plan assets are invested in a diversified mix of both domestic and foreign equity investments and fixed income securities. Asset manager performance is reviewed at least annually and benchmarked against the peer universe for the given investment style. The Company's expected return for the Qualified Plan is 5.25%. To determine the expected long-term rate of return on the assets for the Qualified Plan, the Company considered the historical and expected return on the plan assets, as well as the current and expected allocation of the plan assets.

Asset allocation is monitored on an ongoing basis relative to the established asset class targets. The interaction between plan assets and benefit obligations is periodically studied to assist in the establishment of strategic asset allocation targets. The investment policy permits variances from the targets within certain parameters. Asset rebalancing occurs when the underlying asset class allocations move outside these parameters, at which time the asset allocation is rebalanced back to the policy target weight.

The Qualified Plan has the following target allocation and weighted average asset allocations as of August 31, 2020, 2019 and 2018:

Asset Category	Target Allocation Range	Percentage of Plan Assets as of August 31,		
		2020	2019	2018
Equity securities	10-80 %	49 %	44 %	46 %
Debt securities	20-70 %	51 %	56 %	54 %
Other	0-100 %	— %	— %	— %
Total	100 %	100 %	100 %	100 %

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*NEPTCO Pension Plan Assets*

Prior to the NEPTCO Pensions Plan’s termination and full payout in fiscal 2020, the investment policy for the NEPTCO Pension Plan was based on ERISA standards for prudent investing. The fundamental goal underlying the investment policy was to ensure that the assets of the plans were invested in a prudent manner to meet the obligations of the plan as these obligations come due. The primary investment objectives included maximization of return within reasonable and prudent levels of risk, provision of returns comparable to returns for similar investment options, provision of exposure to a wide range of investment opportunities in various asset classes and vehicles, control of administrative and management costs, and provision of appropriate diversification within investment vehicles.

The primary policy objectives were met by investing assets to achieve a reasonable tradeoff between return and risk relative to the plan’s obligations. This included investing a portion of the assets in funds selected in part to hedge the interest rate sensitivity to plan obligations.

The NEPTCO Pension Plan assets were invested in a diversified mix of fixed income, and both domestic and foreign equity investments. The ongoing monitoring of investments was a regular and disciplined process and confirmed that the criteria remain satisfied. The process of monitoring investment performance relative to specified guidelines was consistently applied.

Historically, to determine the expected long-term rate of return on the assets for the NEPTCO Pension Plan, the Company considered the historical and expected return on the plan assets, as well as the current and expected allocation of the plan assets.

Given the plan’s termination and full payout in 2020, the plan no longer holds assets as of August 31, 2020. The NEPTCO Pension Plan had the following target allocation and weighted average asset allocations as of August 31, 2020, 2019 and 2018:

<u>Asset Category</u>	<u>Target Allocation Range</u>	<u>Percentage of Plan Assets as of August 31,</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>
Equity securities	10-80 %	— %	44 %	46 %
Debt securities	20-70 %	— %	56 %	54 %
Other	0-100 %	— %	— %	— %
<b>Total</b>	<b>100 %</b>	<b>— %</b>	<b>100 %</b>	<b>100 %</b>

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*Fair Market Value of Pension Plan Assets*

The Company is required to categorize pension plan assets using 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 following table presents the Company's pension plan assets at August 31, 2020 and 2019 by asset category:

Asset Category	August 31, 2020	Fair value measurements at August 31, 2020			August 31, 2019	Fair value measurements at August 31, 2019		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities	\$ 3,986	\$ 3,986	\$ —	\$ —	\$ 3,474	\$ 3,474	\$ —	\$ —
Debt securities	4,182	4,182	—	—	4,385	4,385	—	—
<b>Total</b>	<b>\$ 8,168</b>	<b>\$ 8,168</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 7,859</b>	<b>\$ 7,859</b>	<b>\$ —</b>	<b>\$ —</b>

Level 1 Assets: The fair values of the common stocks, corporate bonds and U.S. Government securities included in this tier are based on the closing price reported on the active market where the individual securities are traded.

*Estimated Future Benefit Payments*

The following pension benefit payments (which include expected future service) are assumed to be paid in each of the following fiscal years based on the participants' normal retirement age, and giving consideration to the termination of the NEPTCO Pension plan:

Year ending August 31,	Pension Benefits
2021	\$ 2,996
2022	1,759
2023	2,507
2024	1,948
2025	1,788
2026-2030	\$ 5,393

The Company contributed \$1,864, \$1,570 and \$2,085 to fund its obligations under the pension plans for the years ended August 31, 2020, 2019 and 2018, respectively, including final cash outlays related to the termination of the NEPTCO plan in fiscal 2020. The Company plans to make the necessary contributions during fiscal 2021 to ensure its pension plans continue to be adequately funded given the current market conditions and does not anticipate a material change from amounts contributed during the current fiscal year.

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**Note 10—Stockholders' Equity**

***2013 Equity Incentive Plan***

In October 2012, the Company adopted, and the stockholders subsequently approved, the 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan permits the grant of restricted stock, stock options, deferred stock, stock payments or other awards to employees, participating officers, directors, consultants and advisors who are linked directly to increases in shareholder value. The aggregate number of shares available for grant under the 2013 Plan was initially 1,200,000. Additional shares may become available in connection with share splits, share dividends or similar transactions. As of August 31, 2020, 949,398 shares remained available for future grant under the 2013 Plan.

***2005 Incentive Plan***

In November 2005, the Company adopted, and the stockholders subsequently approved, the 2005 Incentive Plan (the "2005 Plan"). The 2005 Plan permits the grant of restricted stock, stock options, deferred stock, stock payments or other awards to employees, participating officers, directors, consultants and advisors who are linked directly to increases in shareholder value. The aggregate number of shares available for grant under the 2005 Plan was initially 1,000,000. The Company is no longer granting equity awards under the 2005 Plan. Options to purchase 39,473 shares of common stock remained outstanding under the 2005 as of August 31, 2020.

***Restricted Stock***

Employees and Executive Management

During the third quarter of fiscal 2015, 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 was being recognized on a ratable basis over the vesting period.

In August 2015, the Board of Directors of the Company approved the fiscal year 2016 Long Term Incentive Plan ("LTIP") for the executive officers and other members of management. The 2016 LTIP was an equity-based plan with a grant date of September 1, 2015. In addition to the stock option component described below, the plan contained the following restricted stock components: (a) a performance and service-based restricted stock grant of 6,962 shares in the aggregate, subject to adjustment based on fiscal 2016 results, with a vesting date of August 31, 2018 for which compensation expense was recognized on a ratable basis over the vesting period based on quarterly probability assessments; and (b) a time-based restricted stock grant of 7,683 shares in the aggregate, with a vesting date of August 31, 2018, for which compensation expense was recognized on a ratable basis over the vesting period.

Based on the fiscal year 2016 financial results, 6,277 additional shares of restricted stock (total of 13,239 shares) were earned and granted subsequent to the end of fiscal year 2016 in accordance with the performance measurement criteria. No further performance-based measurements apply to this award.

During the first quarter of fiscal 2016, an additional grant of 5,000 restricted shares was made to a non-executive member of management with a vesting date of October 20, 2020. Compensation expense is being recognized on a ratable basis over the vesting period.

In August 2016, the Board of Directors of the Company approved the fiscal year 2017 LTIP for the executive officers and other members of management. The 2017 LTIP was an equity-based plan with a grant date of September 1, 2016. In addition to the stock option component described below, the plan contained the following restricted stock components: (a) a performance and service-based restricted stock grant of 5,399 shares in the aggregate, subject to adjustment based on fiscal 2017 results, with a vesting date of August 31, 2019, for which compensation expense was

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recognized on a ratable basis over the vesting period based on quarterly probability assessments; and (b) a time-based restricted stock grant of 5,367 shares in the aggregate, with a vesting date of August 31, 2019, for which compensation expense was recognized on a ratable basis over the vesting period.

Based on the fiscal year 2017 financial results, 5,399 additional shares of restricted stock (total of 10,798 shares) were earned and granted subsequent to the end of fiscal year 2017 in accordance with the performance measurement criteria. No further performance-based measurements apply to this award.

In August 2016, the Board of Directors of the Company approved equity retention agreements with certain executive officers. The equity-based retention agreements had a grant date of September 1, 2016. In addition to the stock option component described below, the equity retention agreements contain a time-based restricted stock grant of 16,312 shares in the aggregate, with 7,768 shares having a vesting date of August 31, 2019, and 8,544 shares initially having a vesting date of August 31, 2021. The latter award was amended in August 2017 to vest in five equal annual installments over the five-year period following the grant date. Compensation expense is being recognized on a ratable basis over the vesting period.

During the first quarter of fiscal 2017, additional grants totaling 8,805 shares of restricted stock were issued to non-executive members of management with a vesting date of August 31, 2021. Compensation expense is being recognized on a ratable basis over the vesting period.

In August 2017, the Board of Directors of the Company approved the fiscal year 2018 LTIP for the executive officers and other members of management. The 2018 LTIP was an equity-based plan with a grant date of September 1, 2017. In addition to the stock option component described below, the plan contained the following restricted stock components: (a) a performance and service-based restricted stock grant of 4,249 shares in the aggregate, subject to adjustment based on fiscal 2018 results, with a vesting date of August 31, 2020, for which compensation expense was recognized on a ratable basis over the vesting period based on quarterly probability assessments; and (b) a time-based restricted stock grant of 3,473 shares in the aggregate, with a vesting date of August 31, 2020. Compensation expense was recognized on a ratable basis over the vesting period.

Based on the fiscal year 2018 financial results, 572 additional shares of restricted stock (total of 4,821 shares) were earned and granted subsequent to the end of fiscal year 2018 in accordance with the performance measurement criteria. No further performance-based measurements apply to this award.

