CHASE CORP
Form PRE 14A
December 07, 2007

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Chase Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CHASE CORPORATION
26 Summer Street
Bridgewater, MA 02324
Telephone (508) 279-1789

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the annual meeting of shareholders of Chase Corporation will be held at 9:30 a.m. on Wednesday, January 30, 2008 at the Raynham Courtyard Marriott, 37 Paramount Drive, Raynham, Massachusetts 02767 for the following purposes:

(1) To elect the members of the Board of Directors of the corporation;

(2) To vote on a proposal to amend Article III of the corporation's Articles of Organization to increase the number of authorized shares of common stock, $0.10 par value, from 10,000,000 to 20,000,000;

(3) To ratify the appointment of PricewaterhouseCoopers LLP as the corporation's independent registered public accounting firm for the fiscal year ending August 31, 2008; and

(4) To transact such other business as may properly come before the meeting.

Only shareholders of record on the books of Chase Corporation at the close of business on November 30, 2007 are entitled to notice of and to vote at the meeting.

The Board of Directors hopes that all shareholders who can conveniently do so will personally attend the meeting.

By order of the Board of Directors,

GEORGE M. HUGHES
Corporate Secretary

December , 2007

SHAREHOLDERS ARE REQUESTED TO SIGN AND DATE THE ACCOMPANYING PROXY CARD AND PROMPTLY RETURN IT IN THE ENCLOSED ENVELOPE.

CHASE CORPORATION
26 Summer Street
Bridgewater, MA 02324
Telephone (508) 279-1789

PROXY STATEMENT
December , 2007

The enclosed proxy is solicited by and on behalf of the Board of Directors of Chase Corporation (the "Company") for the annual meeting of the Company's shareholders to be held on January 30, 2008 at 9:30 a.m., and at any adjournment thereof (the "Meeting"). The cost of solicitation will be borne by the Company. In addition to solicitation by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telephone.

The authority granted by a duly executed proxy may be revoked at any time before it is exercised by filing with the Secretary of the Company a written revocation or a duly executed proxy bearing a later date or by voting in person at the Meeting. Shareholders who attend the Meeting in person will not be deemed thereby to have revoked their proxies unless they affirmatively indicate at the meeting their intention to vote their shares in person. Unless a proxy is revoked, the shares represented thereby will be voted as directed. If no specifications are made, then proxies will be voted "for" the election of the directors nominated by the Board of Directors, "for" the amendment to the Company's Articles of Organization, "for" the ratification of the appointment of the Company's independent registered public accounting firm, and in accordance with the judgment of the proxy holders as to any other matter that may be properly brought before the Meeting or any adjournment or postponement thereof.

On November 30, 2007, there were 8,271,259 outstanding shares of the Company's Common Stock, $0.10 par value per share (the "Common Stock"), which is the only class of voting stock outstanding. Shareholders of record at the close of business on November 30, 2007 are entitled to vote at the Meeting. With respect to all matters that will come before the Meeting, each shareholder may cast one vote for each share of Common Stock registered in his or her name on the record date.

A majority in interest of the Company's Common Stock outstanding and entitled to vote represented at the Meeting in person or by proxy will constitute a quorum for the transaction of business at the Meeting. Directions to withhold authority, abstentions, and broker non-votes will be counted for purposes of determining the existence of a quorum at the Meeting. A "broker non-vote" occurs when a registered broker holding a customer's shares in the name of the broker has not received voting instructions on a matter from the customer and is barred by applicable rules from exercising discretionary authority to vote on the matter and so indicates on the proxy.

The approximate date on which this proxy statement and form of proxy will be first sent or given to shareholders is December , 2007. The Company's annual report for the fiscal year ended August 31, 2007 will be sent to shareholders on the same date.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding ownership of the Company's Common Stock as of November 30, 2007 by (i) all persons known to the Company to be beneficial owners of more than 5% of the Company's outstanding Common Stock and (ii) all executive officers and directors of the Company. All share information reflects the Company's 2-for-1 stock split on June 27, 2007.

	Nature and Amount of Beneficial Ownership				
Name	**Number of Shares Owned(a)**	**Shares Subject to Options(b)**	**Total Shares Beneficially Owned(c)**	**Percentage of Outstanding Shares**	**Restricted Stock Units(d)**
Edward L. Chase Revocable Trust(e) 39 Nichols Road Cohasset, MA 02025	1,251,824		1,251,824	15.13%	
FMR LLC(f) 82 Devonshire Street Boston, MA 02109(f)	809,400		809,400	9.79%	
Royce & Associates, LLC.(g) 1414 Avenue of the Americas New York, NY 10019	640,366		640,366	7.74%	
Athena Capital Management, Inc.(h) 50 Monument Road, Suite 201 Bala Cynwyd, PA 19004	563,500		563,500	6.81%	
Wilen Management Company, Inc.(i) 2360 West Joppa Road, Suite 226 Lutherville, MD 21093	422,436		422,436	5.11%	
Peter R. Chase(j) 26 Summer Street Bridgewater, MA 02324	1,036,600		1,036,600	12.53%	249,580
Adam P. Chase(k)	39,557		39,557	*	63,535
Kenneth L. Dumas(l)	7,167		7,167	*	29,395
Terry M. Jones(m)	8,355	90,000	98,355	1.18%	54,771
Mary Claire Chase	200		200	*	950
William H. Dykstra	21,325	10,000	31,325	*	1,140
J. Brooks Fenno	4,988		4,988	*	950
Lewis P. Gack	11,182	14,000	25,182	*	1,392
George M. Hughes	2,000		2,000	*	950
Ronald Levy	13,702		13,702	*	1,266
All executive officers and directors as a group (10 persons)	1,145,076	114,000	1,259,076	15.02%	403,929

* Less than one percent

(a) Excludes shares that may be acquired through stock option exercises.

(b) Pursuant to Rule 13d-3(d) (1) of the Exchange Act, includes shares that may be acquired through stock option exercises within the 60-day period following November 30, 2007.

(c) The beneficial owners of these shares have sole voting power and sole investment power over such shares, except as otherwise indicated. These amounts exclude the restricted stock units because the holders are not entitled to voting rights or investment control until the restrictions lapse, which in each case is not within 60 days of November 30, 2007.

(d) Restricted stock units represent the right to receive shares of common stock upon the lapse of restrictions, at which point the holders will have sole investment and voting power. Restricted stock units are not considered "beneficially owned" because holders are not entitled to voting rights or investment control until the restrictions lapse.

(e) These shares are deemed to be beneficially owned by the Edward L. Chase Revocable Trust. The trustees have voting and investment power with respect to the shares. Ownership information is based upon the Form 4 filed by the trust on December 3, 2007.

(f) These shares are deemed to be beneficially owned by FMR LLC (formerly FMR Corp.), Edward C. Johnson, Fidelity Management & Research Company, and Fidelity Low Priced Stock Fund, a fund of Fidelity Puritan Trust (the trustee), each of which has sole investment power over the shares. Fidelity Low Priced Stock Fund has sole voting power over the shares. This information is based upon the Form 13F filed on November 14, 2007 by FMR LLC and the Form N-CSR filed on September 27, 2007 by Fidelity Puritan Trust.

(g) These shares are deemed to be beneficially owned by Royce & Associates, LLC which has sole voting and investment power over the shares. This information is based upon the Schedule 13G/A filed on January 31, 2007 by Royce & Associates, LLC.

(h) These shares are deemed to be beneficially owned by Athena Capital Management, Inc., which shares voting and investment power over 366,800 shares, and Minerva Group, LP, which has sole voting and investment power over 196,700 shares, and David P. Cohen. This information is based upon the Schedule 13G/A filed on January 18, 2007 by Athena Capital Management, Inc., Minerva Group LP, and David P. Cohen as a group.

(i) These shares are deemed to be beneficially owned by Wilen Management Company, Inc. which has sole voting and investment power over the shares. This information is based upon the Schedule 13G/A filed on January 26, 2007 by Wilen Management Company, Inc.

(j) Of the total shares beneficially owned 26,962 represent shares of restricted stock, subject to forfeiture under both performance and time-based vesting provisions, with respect to which the executive has the right to vote and receive dividends.

(k) Of the total shares beneficially owned 9,357 represent shares of restricted stock, subject to forfeiture under both performance and time-based vesting provisions, with respect to which the executive has the right to vote and receive dividends.

(l) Of the total shares beneficially owned 5,472 represent shares of restricted stock, subject to forfeiture under both performance and time-based vesting provisions, with respect to which the executive has the right to vote and receive dividends.

(m) Of the total shares beneficially owned 6,809 represent shares of restricted stock, subject to forfeiture under both performance and time-based vesting provisions, with respect to which the executive has the right to vote and receive dividends.

Certain Transactions

On December 10, 2003, the Company sold its Sunburst Electronics Manufacturing Solutions, Inc. subsidiary ("Sunburst") to the Edward L. Chase Revocable Trust (the "Trust") in exchange for 230,406 shares of the Company's Common Stock valued at $3.0 million. In December 2006, the Company and Sunburst renewed a lease agreement whereby the Company leases to Sunburst, at a base rent of $14,875 per month, which approximates fair value, the building and land which is being occupied by Sunburst. The lease expires on November 30, 2009.

The Trustees of the Trust have the power to vote the 1,251,824 shares of the Company's Common Stock held of record by the Trust on November 30, 2007 at the Meeting.

Consistent with the requirements of the American Stock Exchange, the Audit Committee of the Board of Directors of the Company reviews and oversees any transactions with a "related person" within the scope of the SEC's rules on disclosure of such transactions. From time to time, the Board of Directors has formed a special independent committee of the Board comprised of independent and non-interested directors to review and oversee proposals relating to specific transactions with related persons on an ad hoc basis. The Company does not have a written policy relating to such review.