During the third quarter of fiscal 2018, an additional grant totaling 192 shares of restricted stock was issued to a non-executive member of management with a vesting date of August 31, 2020. Compensation expense was recognized on a ratable basis over the vesting period.

During the fourth quarter of fiscal 2018, an additional grant totaling 609 shares of restricted stock was issued to an executive member of management with a vesting date of August 20, 2019. Compensation expense was recognized on a ratable basis over the vesting period.

In August 2018, the Board of Directors of the Company approved the fiscal year 2019 LTIP for the executive officers and other members of management. The 2019 LTIP is an equity-based plan with a grant date of September 1, 2018. In addition to the stock option component described below, the plan contains the following restricted stock components: (a) a performance and service-based restricted stock grant of 3,541 shares in the aggregate, subject to adjustment based on fiscal 2019 results, with a vesting date of August 31, 2021, for which compensation expense is being recognized on a ratable basis over the vesting period based on quarterly probability assessments; and (b) a time-based restricted stock grant of 3,068 shares in the aggregate, with a vesting date of August 31, 2021. Compensation expense is being recognized on a ratable basis over the vesting period.

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In September 2018, restricted stock in the amount of 2,472 shares related to a first quarter of fiscal 2017 grant was forfeited in conjunction with the termination of employment of a non-executive member of management of the Company.

During the fourth quarter of fiscal 2019, an additional grant of restricted stock was made related to the 2019 LTIP grant in conjunction with an amendment to the equity compensation program for a promoted employee. The additional grant contains the following restricted stock components: (a) a performance and service-based restricted stock grant of 211 shares in the aggregate, subject to adjustment based on fiscal 2019 results, with a vesting date of August 31, 2021, for which compensation expense is being recognized on a ratable basis over the vesting period based on quarterly probability assessments; and (b) a time-based restricted stock grant of 132 shares in the aggregate, with a vesting date of August 31, 2021, for which compensation expense is being recognized on a ratable basis over the vesting period.

In August 2019, restricted stock in the amount of 833 shares related to the 2019 LTIP grant was forfeited in conjunction with an amendment in the equity compensation agreement of an employee.

Based on the fiscal year 2019 financial results, 2,694 shares of restricted stock already granted were forfeited subsequent to the end of fiscal year 2019 in accordance with the performance measurement criteria. No further performance-based measurements apply to this award. Compensation expense relating to the remaining portion is being recognized on a ratable basis over the vesting period.

In August 2019, the Board of Directors of the Company approved the fiscal year 2020 LTIP for the executive officers and other members of management. The 2020 LTIP is an equity-based plan with a grant date of September 1, 2019 and contains the following equity components: (a) a performance and service-based restricted stock grant of 3,697 shares in the aggregate, subject to adjustment based on fiscal 2020 results, with a vesting date of August 31, 2022. Compensation expense is recognized on a ratable basis over the vesting period based on quarterly probability assessments; and (b) a time-based restricted stock grant of 3,689 shares in the aggregate, with a vesting date of August 31, 2022. Compensation expense is being recognized on a ratable basis over the vesting period.

In August 2019, the Board of Directors of the Company approved equity retention agreements with certain executive officers. The equity-based retention agreements have a grant date of September 1, 2019 and contained time-based restricted stock grants of 15,945 shares in the aggregate, and have a vesting date of August 31, 2022. Compensation expense is being recognized on a ratable basis over the vesting period.

During the second quarter of fiscal 2020, additional grants of 432, 616 and 18,720 shares of restricted stock (total of 19,768) were issued to non-executive members of management with vesting dates of December 31, 2021, 2022 and 2024, respectively. Compensation expense is being recognized on a ratable basis over the vesting period.

In May 2020, restricted stock in the amount of 432 shares related to a second quarter of fiscal 2020 grant was forfeited in conjunction with the termination of employment of a non-executive member of management of the Company.

During the fourth quarter of fiscal 2020, two additional grants totaling 481 shares and 261 shares of restricted stock were issued to two non-executive members of management, with vesting dates of July 27, 2021 and June 15, 2021, respectively. Compensation expense is being recognized on a ratable basis over the vesting period.

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Non-employee Board of Directors

In February 2017, as part of their standard compensation for board service, non-employee members of the Board received a total grant of 2,407 shares of restricted stock for service for the period from January 31, 2017 through January 31, 2018. The shares of restricted stock vested at the conclusion of this service period. Compensation was recognized on a ratable basis over the twelve-month vesting period.

In February 2018, as part of their standard compensation for board service, non-employee members of the Board received a total grant of 2,779 shares of restricted stock for service for the period from January 31, 2018 through January 31, 2019. The shares of restricted stock vested at the conclusion of this service period. Compensation was recognized on a ratable basis over the twelve-month vesting period.

In February 2019, as part of their standard compensation for board service, non-employee members of the Board received a total grant of 4,599 shares of restricted stock for service for the period from January 31, 2019 through January 31, 2020. The shares of restricted stock will vest at the conclusion of this service period. Compensation was recognized on a ratable basis over the twelve-month vesting period.

In February 2020, as part of their standard compensation for board service, non-employee members of the Board received a total grant of 4,906 shares of restricted stock for service for the period from January 31, 2020 through January 31, 2021. 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.

A summary of the transactions of the Company's restricted stock plans for the years ended August 31, 2020, 2019 and 2018 is presented below:

	Non Employee Directors	Weighted Average Grant Date Fair Value	Officers and Employees	Weighted Average Grant Date Fair Value
Unvested restricted stock at August 31, 2017	2,407	\$ 91.05	73,972	\$ 51.56
Granted	2,779	\$ 101.05	13,922	\$ 83.65
Vested	(2,407)	\$ 91.05	(22,315)	\$ 41.35
Forfeited or cancelled	—		—	
Unvested restricted stock at August 31, 2018	2,779	\$ 101.05	65,579	\$ 61.85
Granted	4,599	\$ 101.92	7,524	\$ 121.64
Vested	(2,779)	\$ 101.05	(25,443)	\$ 65.79
Forfeited or cancelled	—		(3,305)	\$ 79.39
Unvested restricted stock at August 31, 2019	4,599	\$ 101.92	44,355	\$ 67.18
Granted	4,906	\$ 95.59	43,841	\$ 108.47
Vested	(4,599)	\$ 101.92	(25,195)	\$ 61.51
Forfeited or cancelled	—		(3,126)	\$ 123.19
Unvested restricted stock at August 31, 2020	4,906	\$ 95.59	59,875	\$ 97.72



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***Stock Options***

In August 2015, the Board of Directors of the Company approved the fiscal year 2016 LTIP for the executive officers and other members of management. The 2016 LTIP was an equity-based plan with a grant date of September 1, 2015 and included options to purchase 21,275 shares of common stock in the aggregate with an exercise price of \$39.50 per share. The options vested in three equal annual installments ending on August 31, 2018. The options granted will expire on September 1, 2025. Compensation expense was recognized over the period of the award consistent with the vesting terms.

In August 2016, the Board of Directors of the Company approved the fiscal year 2017 LTIP for the executive officers and other members of management. The 2017 LTIP is an equity-based plan with a grant date of September 1, 2016 and included options to purchase 15,028 shares of common stock in the aggregate with an exercise price of \$64.37 per share. The options vested in three equal annual installments ending on August 31, 2019. Of the options granted, 5,596 options will expire on August 31, 2026, and 9,432 options will expire on September 1, 2026. Compensation expense was recognized over the period of the award consistent with the vesting terms.

In August 2016, the Board of Directors of the Company approved equity retention agreements with certain executive officers. The equity-based retention agreements have a grant date of September 1, 2016 and included options to purchase 23,563 shares of common stock in the aggregate with an exercise price of \$64.37 per share. These options cliff vested on August 31, 2019 and will expire on August 31, 2026. Compensation expense was recognized over the period of the award consistent with the vesting terms.

In August 2017, the Board of Directors of the Company approved the fiscal year 2018 LTIP for the executive officers and other members of management. The 2018 LTIP is an equity-based plan with a grant date of September 1, 2017 and included options to purchase 9,622 shares of common stock in the aggregate with an exercise price of \$93.50 per share. The options vested in three equal annual installments ending on August 31, 2020. Of the options granted, 4,591 options will expire on August 31, 2027, and 5,031 options will expire on September 1, 2027. Compensation expense was recognized over the period of the award consistent with the vesting terms.

During the third quarter of fiscal 2018, an additional grant of options to purchase 606 shares of common stock with an exercise price of \$104.00 was issued to a non-executive member of management. The options vested in three equal annual installments ending on August 31, 2020 and will expire on March 1, 2028. Compensation expense was recognized on a ratable basis over the vesting period.

In August 2018, the Board of Directors of the Company approved the fiscal year 2019 LTIP for the executive officers and other members of management. The 2019 LTIP is an equity-based plan with a grant date of September 1, 2018 and included options to purchase 8,603 shares of common stock in the aggregate with an exercise price of \$123.95 per share. The options vest in three equal annual installments ending on August 31, 2021. Of the options granted, 3,927 options will expire on August 31, 2028, and 4,676 options will expire on September 1, 2028. Compensation expense is being recognized over the period of the award consistent with the vesting terms.

During the fourth quarter of fiscal 2019, an additional grant of 483 options to purchase shares of common stock with an exercise price of \$99.38 per share was made related to the 2019 LTIP grant and in conjunction with an amendment to the equity compensation program for a promotion of an employee. The options vest in three equal installments on August 31, 2019, 2020 and 2021, and will expire on August 31, 2028. Compensation expense is being recognized on a ratable basis over the vesting period.