Compensation Committee Interlocks and Insider Participation

George M. Hughes (a director) is general outside counsel to the Company. For his services as general counsel to the Company during the fiscal year ended August 31, 2007, the Company paid Mr. Hughes approximately $99,670. Mr. Hughes served as a member of the Company's Compensation and Management Development Committee until October 31, 2006, as permitted by the American Stock Exchange under an exemption from the compensation committee independence requirements. He was replaced on the committee by J. Brooks Fenno at such time. The current members of the committee are Messrs. Levy (Chairman), Fenno and Gack. None of the Company's executive officers serves as a member of the board of directors or compensation committee of any other company that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation and Management Development Committee.

PROPOSAL 1
ELECTION OF DIRECTORS

Seven directors are to be elected at the Meeting. The Board of Directors recommends that the seven nominees named below be elected as directors. The directors elected at the Meeting will hold office until the next annual meeting and until their successors are elected and qualified. When a proxy in the accompanying form is properly executed and returned, unless marked to the contrary, all shares represented by such proxy will be voted for the election of the persons named below. If any nominee should become unable or unwilling to serve as director, then the persons voting the accompanying proxy may in their discretion vote for a substitute. The Board of Directors is not presently aware of any reason that would prevent any nominee from serving as a director if elected.

Vote Required

As long as a quorum is present, the nominees for director shall be elected by a plurality of the votes cast at the Meeting by the holders of shares entitled to vote at the Meeting. Votes may be cast in favor of the election of the nominees for director or withheld; votes that are withheld and broker non-votes will have no effect on the outcome of the election of directors.

Name	Age	Business Experience During Past Five Years and Other Directorships	Has Been a Director Since
Peter R. Chase	59	Chairman of the Board of the Company since February 2007. Chief Executive Officer of the Company since September 1993. He is also a director of Bridgewater Savings Bank and AIM Mutual Insurance Company.	1993
Mary Claire Chase	52	President of Chase Partners, LTD., an executive search firm specializing in financial services and management consulting, since August 2000.	2005
William H. Dykstra	79	Director and Chairman of the Investment Committee of Arrow Mutual Liability Insurance Company. Previously a director of the Company from 1988 through January 2004.	2006
J. Brooks Fenno	73	President and Founder of Salesmark, a sales and marketing management consulting firm. He is also a director of Bixby Corporation.	2006

Lewis P. Gack	63	Partner in LPG Consulting. Previously Treasurer and Chief Financial Officer of the United Group Operating Companies, Inc., a wholesale liquor distributor, from 1998 to October 2007.	2002
George M. Hughes	68	From May 1996 until present, Founder and Principal of the law firm, Hughes & Associates. Previously, partner at the law firm of Palmer & Dodge.	1984
Ronald Levy	69	Consultant at Navigant Consulting, Inc., from April 2002 through April 2006. Previously, Consultant with Arthur D. Little, Inc. from June 1969 to April 2002 and Vice President from 1987 to April 2002.	1994

Peter R. Chase, President and Chief Executive Officer of the Company, is the son of Edward L. Chase (deceased) and the brother of Mary Claire Chase.

Mary Claire Chase is the daughter of Edward L. Chase (deceased), and the sister of Peter R. Chase. Mary Claire Chase has been nominated for election as a director of the Company pursuant to a Voting Agreement dated December 26, 2002, as amended December 10, 2003, between the Company and the Edward L. Chase Revocable Trust.

Corporate Governance

The Company has long believed that good corporate governance and high corporate ethics are important to ensure that the Company is managed for the long-term benefit of its shareholders.

The Company's Board of Directors held seven meetings during the fiscal year ended August 31, 2007. Each director attended at least 75% of the aggregate of all meetings of the Board of Directors and all meetings held by committees of the Board on which they served.

The Company does not have a formal policy with respect to director attendance at annual shareholders meetings; however it does encourage all directors to attend. Six out of seven directors attended last year's annual shareholders meeting held in February 2007.

The Company has adopted the Chase Corporation Financial Code of Ethics, which is applicable to the Chief Executive Officer, Chief Financial Officer and Corporate Controller and other employees with important roles in the financial reporting process. The Chase Corporation Financial Code of Ethics is available on the Chase Corporation web page *www.chasecorp.com*.

Shareholders may contact an individual director, the Board as a group, or a specified Board committee or group, including the non-employee directors as a group, by writing to: Chase Corporation, 26 Summer Street, Bridgewater, Massachusetts 02324, Attn: Board of Directors.

The Board of Directors has determined that the following directors are independent, as defined in the listing standards of the American Stock Exchange: William H. Dykstra, J. Brooks Fenno, Lewis P. Gack, and Ronald Levy.