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In August 2019, the Board of Directors of the Company approved the fiscal year 2020 LTIP for the executive officers and other members of management. The 2020 LTIP is an equity-based plan with a grant date of September 1, 2019 and included options to purchase 13,418 shares of common stock in the aggregate with an exercise price of \$100.22 per share. The options vest in three equal annual installments ending on August 31, 2022. Of the options granted, 6,218 options will expire on August 31, 2029, and 7,200 options will expire on September 1, 2029. Compensation expense is being recognized over the period of the award consistent with the vesting terms.

In August 2019, the Board of Directors of the Company approved equity retention agreements with certain executive officers. The equity-based retention agreements have a grant date of September 1, 2019 and contain stock options to purchase 53,642 shares of common stock in the aggregate with an exercise price of \$100.22 per share. The options will cliff vest on August 31, 2022 and will expire on August 31, 2029. Compensation expense is being recognized on a ratable basis over the vesting period.

The following table summarizes information about stock options outstanding as of August 31, 2020:

Exercise Prices	Options Outstanding				Options Exercisable		
	Number Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$ 16.00	5,065	2.1	\$ 16.00	\$ 413	5,065	\$ 16.00	\$ 413
\$ 29.72	13,790	3.0	\$ 29.72	\$ 936	13,790	\$ 29.72	\$ 936
\$ 35.50	13,372	4.0	\$ 35.50	\$ 830	13,372	\$ 35.50	\$ 830
\$ 39.50	12,753	5.0	\$ 39.50	\$ 741	12,753	\$ 39.50	\$ 741
\$ 64.37	34,260	6.0	\$ 64.37	\$ 1,137	34,260	\$ 64.37	\$ 1,137
\$ 93.50	8,704	7.0	\$ 93.50	\$ 35	8,704	\$ 93.50	\$ 35
\$ 99.38	483	8.0	\$ 99.38	\$ —	322	\$ 99.38	\$ —
\$ 100.22	67,060	9.0	\$ 100.22	\$ —	4,473	\$ 100.22	\$ —
\$ 104.00	606	7.5	\$ 104.00	\$ —	606	\$ 104.00	\$ —
\$ 123.95	8,603	8.0	\$ 123.95	\$ —	5,735	\$ 123.95	\$ —
	<u>164,696</u>	6.8	\$ 75.21	\$ 4,092	<u>99,080</u>	\$ 57.96	\$ 4,092

Options are granted with an exercise price that is equal to the closing market value of the Company's common stock on the day preceding the grant date, which is determined not to be materially different from the opening market value on the date of grant.

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A summary of the transactions of the Company's stock option plans for the years ended August 31, 2020, 2019 and 2018 is presented below:

	<b>Officers and Employees</b>	<b>Weighted Average Exercise Price</b>
Options outstanding at August 31, 2017	152,974	\$ 34.21
Granted	10,228	\$ 94.12
Exercised	(64,012)	\$ 19.06
Forfeited or cancelled	—	
Options outstanding at August 31, 2018	99,190	\$ 50.17
Granted	9,086	\$ 122.64
Exercised	(7,022)	\$ 42.86
Forfeited or cancelled	—	
Options outstanding at August 31, 2019	101,254	\$ 57.18
Granted	67,060	\$ 100.22
Exercised	(3,618)	\$ 34.21
Forfeited or cancelled	—	
Options outstanding at August 31, 2020	164,696	\$ 75.21
Options exercisable at August 31, 2020	99,080	\$ 57.96

The weighted average grant date fair value of options granted in the years ended August 31, 2020, 2019 and 2018 was \$29.79, \$40.12 and \$30.99 per share, respectively.

The total pretax intrinsic value of stock options exercised was \$311, \$403 and \$6,714 for the years ended August 31, 2020, 2019, and 2018, respectively.

Excluding the effects of common stock reserved for issuance upon exercise of the 164,696 outstanding options, there were 949,398 shares of common stock available for future issuance under the Company's 2013 Equity Incentive Plan on August 31, 2020. Based on historic experience, management estimates all outstanding stock options will vest.

The income tax benefit realized from stock options exercised, vesting of restricted stock and issuance of stock pursuant to grants of restricted stock units was \$149, \$157 and \$1,921 for the years ended August 31, 2020, 2019 and 2018, respectively.

As of August 31, 2020, unrecognized expense related to all stock-based compensation described above was \$5,397 (including \$4,136 for restricted stock and \$1,261 for stock options), which will be recognized over the next five fiscal years.

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**Note 11—Segment Data**

In fiscal 2019 (prior year), due to the recent changes in our business structure, including several recent acquisitions and divestitures within the previously existing Industrial Materials segment, changes in senior management and the establishment of our Chief Executive Officer as our sole chief operating decision maker, the Company's management team has restructured its internal and external reporting process to more accurately reflect the manner in which the current business is being managed and operated. In the fourth quarter of fiscal 2019 (prior year), the Company reorganized into three reportable operating segments: an Adhesives, Sealants and Additives segment, an Industrial Tapes segment and a Corrosion Protection and Waterproofing segment. The segments are distinguished by the nature of the products manufactured and how they are delivered to their respective markets.

The Adhesives, Sealants and Additives segment (formerly included within the Industrial Materials segment) offers innovative and specialized product offerings consisting of both end-use products and intermediates that are used in, or integrated into, another company's product. Demand for the segment's product offerings is typically dependent upon general economic conditions. This segment leverages the core specialty chemical competencies of the Company, and serves diverse markets and applications. The segment sells predominantly into the transportation, appliances, medical, general industrial and environmental market verticals. The segment's products include moisture protective coatings and customized sealant and adhesive systems for electronics, polymeric microspheres, polyurethane dispersions and superabsorbent polymers. Beginning December 31, 2017, the Adhesives, Sealants and Additives segment includes the acquired operations of Zappa Stewart within the Company's specialty chemicals intermediates product line.

The Industrial Tapes segment (formerly included within the Industrial Materials segment) features legacy wire and cable materials, specialty tapes, and other laminated and coated products. The segment derives its competitive advantage through its proven chemistries, diverse specialty offerings and the reliability its supply chain offers to end customers. These products are generally used in the assembly of other manufacturers' products, with demand typically dependent upon general economic conditions. This segment sells mostly to established markets, with some exposure to growth opportunities through further development of existing products. Markets served include cable manufacturing, utilities and telecommunications, and electronics packaging. The segment's offerings include insulating and conducting materials for wire and cable manufacturers, laminated durable papers, laminates for the packaging and industrial laminate markets, custom manufacturing services, pulling and detection tapes used in the installation, measurement and location of fiber optic cable and water and natural gas lines, and cover tapes essential to delivering semiconductor components via tape and reel packaging.

The Corrosion Protection and Waterproofing segment (formerly known as the Construction Materials segment) is principally composed of project-oriented product offerings that are primarily sold and used as "Chase" branded products. End markets include new and existing infrastructure projects on oil, gas, water and wastewater pipelines, highways and bridge decks, water and wastewater containment systems, and commercial buildings. The segment's products include protective coatings for pipeline applications, coating and lining systems for waterproofing and liquid storage applications, adhesives and sealants used in architectural and building envelope waterproofing applications, high-performance polymeric asphalt additives, and expansion joint systems for waterproofing applications in transportation and architectural markets. With sales generally dependent on outdoor project work, the segment experiences highly seasonal sales patterns.

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

	Years Ended August 31,		
	2020	2019	2018
<b>Revenue</b>			
Adhesives, Sealants and Additives	\$ 96,208	\$ 104,796	\$ 101,690
Industrial Tapes	118,960	129,845	130,598
Corrosion Protection and Waterproofing	45,994	46,710	51,900
Total	<u>\$ 261,162</u>	<u>\$ 281,351</u>	<u>\$ 284,188</u>
<b>Income before income taxes</b>			
Adhesives, Sealants and Additives	\$ 25,953	\$ 27,142 (d)	\$ 35,190 (h)
Industrial Tapes	31,237 (a)	28,216 (e)	30,886 (i)
Corrosion Protection and Waterproofing	16,638 (b)	15,909 (f)	18,178
Total for reportable segments	73,828	71,267	84,254
Corporate and common costs	(28,508)(c)	(27,714)(g)	(27,289)(j)
Total	<u>\$ 45,320</u>	<u>\$ 43,553</u>	<u>\$ 56,965</u>
<b>Includes the following costs by segment:</b>			
Adhesives, Sealants and Additives			
Interest	\$ 98	\$ 177	\$ 422
Depreciation	994	1,467	1,285
Amortization	9,313	9,359	7,895
Industrial Tapes			
Interest	\$ 111	\$ 216	\$ 516
Depreciation	1,746	1,755	2,748
Amortization	1,800	1,800	2,604
Corrosion Protection and Waterproofing			
Interest	\$ 37	\$ 126	\$ 234
Depreciation	615	674	753
Amortization	463	1,286	1,308

- (a) Includes \$559 in exit costs related to the movement of the pulling and detection business out of the Granite Falls, NC location and into the Hickory, NC location during the first six months of fiscal 2020
- (b) Includes \$170 gain on the refund of a payment made in fiscal 2019 related to engineering studies performed to assess potential operational changes and further plant rationalization and consolidation and an expense of \$405 for the write-down of certain assets under construction.
- (c) Includes \$150 of expense related to exploratory IT work performed to assess potential future upgrades to the Company's companywide ERP system, a \$760 gain related to the April 2020 sale of the Company's Pawtucket, RI location, a \$1,791 gain related to the August 2020 sale of the Company's Randolph, MA property, \$183 in severance expense related to the May 2020 reduction in force, \$85 in expenses related to the final transition out of the Pawtucket, RI facility, \$155 of pension-related settlement costs due to the timing of lump-sum distribution and \$274 in acquisition-related costs attributable to the September 2020 (fiscal 2021) acquisition of ABchimie
- (d) Includes \$2,410 of loss on impairment of goodwill related to the Company's polyurethane dispersions business
- (e) Includes \$260 of expense related to the closure and exit of our Pawtucket, RI location recognized in the first quarter of fiscal 2019, and \$526 in exit costs related to the movement of the pulling and detection business out of the Granite Falls, NC location and into the Hickory, NC location during the second half of fiscal 2019
- (f) Includes \$200 of expense related to engineering studies performed to assess potential future operational changes and further plant rationalization and consolidation, see note (b)
- (g) Includes \$511 of pension-related settlement costs due to the timing of lump-sum distributions
- (h) Includes \$1,070 of expense related to inventory step-up in fair value attributable to the acquisition of Zappa Stewart
- (i) Includes \$1,085 gain on sale of license related to the structural composites product line recorded in the second quarter of fiscal 2018, \$1,480 gain on sale of business related to the April 2018 sale of the structural composites rod business and \$1,272 of expense related to the exit of our Pawtucket, RI location in the fourth quarter of fiscal 2018
- (j) Includes \$393 in acquisition-related expense attributable to the December 2017 acquisition of Zappa Stewart

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	August 31, 2020	August 31, 2019
<b>Total Assets</b>		
Adhesives, Sealants and Additives	\$ 129,457	\$ 135,583
Industrial Tapes	71,229	77,085
Corrosion Protection and Waterproofing	32,642	32,478
Total for reportable segments	233,328	245,146
Corporate and common assets	113,502	62,822
Total	<u>\$ 346,830</u>	<u>\$ 307,968</u>

**Note 12—Export Sales and Foreign Operations**

Export sales from continuing domestic operations to unaffiliated third parties were \$30,067, \$30,582 and \$42,883 for the years ended August 31, 2020, 2019 and 2018, respectively. The decrease in export sales in fiscal 2020 against fiscal 2019 is a reflection of the overall year-over-year decrease in sales results. The decrease in export sales in fiscal 2019 against fiscal 2018 resulted from decreased export sales into China and Europe.

The Company's products are sold worldwide. Revenue for the years ended August 31, 2020, 2019 and 2018, are attributed to operations located in the following countries:

	Years Ended August 31,		
	2020	2019	2018
<b>Revenue</b>			
United States	\$ 226,690	\$ 248,281	\$ 244,225
United Kingdom	20,543	17,504	20,598
All other foreign <sup>(1)</sup>	13,929	15,566	19,365
Total	<u>\$ 261,162</u>	<u>\$ 281,351</u>	<u>\$ 284,188</u>

(1) Inclusive of sales originated from our Paris, France location, royalty revenue attributable to our licensed manufacturer in Asia, and Chase foreign manufacturing operations.

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As of August 31, 2020 and 2019, the Company had long-lived assets (defined as tangible assets providing the Company with a future economic benefit beyond the current year or operating period, including buildings, equipment and leasehold improvements) and goodwill and intangible assets, less accumulated amortization in the following countries:

	August 31, 2020	August 31, 2019
<b>Long-Lived Assets</b>		
United States		
Property, plant and equipment, net	\$ 22,427	\$ 24,993
Goodwill and Intangible assets, less accumulated amortization	117,930	129,057
United Kingdom		
Property, plant and equipment, net	2,320	2,493
Goodwill and Intangible assets, less accumulated amortization	4,403	4,446
All other foreign		
Property, plant and equipment, net	827	1,840
Goodwill and Intangible assets, less accumulated amortization	1,269	1,187
Total		
Property, plant and equipment, net	<u>\$ 25,574</u>	<u>\$ 29,326</u>
Goodwill and Intangible assets, less accumulated amortization	<u>\$ 123,602</u>	<u>\$ 134,690</u>

**Note 13—Supplemental Cash Flow Data**

Supplemental cash flow information for the years ended August 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Income taxes paid	<u>\$ 11,186</u>	<u>\$ 11,714</u>	<u>\$ 20,142</u>
Interest paid	<u>\$ 230</u>	<u>\$ 728</u>	<u>\$ 915</u>
<b>Noncash Investing and Financing Activities</b>			
Common stock received for payment of stock option exercises	\$ 123	\$ 119	\$ 1,028
Property, plant and equipment additions included in accounts payable	\$ 92	\$ 67	\$ 197

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Supplemental cash flow information as related to acquisitions and divestitures for the years ended August 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
<b>Sale of Randolph, MA Property</b>			
Asset held for sale	\$ (14)		
Gain on sale of real estate	(1,791)		
Cash received from sale of real estate, net	1,805		
<b>Sale of Pawtucket, RI Location</b>			
Asset held for sale	\$ (1,050)		
Gain on sale of real estate	(760)		
Cash received from sale of real estate, net	1,810		
<b>Acquisition of Zappa Stewart</b>			
Current assets			\$ 10,478
Property, plant & equipment			1,872
Goodwill and Intangible assets			64,378
Deferred tax liability			(2,626)
Accounts payable and accrued liabilities			(633)
Payments for acquisitions			(73,469)
<b>Sale of Structural Composites Rod Business</b>			
Inventory			\$ (522)
Goodwill			(230)
Gain on sale of business			(1,480)
Cash received from sale of business, net of transaction costs			2,232
<b>Sale of Structural Composites License</b>			
Property and equipment			\$ (26)
Gain on sale of license			(1,085)
Accrued income taxes			111
Cash received from sale of license			1,000
<b>Sale of Fiber Optic Cable Components Product Line</b>			
Due from sale of business		\$ (400)	
Cash received from sale of product line, net of transaction costs		400	



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**Note 14—Acquisitions**

*Acquisition of ABchimie*

On September 1, 2020 (subsequent to fiscal 2020), the Company acquired all the capital stock of ABchimie for €18,000 (approximately \$21,420 at the time of the transaction) net of cash and marketable securities acquired, subject to final working capital adjustment, excluding acquisition-related costs of \$274 and with a potential earn out based on performance potentially worth an additional €7,000 (approximately \$8,330 at the time of the transaction). ABchimie is a Corbelin, France headquartered solutions provider for the cleaning and the protection of electronic assemblies, with further formulation, production, and research and development capabilities. The transaction was funded 100% with cash on hand. The financial results of the business will be included in the Company's fiscal 2021 financial statements within the Adhesives, Sealants and Additives operating segment in the electronic and industrial coatings product line. The Company is currently in the process of finalizing purchase accounting, regarding a final allocation of the purchase price to tangible and identifiable intangible assets assumed and anticipates completion within fiscal 2021. The ABchimie acquisition does not represent a significant business combination so pro forma financial information is not provided.

*Acquisition of Zappa Stewart*

On December 31, 2017, the Company acquired Zappa Stewart, an advanced superabsorbent polymer (SAP) formulator and solutions provider, with operations located in Hickory and McLeansville, NC. The business was acquired for a purchase price of \$73,469, after final working capital adjustments and excluding acquisition-related costs. Chase Corporation acquired all equity of the business and entered multiyear leases at both locations. The purchase was funded by a combination of a \$65,000 draw on the Company's existing revolving credit facility and available cash on hand. Zappa Stewart's protective materials technology is complementary to Chase Corporation's current specialty chemicals offerings. This acquisition is in line with our core strategies and extends our reach into growing medical and consumer applications.

Since the effective date for this acquisition, December 31, 2017, the financial results of the acquired business have been included in the Company's financial statements within the Adhesives, Sealants and Additives operating segment, in the specialty chemicals intermediates product line. The acquisition was accounted for as a business combination under ASC Topic 805, "Business Combinations." In accordance with this accounting standard, the Company expensed \$393 of acquisition-related costs during the second quarter of 2018 to acquisition-related costs.

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The Company finalized purchase accounting in the three-month period ended November 30, 2018 (the first quarter of fiscal 2019), with no adjustments made to the preliminary amounts recorded at August 31, 2018. 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 and Liabilities</b>	<b>Amount</b>
Accounts receivable	\$ 3,670
Inventory	6,796
Prepaid expenses and other current assets	12
Property, plant & equipment	1,872
Goodwill	34,138
Intangible assets	30,240
Deferred tax liability	(2,626)
Accounts payable and accrued expenses	(633)
Total purchase price	\$ 73,469

The excess of the purchase price over the net tangible and intangible assets acquired resulted in goodwill of \$34,138 that is largely attributable to the synergies and economies of scale from combining the operations, technologies and research and development capabilities of Zappa Stewart and Chase, particularly as it pertains to the expansion of the Company's product and service offerings, the established workforce and marketing efforts. A portion of this goodwill, \$23,990, is deductible for income tax purposes.

All assets, including goodwill, acquired as part of the Zappa Stewart acquisition are included in the Adhesives, Sealants and Additives operating segment. Identifiable intangible assets purchased with this transaction are as follows:

<b>Intangible Asset</b>	<b>Amount</b>	<b>Weighted Average Useful Life</b>
Customer relationships	\$ 28,500	7.9 years
Technology	900	7 years
Trade names	840	4 years
Total intangible assets	\$ 30,240	

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*Supplemental Pro Forma Data (unaudited)*

The following table presents the pro forma results of the Company for the year ended August 31, 2018 as though the Zappa Stewart acquisition described above occurred on September 1, 2016 (the first day of fiscal 2017). The actual revenue and expenses for the acquired business are included in the Company's consolidated results beginning on December 31, 2017. From the date of acquisition (December 31, 2017) through August 31, 2018, revenue and net income for the Zappa Stewart operations included in the consolidated statement of operations were \$16,324 and \$578, respectively, with results inclusive of sale of \$1,070 in inventory step-up cost, \$393 in acquisition-related costs and amortization expense of \$2,672 recognized related to intangible assets recorded as part of the transaction, but not inclusive of any interest or financing costs. The pro forma results include adjustments for the estimated amortization of intangibles, acquisition-related costs, sale of inventory step-up cost, interest expense assuming the entire \$65,000 draw remained outstanding through December 31, 2017 (at the interest rate effective at the date of borrowing) and the income tax impact of the pro forma adjustments at the statutory rate of 26% for fiscal 2018. 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, 2016.