Committees of the Board of Directors

The Board has standing the following committees (a) Audit, (b) Compensation and Management Development, and (c) Nominating and Governance. All members of the committees serve at the pleasure of the Board of Directors. The functions and current membership of each committee are as follows:

Audit Committee. The Audit Committee recommends to the Board of Directors the engagement of the Company's registered public accounting firm, reviews the scope and extent of their audit of the Company's financial statements, reviews the annual financial statements with the registered public accounting firm and with management, and makes recommendations to the Board of Directors regarding the Company's policies and procedures as to internal accounting and financial controls. The members of the Audit Committee are Lewis P. Gack, Chairman, William H. Dykstra and Ronald Levy. Each member of the committee is independent, as independence for audit committee members is defined in the listing standards of the American Stock Exchange. The Board has determined that Lewis P. Gack is an audit committee financial expert as defined in the Securities and Exchange Commission regulations. The Audit Committee held eight meetings during the fiscal year ended August 31, 2007. The Audit Committee operates under a written charter that is available through the Company's website at *www.chasecorp.com.*

Compensation and Management Development Committee. The Compensation and Management Development Committee advises the Board of Directors on matters of management, organization, and succession, recommends persons for appointments to key employee positions, and makes recommendations to the Board of Directors regarding compensation for directors, officers and key employees. The committee administers the Company's equity incentive plans, except for plans for directors who are not employees of the Company. The members of the committee are Ronald Levy, Chairman, J. Brooks Fenno and Lewis P. Gack. Each member of the committee is independent, as independence for compensation committee members is defined under the listing standards of the American Stock Exchange. The committee held four meetings during the fiscal year ended August 31, 2007. The Compensation and Management Development Committee operates under a written charter that is available through the Company's website at *www.chasecorp.com.*

Nominating and Governance Committee. The Nominating and Governance Committee recommends persons for election as directors of the Company, and makes recommendations to the Board of Directors regarding the structure and membership of the various committees of the Board of Directors, including the Nominating and Governance Committee itself. The members of the Nominating and Governance Committee are William H. Dykstra, Chairman, J. Brooks Fenno and Ronald Levy. Each member of the committee is independent, as independence for nominating committee members is defined in the listing standards of the American Stock Exchange. The Nominating and Governance Committee held four meetings during the fiscal year ended August 31, 2007. The Nominating and Governance Committee operates under a written charter that is available through the Company's website at *www.chasecorp.com*.

Director Nomination Process

The Nominating and Governance Committee identifies individuals believed to be qualified to become Board members and recommends individuals to fill vacancies. In nominating candidates the Committee takes into consideration such factors as it deems appropriate, including judgment, experience, skills and personal character, as well as the needs of the Company. The Nominating and Governance Committee will consider nominees recommended by shareholders if such recommendations are made in writing to the committee. The Nominating and Governance Committee does not plan to change the manner in which the committee evaluates nominees for election as a director based on whether the nominee has been recommended by a stockholder or otherwise.

Mary Claire Chase has been nominated for election as a director of the Company pursuant to a Voting Agreement dated December 26, 2002, as amended December 10, 2003, between the Company and the Edward L. Chase Revocable Trust.

The Company's Bylaws provide that the Nominating and Governance Committee shall recommend for the election to the Board (i) a lineal descendant or spouse of Edward L. Chase (so long as the spouse of Edward L. Chase, his issue, a trust for the benefit of his spouse and/or his issue, or his estate owns 10% or more of the outstanding voting stock of the Company) and (ii) the Chief Executive Officer of the Company.

The Company's Bylaws also provide that the Nominating and Governance Committee shall recommend to the Board of Directors any individual or individuals for election to the Board of Directors if, after such election, a majority of the Board of Directors shall consist of "non-affiliated directors." "Non-affiliated directors" are directors (i) who are not lineal descendants of Edward L. Chase (whether by blood or adoption); (ii) who are not the spouse of Edward L. Chase or of any of his lineal descendents; (iii) who are not at the time of determination, and shall not have been at any time within three years preceding such time, officers or employees of the Company (or its predecessor) or any of its subsidiaries, affiliates or divisions; (iv) who are not at the time of determination the beneficial owners of more than 10% of the issued and outstanding shares of any class of the Company's stock; and (v) who are not officers, employees, directors or partners of any person who at the time of determination is a holder of more than 10% of the issued and outstanding shares of any class of the Company's stock.

Also, at least a majority of the directors on the Board must be independent directors as defined in the rules of the American Stock Exchange.

Audit Committee Report

The Audit Committee of the Board of Directors is appointed by the Board of Directors. The members of the Audit Committee meet the independence requirements of the American Stock Exchange. The Audit Committee, in accordance with its written charter, oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements for the fiscal year ended August 31, 2007 with management including a discussion of the quality, not just the acceptability, of the Company's accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company's Independent Registered Public Accounting Firm, the matters required to be discussed by Statement of Auditing Standards No. 61, *Communication with Audit Committees,* which provides that certain matters related to the conduct of the audit of the Company's financial statements are to be communicated to the Audit Committee. The Audit Committee has also received the written disclosures and letter from PricewaterhouseCoopers, LLP required by Independence Standards Board Standard No. 1 *Independence Discussions with Audit Committees,* relating to the auditor's independence from the Company, has discussed with PricewaterhouseCoopers, LLP their independence from the Company, and has considered the compatibility of non-audit services with the auditor's independence.

The Audit Committee discussed with the Company's Independent Registered Accounting Firm the overall scope and plans for their respective audits. The Audit Committee met with PricewaterhouseCoopers LLP, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended August 31, 2007 for filing with the Securities and Exchange Commission. The Audit Committee has selected PricewaterhouseCoopers LLP to serve as the Company's Independent Registered Public Accounting Firm for fiscal year 2008.

By the Chase Corporation Audit Committee

Lewis P. Gack, (Chairman)
William H. Dykstra
Ronald Levy

EXECUTIVE OFFICER AND DIRECTOR COMPENSATION
Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis is intended to provide a context for the disclosures contained in this Proxy Statement with respect to the compensation paid to our principal executive officer, Peter R. Chase, our principal financial officer, Kenneth L. Dumas, and our two other executive officers at the end of our most recent fiscal year: Adam P. Chase, our Chief Operating Officer, and Terry M. Jones, our Chief Marketing Officer. Together, these officers are referred to as the "named executive officers," and their compensation is detailed in the tables that follow this Compensation Discussion and Analysis. Specifically, this Compensation Discussion and Analysis will explain the objectives and material elements of the compensation of the named executive officers during the fiscal year ended August 31, 2007.

The Compensation and Management Development Committee of our Board of Directors has the responsibility of developing and overseeing a comprehensive compensation philosophy, with strategies and principles that have the support of the Board of Directors and management, and that ensure the fair and consistent administration of our compensation program. The Compensation and Management Development Committee makes recommendations to the full Board for approval relating to the total compensation to be paid to the named executive officers, including salary, performance bonus, equity awards, long-term awards, benefits and perquisites.

In this analysis, we refer to the Compensation and Management Development Committee as "the committee" or "the compensation committee." The committee operates under a written charter which is available on our corporate web site, *www.chasecorp.com*, under "Corporate Governance."

Philosophy and Objectives of Our Compensation Program

The primary objectives of the compensation committee are to ensure that our executive compensation and benefits programs:

- retain executive talent by offering compensation that is commensurate with pay at other companies of a similar size in the same or similar industries in the region, as adjusted for individual factors;
- safeguard our interests and the interests of our stockholders;
- are effective in driving executive performance by having pay at risk, so actual pay is tied to company-wide goal achievements and superior performance is rewarded;
- foster teamwork on the part of management;
- are cost-efficient and fair to employees, management and stockholders; and
- are well-communicated to and understood by program participants.

Our compensation committee believes that the most effective compensation program is one that will provide incentives that are directly linked to the achievement of company strategies and easily measured, company-wide performance targets, while providing a reasonable level of security to the named executive officers through competitive base salaries and retirement benefits. To this end, our executive compensation reflects a balance of cash and non-cash compensation, and a mix of currently paid compensation and long-term incentives. The compensation committee does not set a rigid target for these mixes, and the mix will necessarily vary from year to year based upon our underlying financial performance. Our incentive plans combine financial targets to reward performance with time-based vesting to assist retention.

Committee Purposes and Responsibilities

One of the primary purposes of the compensation committee is to determine the total target compensation levels for the senior executive officers of the company and to establish and annually review the programs that will determine the actual rewards against those targets.

The committee is charged with ensuring that the target compensation levels and the allocation of short term and long term components are sufficient to attract, motivate and retain seasoned professional managers, while at the same time ensuring that the pay is reasonable and fair to our stockholders in light of the company's financial performance and when compared to executive officers of similar position and responsibility at other businesses.

The committee is also responsible for reviewing the annual compensation for service on our Board of Directors or for service as a member or chair of any of the various committees of our Board of Directors, and, if appropriate, for recommending to the Board for approval any changes to those programs.

The committee has the authority to retain and terminate any legal counsel or any compensation or other consultant to be used to assist in the evaluation of director or executive compensation and has sole authority to approve the consultant's fees or other retention terms.

It also reviews and administers our equity compensation plans, and reviews any existing or proposed employment agreement, change in control or severance agreement, or any special or supplemental benefits not offered as part of a broad-based plan that are made available to our named executive officers. Where appropriate, it recommends adoption, amendment, or termination of such programs or agreements to the full Board of Directors.