	<b>Years Ended August 31,</b>	
	<b>2018</b>	
Revenue	\$	292,609
Net income		44,508
Net income available to common shareholders, per common and common equivalent share		
Basic earnings per share	\$	4.75
Diluted earnings per share	\$	4.70

**Note 15—Sale of License**

In November 2017 (fiscal 2018), the Company entered a license agreement with an unrelated party to sell a license, including intellectual property, and certain construction in process assets, with a net book value of \$26, all of which related to the manufacturing of certain structural composite materials. In the second fiscal quarter of 2018, the transaction was finalized for gross consideration of \$1,111 comprising cash proceeds of \$1,000 and \$111 in foreign tax consideration paid by the buyer on Chase Corporation's behalf. This transaction resulted in a gain of \$1,085, which was recorded in the Company's consolidated statement of operations as a gain on sale of license during the fiscal quarter ended February 28, 2018.

In relation to this license agreement, the purchaser also entered into a royalty agreement with the Company under which the purchaser agreed to make royalty payments to the Company based on the volume of future sales of certain structural composite material manufactured by the purchaser. Revenue recognized related to this royalty agreement was not material in fiscal 2019 and 2018, and this royalty agreement was terminated in fiscal 2019.

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**Note 16—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 are: 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.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that it does not have any financial liabilities measured at fair value other than long-term debt and that its financial assets are currently all classified within Level 1 or Level 2 in the fair value hierarchy. The financial assets classified as Level 1 and Level 2 as of August 31, 2020 and 2019 represent investments which are restricted for use in non-qualified retirement savings plans 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 August 31, 2020 and 2019:

	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	August 31, 2020	\$ 1,619	\$ 1,395	\$ 224	\$ —
Restricted investments	August 31, 2019	\$ 1,260	\$ 1,091	\$ 169	\$ —

The following table presents the fair values of the Company's long-term debt as of August 31, 2020 and 2019 which is recorded at its carrying amount:

	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>Liabilities:</b>					
Long-term debt	August 31, 2020	\$ —	\$ —	\$ —	\$ —
Long-term debt	August 31, 2019	\$ —	\$ —	\$ —	\$ —

The long-term debt had no outstanding balance as of August 31, 2020 and August 31, 2019. The carrying value of the long-term debt approximates its fair value, as the interest rate is set based on the movement of the underlying market rates. See Note 6 to the consolidated financial statements for additional information on long-term debt.

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**Note 17—Net Income Per Share**

The determination of earnings per share under the two-class method is as follows:

	Years Ended August 31,		
	2020	2019	2018
Net income	\$ 34,157	\$ 32,711	\$ 43,143
Less: Allocated to participating securities	273	257	410
Available to common shareholders	<u>\$ 33,884</u>	<u>\$ 32,454</u>	<u>\$ 42,733</u>
Basic weighted average shares outstanding	9,359,940	9,334,232	9,296,648
Additional dilutive common stock equivalents	79,810	44,975	69,423
Diluted weighted average shares outstanding	<u>9,439,750</u>	<u>9,379,207</u>	<u>9,366,071</u>
Net income available to common shareholders, per common and common equivalent share			
Basic	\$ 3.62	\$ 3.48	\$ 4.60
Diluted	\$ 3.59	\$ 3.46	\$ 4.56

For the years ended August 31, 2020, 2019 and 2018, stock options to purchase 11,183, 12,901 and 404 shares of common stock were outstanding but were not included in the calculation of diluted net income per share because their inclusion would be antidilutive. Included in the calculation of dilutive common stock equivalents are the unvested portion of restricted stock and stock options.

**Note 18—Sale of Businesses**

*Sale of Structural Composites Rod Business*

On April 20, 2018, Chase Corporation finalized an agreement with an unrelated party to sell all inventory, operational machinery and equipment and intangible assets of the Company’s structural composites rod business, as well as a license related to the production and sale of rod, for proceeds of \$2,232, net of transaction costs and following all working capital adjustments. This business, which was part of the structural composites product line within the Industrial Tapes segment (previously within the former Industrial Materials segment), had limited growth and profitability prospects as part of the Company, and was outside the areas Chase has identified for strategic emphasis. The divestiture was accounted for under ASC Topic 360, “Disclosure—Impairment or Disposal of Long-Lived Assets.” In accordance with this accounting standard, the resulting pre-tax gain on sale of \$1,480 was recognized in the third quarter of fiscal 2018 as a gain on sale of businesses within the consolidated statement of operations. Chase received \$2,075, net of transaction costs, in the third quarter of fiscal 2018, with the remaining \$157 received in the fourth quarter of fiscal 2018 as a result of a working capital true-up.

Related to this transaction, the purchaser entered into a royalty agreement with the Company, under which the purchaser agreed to make royalty payments to the Company based on future sales of certain structural composite material manufactured by the purchaser. Royalty revenue recognized in fiscal 2019 and 2018 related to this agreement was not material, and this royalty agreement was terminated in fiscal 2019.

The sale of the structural components rod business followed the Company’s sale of the RodPack® wind blade components business in November 2015, and the licensing of certain composite technologies during the second quarter of fiscal 2018 (see further discussion in Note 15 to the consolidated financial statements). Subsequent to the third quarter of fiscal 2018, Chase Corporation has included the results of its remaining structural composites wind energy business (inclusive of the royalties and the custom manufacturing services) within the specialty products product line.

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**Note 19—Sale of Real Estate**

*Sale of Randolph, MA Property*

In August 2020, the Company finalized the sale of its Randolph, MA property for net proceeds of \$1,805. This transaction resulted in a gain of \$1,791, which was recorded during the fourth quarter of fiscal 2020.

*Sale of Pawtucket, RI Location*

In April 2020, the Company finalized the sale of its Pawtucket, RI location for net proceeds of \$1,810. This transaction resulted in a gain of \$760, which was recorded during the third quarter of fiscal 2020.

**Note 20—Operations Optimization Costs**

*Strategic Actions Taken Related to COVID-19*

The second, third and fourth fiscal quarters of 2020 saw the global spread of the coronavirus pandemic (COVID-19), which grew to create significant volatility, uncertainty and global economic disruption. During the third fiscal quarter, the Company implemented changes to its cost structure designed to address market changes brought on by COVID-19 and demonstrate its commitment to fiscal prudence: (a) the Company made a targeted reduction in its global workforce, contemplated pre-pandemic but catalyzed by COVID-19, which resulted in the recognition of \$183 in severance costs during the period; and (b) the Company also instituted a temporary 20% reduction in the base salaries of its named executive officers and select members of senior management, as well as the cash compensation of the non-employee members of its Board of Directors. The reduction in force, which impacted operations in the Company's U.S. facilities, and the adjustments in compensation, were both effective May 2020.

*ERP System Upgrade*

During the first quarter of fiscal 2020, the Company commissioned third party led studies regarding the potential upgrading of the Company's current worldwide ERP system. Chase Corporation is currently reviewing the data and recommendations provided by the study and may further utilize third-party engineering, IT and other professional services firms in the future for similar work, as well as work around the facilities rationalization and consolidation initiative. The Company recognized \$150 in expense related to these services in the first quarter of fiscal 2020, with no expense recognized in the second, third or fourth fiscal quarters. Given the ongoing nature of the review, an estimate of future costs, including those that may be capitalized, cannot currently be determined.

*Relocation of Pulling and Detection Manufacturing to Hickory, NC*

During the third quarter of fiscal 2019, Chase Corporation began moving the pulling and detection operations housed in its Granite Falls, NC location to its Hickory, NC facility. This is in line with the Company's ongoing initiative to consolidate its manufacturing plants and streamline its existing processes. At the time, the pulling and detection operations were the only Chase-owned production operations in Granite Falls, NC, with the remaining portions of the building being either utilized for research and development or leased to a third party. The process of moving, including moving internal research and development capabilities, was substantially completed during the second quarter of fiscal 2020. The Company recognized \$559 in expense related to the move in the six-month period ended February 29, 2020, having recognized \$526 in expense during the second half of fiscal 2019. No costs were recognized in the six months ended August 31, 2020, and future costs related to this move are not anticipated to be significant to the consolidated financial statements.

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*Engineering Studies Related to Facility Consolidation and Rationalization Initiative*

During the fourth quarter of fiscal 2019 (prior year), the Company commissioned engineering studies of certain legacy operations, machinery and locations related to the Company's facility rationalization and consolidation initiative. Chase Corporation completed its review of the data and recommendations provided by the study in the fourth quarter of fiscal 2020 (current year). The Company recognized \$200 in expense related to these services in fiscal 2019, and a gain of \$170 in fiscal 2020, as certain amounts expensed in fiscal 2019 were refunded. Also in the fourth quarter of fiscal 2020 and related to the recommendations of the commissioned engineering studies, the Company wrote down the value of certain non-operating production assets related to the pipeline coatings product line, within the Corrosion Protection and Waterproofing segment. Given the nature and prospects of the equipment, the Company determined its then carrying value exceeded its fair value and recognized an expense of \$405 related to the machinery. The Company may utilize third party engineering, IT and other professional services firms in the future for similar optimization-related work. Given the ongoing nature of the facility rationalization and consolidation initiative, an estimate of future costs cannot currently be determined.

*Closure of Pawtucket, RI Facility*

On June 25, 2018, the Company announced to its employees the planned closing of its Pawtucket, RI manufacturing facility effective August 31, 2018. This is in line with the Company's ongoing efforts to consolidate its manufacturing plants and streamline its existing processes. The manufacture of products previously produced in the Pawtucket, RI facility was substantially moved to Company facilities in Oxford, MA and Lenoir, NC during a two-month transition period. In the fourth quarter of fiscal 2018, the Company expensed \$1,272 related to the closure. The Company also recognized \$260 in expense related to the move in the three-month period ended November 30, 2018, with no additional expense recognized in the remainder of fiscal 2019. The Company completed the sale of its Pawtucket, RI location to a third party in the third quarter of fiscal 2020 for net proceeds totaling \$1,810, recognizing a gain on sale of real estate of \$760. Also, during the third quarter of fiscal 2020, the Company recognized \$85 in final Pawtucket, RI transition and exit costs, with no further costs related to this initiative anticipated in future periods.

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**Note 21—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 cash flows, litigation is inherently unpredictable. Therefore, judgments could be rendered, or settlements agreed to that could adversely affect the Company's operating results or cash flows in a particular period. The Company routinely assesses all its litigation and threatened litigation as to the probability of ultimately incurring a liability and records its best estimate of the ultimate loss in situations where we assess the likelihood of loss as probable.

**Note 22—Assets Held for Sale**

The Company periodically reviews long-lived assets against its plans to retain or ultimately dispose of these assets. If the Company decides to dispose of an asset and commits to a plan to actively market and sell the asset, it will be moved to assets held for sale. The Company analyzes market conditions each reporting period, and, if applicable, records additional impairments due to declines in market values of like assets. The fair value of the asset is determined by observable inputs such as appraisals and prices of comparable assets in active markets for assets like the Company's. Gains are not recognized until the assets are sold.

Assets held for sale as of August 31, 2020 and 2019 were:

	<b>August 31, 2020</b>	<b>August 31, 2019</b>
Pawtucket, RI - Property, plant and equipment	\$ —	\$ 1,050
Randolph, MA - Property	—	14
<b>Total</b>	<b>\$ —</b>	<b>\$ 1,064</b>

The Randolph, MA and Pawtucket, RI locations were sold for gains of \$1,791 and \$760, respectively, during fiscal 2020. See Note 19 to the consolidated financial statements for additional information on the sale of the Randolph, MA and Pawtucket, RI properties during fiscal 2020.



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**Note 23—Selected Quarterly Financial Data (Unaudited)**

The following table presents unaudited operating results for each of the Company's quarters in the years ended August 31, 2020 and 2019:

	Fiscal Year 2020 Quarters				
	First	Second	Third	Fourth	Year
Net Sales	\$ 65,757	\$ 64,626	\$ 64,157	\$ 63,202	\$ 257,742
Gross Profit on Sales	23,974	23,960	24,468	23,725	96,127
Net income	\$ 7,362	\$ 7,879	\$ 9,908	\$ 9,008	\$ 34,157
Net income available to common shareholders, per common and common equivalent share:					
Basic	\$ 0.78	\$ 0.83	\$ 1.05	\$ 0.95	\$ 3.62
Diluted	\$ 0.77	\$ 0.83	\$ 1.04	\$ 0.95	\$ 3.59

	Fiscal Year 2019 Quarters				
	First	Second	Third	Fourth	Year
Net Sales	\$ 71,364	\$ 65,442	\$ 70,883	\$ 69,150	\$ 276,839
Gross Profit on Sales	24,789	22,229	24,477	25,181	96,676
Net income	\$ 8,823	\$ 5,273	\$ 8,541	\$ 10,074	\$ 32,711
Net income available to common shareholders, per common and common equivalent share:					
Basic	\$ 0.94	\$ 0.56	\$ 0.91	\$ 1.07	\$ 3.48
Diluted	\$ 0.93	\$ 0.56	\$ 0.90	\$ 1.07	\$ 3.46

Note: Quarterly earnings per share amounts may not sum to earnings per share for the year due to rounding.

**Note 24—Valuation and Qualifying Accounts**

The following table sets forth activity in the Company's accounts receivable and sales return reserve:

Year ended	Balance at Beginning of Year	Charges to Operations	Deductions to Reserves	Balance at End of Year
August 31, 2020	\$ 739	\$ 921	\$ (1,222)	\$ 438
August 31, 2019	\$ 559	\$ 1,775	\$ (1,595)	\$ 739
August 31, 2018	\$ 456	\$ 1,138	\$ (1,035)	\$ 559

The following table sets forth activity in the Company's warranty reserve (the warranty reserve is included within accrued expenses on the consolidated balance sheet):

Year ended	Balance at Beginning of Year	Charges to Operations	Deductions to Reserves	Balance at End of Year
August 31, 2020	\$ 37	\$ —	\$ (37)	\$ —
August 31, 2019	\$ —	\$ 37	\$ —	\$ 37
August 31, 2018	\$ 220	\$ —	\$ (220)	\$ —

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**Note 25—Accumulated Other Comprehensive Income**

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

	<u>Restricted Investments</u>	<u>Change in Funded Status of Pension Plans</u>	<u>Foreign Currency Translation Adjustment</u>	<u>Total</u>
Balance at August 31, 2018	\$ 126	\$ (5,796)	\$ (6,666)	\$ (12,336)
Other comprehensive gains (losses) before reclassifications	36	(1,215)	(1,541)	(2,720)
Reclassifications to net income of previously deferred (gains) losses	(8)	740	—	732
Other comprehensive income (loss)	<u>28</u>	<u>(475)</u>	<u>(1,541)</u>	<u>(1,988)</u>
Balance at August 31, 2019	<u>\$ 154</u>	<u>\$ (6,271)</u>	<u>\$ (8,207)</u>	<u>\$ (14,324)</u>
Other comprehensive gains (losses) before reclassifications	143	(1,278)	3,163	2,028
Reclassifications to net income of previously deferred (gains) losses	(28)	620	—	592
Other comprehensive income (loss)	<u>115</u>	<u>(658)</u>	<u>3,163</u>	<u>2,620</u>
Adoption of ASU 2018-02	—	(1,388)	—	(1,388)
Balance at August 31, 2020	<u>\$ 269</u>	<u>\$ (8,317)</u>	<u>\$ (5,044)</u>	<u>\$ (13,092)</u>

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

	<u>Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income</u>		<u>Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income</u>
	<u>Year Ended August 31, 2020</u>	<u>Year Ended August 31, 2019</u>	
Gains on Restricted Investments:			
Realized loss (gain) on sale of restricted investments	\$ (37)	\$ (11)	Selling, general and administrative expenses
Tax expense (benefit)	9	3	
Gain net of tax	<u>\$ (28)</u>	<u>\$ (8)</u>	
Loss on Funded Pension Plan adjustments:			
Amortization of prior pension service costs and unrecognized losses	\$ 667	\$ 475	Other income (expense)
Settlement and curtailment loss	155	511	Other income (expense)
Tax expense (benefit)	(202)	(246)	
Loss net of tax	<u>\$ 620</u>	<u>\$ 740</u>	
Total net loss reclassified for the period	<u>\$ 592</u>	<u>\$ 732</u>	

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*In thousands, except share and per share amounts*

**Note 26—Revenue from Contracts with Customers**

The Company accounts for revenue in accordance with ASC 606, “Revenue from Contracts with Customers,” adopted September 1, 2018 (preceding periods are accounted for under the historic accounting standards of ASC 605). This revenue is generated from the manufacture of specialty chemical products including coatings, linings, adhesives, sealants, specialty tapes, polymers and laminates. Certain of these manufactured products can incorporate customer-owned materials. The Company also recognizes, to a lesser extent, revenue through royalties and commissions from licensed manufacturers and from providing custom manufacturing-related services. The Company’s revenue recognition policies require the Company to make significant judgments and estimates. In applying the Company’s revenue recognition policy, determinations must be made as to when control of products passes to the Company’s customers, which can be either at a point in time or over time based on contractual terms with customers. Revenue is generally recognized at a point in time when control passes upon either shipment to or receipt by the customer of the Company’s products, while revenue is generally recognized over time when control of the Company’s products transfers to customers during the manufacturing process. The Company analyzes several factors, including but not limited to, the nature of the products being sold and contractual terms and conditions in contracts with customers to help the Company make such judgments about revenue recognition.

*Contract Balances*

The Company’s contract assets primarily relate to unbilled revenue for products currently in production at the Company’s facilities and which incorporate customer-owned material. Revenue is recognized in advance of billing to the customer in these specific circumstances, whereas billing is typically performed at the time of shipment to or receipt by the customer. Contract assets are included in prepaid expenses and other current assets on the Company’s consolidated balance sheet. The following table presents contract assets by reportable operating segment as of August 31, 2020 and 2019:

	August 31, 2020	August 31, 2019
<b>Contract Assets</b>		
Adhesives, Sealants and Additives	\$ 20	\$ 42
Industrial Tapes	21	26
Corrosion Protection and Waterproofing	41	79
Total	<u>\$ 82</u>	<u>\$ 147</u>

The Company did not have any contract liabilities as of August 31, 2020 and 2019.