Role of Executive Officers in Compensation Decisions

Our compensation committee makes all determinations affecting the compensation for our named executive officers, including our Chief Executive Officer, and recommends those determinations to the full Board of Directors for approval. Our Chief Executive Officer attends meetings of the committee as a non-voting advisory member, except that he is not present for any discussion of his own compensation. The compensation committee receives and carefully considers our Chief Executive Officer's evaluations of all named executive officers other than himself, as well as his recommendations with respect to all components of compensation of the other named executive officers. In reviewing and considering the evaluations and recommendations of the Chief Executive Officer, the committee takes into account the familial relationship between the Chief Executive Officer and Adam Chase, the Chief Operating Officer, and satisfies itself that the recommendations are based solely on merit and performance. The committee expressly reserves the right to exercise its discretion in modifying any adjustments or awards recommended by our Chief Executive Officer, although historically the committee has given significant weight to the recommendations of our Chief Executive Officer with respect to the other named executive officers.

Principal Elements of our 2007 Compensation Program

There were three principal elements of compensation for our named executive officers during fiscal 2007. These were:

- base salary;
- a cash bonus component based on the performance of our business against corporate objectives under our annual cash incentive plan;
- equity awards based on the performance of our business against the same corporate objectives.

As explained in more detail below, our annual cash incentive plan and our equity award program currently use the same financial measurement metrics and targets to determine the actual payouts to the named executive officers. The financial measurement metrics and targets are subject to annual review by the committee which reserves the right to set different objectives on either the cash incentive plan or equity award program as it feels appropriate in light of the annual and long term objectives of the Company. The cash incentive plan and the equity awards program differ in the dollar value of the target awards and in their vesting provisions, since payments under the cash incentive plan are made after the end of each fiscal year, and the equity awards vest only after two years from the end of the fiscal year. The total compensation package thus provides a mix of current cash payments, independent of year-to-year financial performance; annual cash payments determined by reference to the company's actual results of operations for the year compared to a target; and equity awards in amounts determined by reference to the company's financial results, with time-based vesting in order to foster our retention objectives. In addition, we maintain a pension plan and other retirement benefits for our executives.

The following discussion seeks to explain why the compensation committee has chosen to pay each compensation element, how it determines the amount of each element, and how the element and the committee's decisions regarding that element in fiscal 2007 fit into the company's overall compensation objectives and affect decisions regarding other elements.

At the outset, we note that two of the three principal elements of our compensation programs for 2007 set compensation levels with respect to our earnings before taxes, or EBT, for the fiscal year in question, as adjusted in the discretion of the committee. As a result, a substantial proportion of our named executive officers' total compensation is tied to our pre-tax earnings in each fiscal year. The committee believes that EBT, as a reflection of our pre-tax operating profit, is the most appropriate tool for measuring the underlying performance of the company and its management team, as opposed to alternative measurements such as revenues or net income. In addition, the committee has chosen to emphasize company-wide achievement of financial objectives in this manner, as opposed to emphasizing more subjective individual performance criteria or measurements based upon business units or other operating data, because it believes it is important to use a metric that is easily measured and understood from the beginning of the year, that fosters teamwork among the management team, and that most directly aligns the interest of the named executive officers with those of all shareholders. The committee does retain discretion to adjust or supplement the cash incentive awards paid, as described below, but these individual adjustments based on qualitative or subjective factors have historically had a relatively small impact on total compensation compared to the objective components.

Base Salary. We pay a base salary to each of our named executive officers. The objective is to provide base compensation to the executive that is competitive with base compensation that the executive could earn in a similar position at other companies and which will provide a reasonable level of security for the executive without regard to year to year fluctuations in our financial condition. A range of base salary levels for key positions in the company was established most recently in 2005 upon the recommendation of a compensation consultant, James F. Reda & Associates, LLC, which was engaged directly by the committee for that purpose. The ranges for these key positions were established taking into account benchmarking data provided by the compensation consultant which included a survey of the following 18 companies in the greater Boston area:

Ameron International Corporation	CFC International, Inc.
American Biltrite, Inc.	Nortech Systems Incorporated
AZZ Incorporated	Reunion Industries, Inc.
Cherokee International Corporation	Energy Conversion Devices, Inc.
Clarion Technologies, Inc.	Peak International Ltd.
Core Molding Technologies, Inc.	Simclar, Inc.
Lexington Precision Corp.	SurModics, Inc.
SigmaTron International	Optical Cable Corporation
Parlex Corporation	American Superconductor

Additionally, management engaged Thomas Warren Associates, to ensure salary ranges were and remained appropriate throughout the Company. Individual executives' base salaries are set initially upon hiring or promotion to a position within the established range, taking into account each executive's experience in the role and other subjective factors, and are reviewed annually thereafter. As outlined above, the Chief Executive Officer makes salary adjustment recommendations to the committee with respect to the named executive officers other than himself. Historically, salary increases have been in the range of 4% to 6% per year. During fiscal 2007, in connection with the promotions of Messrs. Dumas, Jones and Adam Chase to their current positions each received an increase in salary upon their assumption of those additional responsibilities. The committee intends from time to time, but not necessarily annually, to revisit the salary ranges used by reference to updated benchmark data, in order to ensure that salaries remain competitive but not excessive.