**CHASE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*In thousands, except share and per share amounts*

*Disaggregated Revenue*

The Company disaggregates revenue from customers by geographic region, as it believes this disclosure best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. Disaggregated revenue by geographical region for the years ended August 31, 2020 and 2019 was as follows:

	<b>Year Ended August 31, 2020</b>			
	<b>Adhesives, Sealants and Additives</b>	<b>Industrial Tapes</b>	<b>Corrosion Protection and Waterproofing</b>	<b>Consolidated Revenue</b>
<b>Revenue</b>				
North America	\$ 64,611	\$ 105,911	\$ 36,252	\$ 206,774
Asia	17,977	7,150	6,361	31,488
Europe	13,201	3,286	3,047	19,534
All other foreign	419	2,613	334	3,366
Total Revenue	<u>\$ 96,208</u>	<u>\$ 118,960</u>	<u>\$ 45,994</u>	<u>\$ 261,162</u>
	<b>Year Ended August 31, 2019</b>			
	<b>Adhesives, Sealants and Additives</b>	<b>Industrial Tapes</b>	<b>Corrosion Protection and Waterproofing</b>	<b>Consolidated Revenue</b>
<b>Revenue</b>				
North America	\$ 70,320	\$ 117,955	\$ 37,463	\$ 225,738
Asia	19,430	7,126	6,524	33,080
Europe	14,773	2,637	2,455	19,865
All other foreign	273	2,127	268	2,668
Total Revenue	<u>\$ 104,796</u>	<u>\$ 129,845</u>	<u>\$ 46,710</u>	<u>\$ 281,351</u>

*Practical Expedients and Policy Elections*

*Shipping and Handling Policy Election* — the Company has made an accounting policy election to record shipping and handling activities occurring after control has passed to the customer to be treated as a fulfillment cost rather than as a distinct performance obligation. Shipping and handling expenses consist primarily of costs incurred to deliver products to customers and internal costs related to preparing products for shipment and are recorded within cost of products and services sold. Amounts billed to customers as shipping and handling are classified as revenue when services are performed.

*Considering Existence of a Significant Financing Component* — as a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less. Given the time between the Company transferring a promised good or service to the customer and the customer paying for that good or service is less than one year based on the terms of arrangements with customers, the Company does not adjust the promised amount of consideration for effects of a significant financing component.

## **ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A – CONTROLS AND PROCEDURES**

### **DISCLOSURE CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its 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.

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

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management concluded that our internal control over financial reporting was effective as of August 31, 2020. Grant Thornton LLP, an independent registered public accounting firm, audited the effectiveness of our internal control over financial reporting as of August 31, 2020.

## **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have not been any changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2020 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Chase Corporation

### Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Chase Corporation (a Massachusetts corporation) and subsidiaries (the “Company”) as of August 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2020, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended August 31, 2020, and our report dated November 12, 2020 expressed an unqualified opinion on those financial statements.

### Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Boston, Massachusetts  
November 12, 2020

## ITEM 9B – OTHER INFORMATION

Not applicable.

## PART III

### ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Form 10-K, relating to Directors of the Company, compliance with the reporting obligations under Section 16(a) of the Exchange Act, the Company’s code of ethics applicable to senior management, procedures for shareholder nominations to the Company’s Board of Directors, and the Company’s Audit Committee is incorporated by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company’s fiscal year ended August 31, 2020. Information regarding the Company’s executive officers found in the section captioned “Information About Our Executive Officers” in Item 4A of Part I hereof is also incorporated by reference into this Item 10.

### ITEM 11 – EXECUTIVE COMPENSATION

The information required by Item 11 of Form 10-K, relating to executive and director compensation and certain matters relating to the Company’s Compensation and Management Development Committee, is incorporated by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company’s fiscal year ended August 31, 2020.

### ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 of Form 10-K, relating to the stock ownership of certain beneficial owners and management, is incorporated by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company’s fiscal year ended August 31, 2020.

The following table summarizes the Company’s equity compensation plans as of August 31, 2020. Further details on the Company’s equity compensation plans are discussed in the notes to the Consolidated Financial Statements. The adoption of each of the Company’s equity compensation plans was approved by its shareholders.

	<u>Number of shares of Chase common stock to be issued upon the exercise of outstanding options</u>	<u>Weighted average exercise price of outstanding options</u>	<u>Number of shares of Chase common stock remaining available for future issuance</u>
2005 Incentive Plan	39,473	\$ 31.71	—
2013 Equity Incentive Plan	125,223	88.92	949,398
Total	<u>164,696</u>	<u>\$ 75.21</u>	<u>949,398</u>

### ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Form 10-K, relating to transactions with related persons and the independence of members of the Company’s Board of Directors, is incorporated by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company’s fiscal year ended August 31, 2020.



## **ITEM 14 – PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 14 of Form 10-K, relating to fees paid to the Company’s independent registered public accounting firm and pre-approval policies of the Company’s Audit Committee, is incorporated by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company’s fiscal year ended August 31, 2020.

## PART IV

### ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (2) Financial Statements and Schedules:

The financial statements are set forth under Item 8 of this Annual Report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

(a)(3) Exhibit Index:

<u>Exhibit Number</u>	<u>Description</u>
3.1.1	Articles of Organization of Chase Corporation (incorporated by reference from Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2004, filed on November 24, 2004 (the "2004 Form 10-K")).
3.1.2	Articles of Amendment to Articles of Organization of Chase Corporation (incorporated by reference from Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 29, 2008, filed on April 9, 2008).
3.2	Amended and Restated By-Laws (incorporated by reference from Exhibit 3.1 to the Company's current report on Form 8-K filed on April 12, 2016).
4.1	Description of the Company's Capital Stock (incorporated by reference from Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2019, filed on November 13, 2019).
10.1	Amended and Restated Stock Agreement dated as of August 31, 2004, between the Company and Peter R. Chase (incorporated by reference to Exhibit 10 to the Company's current report on Form 8-K filed on September 2, 2004).*
10.2	Chase Corporation Employee's Supplemental Pension Plan effective January 1, 2008 (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2008, filed on July 10, 2008). *
10.3.1	Chase Corporation Employee's Supplemental Savings Plan, as Amended and Restated Effective December 31, 2016.*
10.3.2	Amendment to the Chase Corporation Employee's Supplemental Savings Plan, dated July 15, 2020.*
10.4	Chase Corporation Non-Qualified Retirement Savings Plan for the Board of Directors, amended and restated effective January 1, 2009 (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2009, filed on April 9, 2009). *
10.5	Severance Agreement between the Company and Peter R. Chase dated July 10, 2006 (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2006, filed on July 17, 2006).*
10.6	Amended and Restated Severance Agreement between the Company and Adam P. Chase dated January 2, 2018 (incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K on January 8, 2018). *

- 10.7.1 Offer letter dated August 1, 2018 by and between Chase Corporation and Christian J. Talma (incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K on August 24, 2018).\*
- 10.7.2 Severance Agreement between the Company and Christian J. Talma dated August 17, 2018 (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K on August 24, 2018).\*
- 10.8.1 2005 Equity Incentive Plan of Chase Corporation (incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K filed on February 9, 2006).\*
- 10.8.2 2013 Equity Incentive Plan of Chase Corporation (incorporated by reference from Exhibit A to the Company's 2012 Proxy Statement filed on December 21, 2012).\*
- 10.8.3 Form of restricted stock unit award issued for non-executive members of the Board of Directors (incorporated by reference from Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended February 28, 2007, filed on April 16, 2007).\*
- 10.8.4 Form of restricted stock unit award issued for members of Executive Management (incorporated by reference from Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended February 28, 2007, filed on April 16, 2007).\*
- 10.8.5 Form of restricted stock agreement issued for 2013 Equity Incentive Plan (incorporated by reference from Exhibit 10.9.5 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2019, filed on November 13, 2019).\*
- 10.8.6 Form of stock option award issued (incorporated by reference from Exhibit 10.11.6 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2009, filed on November 16, 2009).\*
- 10.9.1 Split Dollar Agreement between Chase Corporation and Peter R. Chase dated January 10, 2005 (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on January 14, 2005).\*
- 10.9.2 Split Dollar Endorsement dated January 10, 2005 (incorporated by reference from Exhibit 10.3 to the Company's current report on Form 8-K filed on January 14, 2005).\*
- 10.10.1 FY 2020 Chase Corporation Annual Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's current report on Form 8-K filed on August 23, 2019).\*
- 10.10.2 FY 2020 Chase Corporation Long Term Incentive Plan (incorporated by reference from Exhibit 99.2 to the Company's current report on Form 8-K filed on August 23, 2019).\*
- 10.10.3 FY 2021 Chase Corporation Annual Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's current report on Form 8-K filed on August 31, 2020).\*
- 10.10.4 FY 2021 Chase Corporation Long Term Incentive Plan (incorporated by reference from Exhibit 99.2 to the Company's current report on Form 8-K filed on August 31, 2020).\*
- 10.11.1 Amended and Restated Credit Agreement dated as of December 15, 2016 by and among Chase Corporation, NEPTCO Incorporated, the Guarantors named therein, Bank of America, N.A., as administrative agent, and the Lenders party thereto (incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K filed December 20, 2016)

- 10.11.2 First Amendment to Amended and Restated Credit Agreement, dated as of February 6, 2017 by and among Chase Corporation, NEPTCO Incorporated, the Guarantors, the Lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2017, filed on April 7, 2017).
- 10.12 Membership Interest and Stock Purchase Agreement by and among Chase Corporation, The Stewart Group Limited, Explortec, Inc., Zappa-Tec, LLC, Stewart Superabsorbents, LLC, Stewart SA, Inc. and William Morris. (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K/A filed on March 9, 2018).
- 21 Subsidiaries of the Registrant
- 23.1 Consent of Independent Registered Public Accounting Firm – Grant Thornton LLP
- 23.2 Consent of Independent Registered Public Accounting Firm – PricewaterhouseCoopers LLP
- 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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\* Identifies management plan or compensatory plan or arrangement.

(b) See (a)(3) above.

(c) None.

**ITEM 16 – FORM 10-K SUMMARY**

None.