Cash Incentive Plan. At the beginning of each fiscal year, following the annual budget presentation by management to the Board of Directors, the committee sets a corporate performance target for the upcoming fiscal year to be used in connection with the company's incentive compensation programs. As noted above, this financial target is set at a certain level of earnings before taxes (or EBT). The EBT target is set by the committee with reference to both historical performance and expected future performance. The committee believes that the targets set as a general matter should be reasonably attainable through consistent performance as compared to recent years, and it is the committee's expectation that the actual awards granted under the relevant plan will exceed the "target" awards where management achieves growth over historical annual EBT levels. The corporate EBT targets are set in a way that tends to reflect improvement over historical results generally, at least during periods of multi-year growth in pre-tax profit, but do not always reflect improvement over the most immediately preceding fiscal year. In each of the three most recent fiscal years, actual results have exceeded the targets.

At the end of the fiscal year, actual results are compared to the target established at the beginning of the year. In establishing the compensation program, it was the Board's intent to exclude from actual performance measurements the effect of unusual or nonrecurring events, income or expenses from the calculations. The committee consequently has the discretion to decide to exclude certain items or to make other adjustments in order to fairly reflect our underlying operating performance for the year. For fiscal 2007, for example, it made net upward adjustments of approximately $1.06 million to our EBT used to calculate payments under the plan in order to reflect unanticipated and unusual charges.

In order for any amounts to be payable under the plan, we must meet a threshold level of 50% of the target. There is no cap on the incentive payments. Actual payments are made under the plan by reference to target awards established by the committee for each of the named executive officers as a percentage of their base salaries. Amounts payable under the cash incentive plan, as a percentage of salary, and amounts actually paid are reflected in the table below for fiscal year 2007. Payments made under the plan the during fiscal year reflect our exceptional results for fiscal 2007, in which net income increased by approximately 67% over fiscal 2006 levels, and in which the EBT target was exceeded by a significant margin. Because the compensation committee considers prior years' operating results in setting the target for each fiscal year, the 2008 EBT target is higher than the 2007 EBT target, but it does not exceed 2007 actual results.

	Cash Awards Payable for 2007				**Actual FY07 Payments**	
Name of executive	**At 50% of target**	**At 75% of target**	**At 100% of target**	**Performance required to reach 100% of salary**	**Award as percentage of annual salary**	**Final payments made(1)**
	(as percentage of base salary)			**(% of EBT target)**		
Peter R. Chase	8.33%	25%	50%	155%	126%	$ 563,462
Adam P. Chase	6.67%	20%	40%	163%	125%	$ 240,000
Kenneth L. Dumas	5%	15%	30%	175%	113%	$ 170,000
Terry M. Jones	5%	15%	30%	175%	108%	$ 202,589

(1) The compensation committee retains the discretion to make supplemental awards based upon subjective factors and the recommendation of the Chief Executive Officer. In fiscal 2007, based upon the recommendation of the Chief Executive Officer, additional discretionary amounts of $10,829 and $8,360 were paid to Adam P. Chase and Kenneth L. Dumas, respectively. These amounts are reflected in the final payments made in the table above.

A similar cash incentive program which was approved by the committee is maintained and paid out of a bonus pool, with payments determined by reference to our EBT, to other key employees at the company. In fiscal 2007, approximately 40 employees participated in that program (with most payments at the discretion of the Chief Executive Officer and the other executive officers).

Equity Incentive Plan. The second performance-based element of our compensation program is our equity-based long-term incentive plan. In 2007 our equity incentive plan measured annual performance against the same pre-tax profit target established under the annual cash incentive plan. Equity awards are made at the beginning of the year based upon the target performance levels, in the form of restricted stock or restricted stock units, with the number of shares being determined by dividing the target equity award value by our stock price on the grant date.

The final award amounts are determined after the end of the fiscal year by reference to our actual performance for the year. In order for any payments to be made under the equity incentive plan, we must achieve at least 80% of the targeted EBT. If we achieve 80% of that target, then the actual payment would be 50% of the target shares (with the other 50% being forfeited). If we achieve 100% of the target, then the actual payment would be 100% of the targeted share amount. Achievement between 80% and 100% will be pro rated. Above 100% of the pre-tax profit target, the executive's equity award would increase by 2.5% for every 1% increase over that target. For example, if we achieved 120% of the pre-tax profit target, the named executive's award would be 150% of his target share amount. There is no upper limit on the number of shares awarded in this manner.