## SIGNATURES

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

### Chase Corporation

By: /s/ Adam P. Chase  
Adam P. Chase  
President and Chief Executive Officer  
November 12, 2020

By: /s/ Christian J. Talma  
Christian J. Talma  
Treasurer and Chief Financial Officer  
November 12, 2020

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Peter R. Chase</u> Peter R. Chase	Executive Chairman	November 12, 2020
<u>/s/ Adam P. Chase</u> Adam P. Chase	Director, President and Chief Executive Officer (Principal Executive Officer)	November 12, 2020
<u>/s/ Christian J. Talma</u> Christian J. Talma	Treasurer and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	November 12, 2020
<u>/s/ Mary Claire Chase</u> Mary Claire Chase	Director	November 12, 2020
<u>/s/ Thomas DeByle</u> Thomas DeByle	Director	November 12, 2020
<u>/s/ John H. Derby III</u> John H. Derby III	Director	November 12, 2020
<u>/s/ Lewis P. Gack</u> Lewis P. Gack	Director	November 12, 2020
<u>/s/ Chad A. McDaniel</u> Chad A. McDaniel	Director	November 12, 2020
<u>/s/Dana Mohler-Faria</u> Dana Mohler-Faria	Director	November 12, 2020
<u>/s/ Thomas Wroe, Jr</u> Thomas Wroe, Jr.	Director	November 12, 2020

## CHASE Corporation Officers

Peter R. Chase  
Executive Chairman

Adam P. Chase  
President & Chief Executive Officer

Christian J. Talma  
Treasurer & Chief Financial Officer

George M. Hughes  
Corporate Secretary

## Independent Registered Public Accounting Firm

Grant Thornton LLP  
75 State Street, 13th floor  
Boston, MA 02109

## Registrar & Transfer Agent

American Stock Transfer & Trust Company  
Operations Center  
6201 15th Avenue  
Brooklyn, NY 11219

## Corporate Headquarters

295 University Avenue  
Westwood, MA 02090  
Phone (781) 332-0700  
Fax (781) 332-0701  
Toll Free (800) 323-4182

## Operating Facilities

**OXFORD, MA**  
24 Dana Road  
Oxford, MA 01540  
Phone (508) 731-2710  
Fax (508) 987-1092

PRODUCTS/SERVICES: Shielding & binding tapes for electronic & telecommunication cable. Laminated papers used for a variety of durable paper applications and RFID protection. Specialty laminates for automotive, packaging and medical products. Converting services include specialized laminating, slitting and traverse winding. Insulating, flame barrier, binder and semi-conducting tapes for power and telecommunications.

**PITTSBURGH, PA**  
201 Zeta Drive and 128 First Street  
Pittsburgh, PA 15238  
Phone (412) 828-1500  
Fax (412) 828-3487

PRODUCTS/SERVICES: HumiSeal® conformal coatings, protective coatings for underground gas, oil and water pipelines, waterproofing membranes, high-performance polymer additives for asphalt, expansion joints and accessories, and water blocking compounds for power and telecommunications.

**EVANSTON, IL**  
1527 Lyons Street  
Evanston, IL 60201  
Phone (847) 866-8500  
Fax (847) 866-8596

PRODUCTS/SERVICES: Innovative products for the protection against corrosion for underground gas, oil and water pipelines and marine industries, waterproofing tapes, as well as private label manufacturing.

**HOUSTON, TX**  
C.I.M. Industries, Inc.  
6900 Nelms Street  
Houston, TX 77061  
Phone (713) 242-9015

PRODUCTS/SERVICES: High performance industrial coatings and linings providing a seamless, impermeable, abrasion-resistant barrier against water and chemicals.

**WOBURN, MA**  
Resin Designs  
11 State Street  
Woburn, MA 01801  
Phone (781) 935-3133  
Fax (781) 935-3144

PRODUCTS/SERVICES: Customized advanced adhesives and coatings for automotive and industrial applications that require specialized bonding, encapsulating, environmental protection, or thermal management functionality.

**NEWARK, CA**  
Resin Designs  
39714 Eureka Drive  
Newark, CA 94560  
Phone (510) 413-0115

PRODUCTS/SERVICES: Customized advanced sealants and coatings for automotive and industrial applications that require specialized bonding, encapsulating, environmental protection, or thermal management functionality.

**GREENVILLE, SC**  
9 Furman Hall Ct.  
Greenville, SC 29609  
Phone (846) 232-3893

PRODUCTS/SERVICES: Polymeric microspheres, sold under the Dualite® brand, which are utilized for weight and density reduction and sound dampening across varied industries.

**LENOIR, NC**  
NEPTCO, INC.  
2012 Hickory Boulevard  
Lenoir, NC 28645  
Phone (828) 728-5951  
Fax (828) 728-5115

PRODUCTS/SERVICES: Laminated film foils for the electronics and cable industries and cover tapes essential to delivering semiconductor components via tape-and-reel packaging. Provider of coating, laminating and converting services for original equipment manufacturers.

**HICKORY, NC**  
Stewart Superabsorbents  
1954 Main Avenue SE  
Hickory, NC 28602  
Phone (828) 855-9316  
Fax (828) 855-9319

PRODUCTS/SERVICES: Superabsorbent polymers, which are utilized for water and liquid management, remediation and protection in diverse markets including wire and cable, medical, environmental, infrastructure, energy and consumer products. Pulling and detection tapes used in the installation, measurement and location of fiber optic cables, water and natural gas lines.

**MCLEANSVILLE, NC**  
Zappa-Tec  
828 Knox Road  
McLeansville, NC 27301  
Phone (336) 378-6004

PRODUCTS/SERVICES: Superabsorbent polymers, which are utilized for water and liquid management, remediation and protection in diverse markets including wire and cable, medical, environmental, infrastructure, energy and consumer products.

**SUZHOU, JIANGSU, CHINA**  
NEPTCO, INC.  
D-10 #19 Datong Road  
Suzhou New District Processing Zone  
Suzhou, Jiangsu, China 215151  
Phone 86-512-6269-6298  
SKYPE 828-398-0641

PRODUCTS/SERVICES: Cover tapes essential to delivering semiconductor components via tape-and-reel packaging.

**WINNERSH, WOKINGHAM, ENGLAND**  
505 Eskdale Road  
Winnersh, Wokingham, Berkshire  
RG41 5TU UK  
Phone +44 (0) 1189 442 333  
Fax +44 (0) 1189 335 799

PRODUCTS/SERVICES: HumiSeal insulating conformal coatings, potting compounds and specialty accessory products for the protection of printed circuit assembly and electronic components.

**PARIS, FRANCE**  
4/6 Avenue Eiffel  
78420 Carrieres-Sur-Seine France  
Phone +33 (0) 1 30 09 86 86  
Fax +33 (0) 1 09 86 87

PRODUCTS/SERVICES: HumiSeal insulating conformal coatings, potting compounds and specialty accessory products for the protection of printed circuit assembly and electronic components.

**CORBELIN, FRANCE**  
ABehimic  
1230 Route de la Porte  
ZA La Rivoire  
38630 Corbelin, France  
Phone +33 (0) 474 83 12 19  
Fax +33 (0) 474 83 68 62

PRODUCTS/SERVICES: Solutions provider for the cleaning and the protection of electronic assemblies, with further formulation, production, and research and development capabilities.

**PUNE, INDIA**  
HumiSeal India Private Limited  
J-154, M.I.D.C.  
Bhosari, Pune-411 026  
Maharashtra, India  
Phone +91 20 66308098

PRODUCTS/SERVICES: HumiSeal insulating conformal coatings, potting compounds and specialty accessory products for the protection of printed circuit assembly and electronic components.

**RYE, EAST SUSSEX, ENGLAND**  
Harbour Road  
Rye, East Sussex  
TN31 7TE UK  
Phone +44 (0) 1797 223561  
Fax +44 (0) 1797 224530

PRODUCTS/SERVICES: Waterproofing and corrosion protection systems for oil, gas and water pipelines as well as high-performance tapes, epoxies and cathodic protection accessory products.

## SHAREHOLDER INFORMATION

### Common Stock

Common Stock of Chase Corporation is traded on the NYSE American under the symbol "CCF".

### Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held at 9:30 a.m. on Tuesday, February 2, 2021. This year's Annual Meeting will be a completely "virtual meeting" of shareholders. You will be able to attend the Annual Meeting, vote and submit your questions during the Annual Meeting via live webcast by visiting: [www.virtualshareholdermeeting.com/CCF2021](http://www.virtualshareholdermeeting.com/CCF2021)

When shares owned by one shareholder are held in different forms of the same name (e.g., John Doe, J. Doe) or when new accounts are established for shares purchased at different times, duplicate mailings of shareholder information may result. The Company, by law, is required to mail to each name on the shareholder list unless the shareholder requests that duplicate mailings be eliminated or consolidates all accounts into one. Such requests should be directed, in writing, to the Shareholder Services Department, American Stock Transfer & Trust Company, Operations Center, 6201 15<sup>th</sup> Avenue, Brooklyn, NY 11219.

Contact: [investorrelations@chasecorp.com](mailto:investorrelations@chasecorp.com) or [ccf@alpha-ir.com](mailto:ccf@alpha-ir.com)



# CHASE CORPORATION BOARD OF DIRECTORS

*From left to right:*

**Thomas Wroe, Jr.**

Retired Chief Executive Officer and Current Board Member of Sensata Technologies, Chairman of the Compensation and Management Development Committee of CHASE Corporation

**Chad A. McDaniel**

Executive Vice President, General Counsel and Chief Administrative Officer Lydall Inc.

**Adam P. Chase**

President and Chief Executive Officer CHASE Corporation

**Peter R. Chase**

Executive Chairman CHASE Corporation

**Mary Claire Chase**

President, Founder Chase Partners

**Dana Mohler-Faria**

President Emeritus, Bridgewater State University, Lead Independent Director and Chairman of the Nominating and Governance Committee of CHASE Corporation

**Thomas D. DeBlye**

Senior Vice President and Chief Financial Officer NN, Inc., Chairman of the Audit Committee of CHASE Corporation

**Joan Wallace - Benjamin**

Founder and President J Wallace-Benjamin Consulting LLC

**John H. Derby III**

President Derby Management

**Lewis P. Gack**

Managing Partner LPG Consulting



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At Chase Corporation we make a material difference by manufacturing protective materials that are used in a wide variety of applications where long lasting protection is critical to a product's success and is a material part of enhancing a product's value to its user.

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