The following table shows, for each of the named executive officers, the targeted awards for each officer as determined at the beginning of the fiscal year, and the final awards as calculated at the end of the fiscal year. For three of the named executive officers, the amounts were calculated based upon anticipated changes to salary and participation levels, taking into account promotions which were announced in November 2006 but not effective until February 2007. Targeted share amounts for these executives therefore take into account the number of months during the year at which each salary and participation level applied:

	Target Award			
Name	**% of Salary**	**Value at grant date**	**Shares at grant date**	**Actual Payout for 2007 (# of shares)**
Peter R. Chase	100%	$ 447,728	53,460	164,866
Adam P. Chase	66%	$ 126,680	15,126	46,647
Kenneth L. Dumas	43%	$ 64,990	7,760	23,931
Terry M. Jones	55%	$ 102,879	12,284	37,883

The final share amounts are calculated and approved by the compensation committee upon finalization of our financial results for the fiscal year. As with the payments made under the cash incentive program, equity payments made for fiscal 2007 exceeded the target levels by a substantial margin because of the record pre-tax profit levels achieved by the company during that year. The restricted stock units will not vest, however, until the last day of the second fiscal year following the fiscal year that is used as the performance period. In other words, the equity awards for performance in fiscal 2007 will not vest until August 31, 2009, at which point all of the shares will vest.

In the event of a named executive officer's retirement, death or disability or dismissal without cause before the scheduled vesting date, then the awards will vest pro rata to the date of the termination of employment. In the event of a named executive officer's voluntary termination of employment or termination for cause, all of the award will be forfeited. Upon a change of control of the company, any unvested awards will automatically vest.

The committee believes that the combination of performance measures to determine the number of shares of common stock underlying each award, and the "cliff" vesting of the award two years after the end of the performance period, is useful in accomplishing the dual objectives of rewarding superior performance and encouraging retention of its qualified executives.

Beginning in fiscal 2008, the compensation committee has determined to use restricted stock awards with both performance and time vesting provisions in lieu of the restricted stock units previously used. The primary difference is that the participants in the equity award program will be able to vote and receive dividends upon their restricted shares before the vesting period.

Retirement Programs

In addition to the three primary components of executive pay described above, we maintain certain retirement plans and benefits for our executive officers. Many of these plans are available to larger groups of employees. The committee feels that the opportunity to participate in programs that assist the executives and other employees in saving for retirement is an important part of those employees' compensation package.

Our named executive officers may elect to make contributions to a retirement account in our 401(k) plan, which is available to substantially all of our employees and under which we made a matching contribution to each participant in fiscal 2007. The matching contribution under the 401(k) plan is the equivalent of 50% of the employee's pre-tax contributions to the plan, up to the first 6% of eligible pre-tax compensation contributed to the plan. Our matching contributions to the accounts of the named executive officers are shown in the "All other compensation" column in the Summary Compensation Table.

We also maintain a non-qualified Retirement Savings Plan covering selected employees, including our named executive officers. Participants may elect to defer a portion of their compensation for future payment in accordance with the terms of the plan.

We maintain a tax-qualified defined benefit pension plan and a non-qualified excess benefit plan. The excess benefit plan is part of our Employees Supplemental Pension and Savings Plan, and covers those of our employees who from time to time may be designated by our Board of Directors. Currently, only our Chief Executive Officer, Peter R. Chase, has been designated as being covered, since only his compensation has historically exceeded the limits of the tax-qualified plan. These plans are described in more detail under "Executive Compensation Other Executive Plans Pension Plan". As noted in that section, benefits are paid at a higher rate to employees who became employed prior to May 1, 1995 or who are covered by certain collective bargaining agreements and meet certain other qualifications, as compared to those who were employed after that date. Of our named executive officers, only our Chief Executive Officer was employed prior to May 1, 1995, and therefore only he accrues benefits at the higher rate.

Other Benefits

In 1997, we structured a split dollar life insurance program for our Chief Executive Officer, Peter R. Chase. In 2005, after consulting with outside advisors, the program was restructured as a result of the enactment of the Sarbanes-Oxley Act of 2002 and the issuance by the Internal Revenue Service of regulations relating to the treatment of so-called "equity" split dollar arrangements. As part of this restructuring, we agreed to provide Mr. Chase an annual bonus payment in an amount sufficient for the after-tax portion to be used to pay the premium on a life insurance policy in his own name. These premiums (and consequently our obligation to make these payments) are spread over nine years beginning in January 2005. Our obligations will cease if Mr. Chase terminates his employment with us, unless the termination is the result of a disability, without cause or within one year of a change in control. For 2007, we paid Mr. Chase $309,210 under this agreement. This benefit is unrelated to Mr. Chase's salary or other compensation, and the committee does not consider the value of this benefit in setting the other components of Mr. Chase's compensation. The Company entered into this agreement in recognition of Mr. Chase's valuable services to the Company and the voluntary transfer as part of the restructuring program by Mr. Chase to the Company of life insurance policies, which were owned by him and subject to a collateral assignment split dollar agreement with the Company.

We also own a life insurance policy on the life of Peter Chase as a mechanism to fund our obligations under the unfunded, nonqualified excess benefit plan described above.

We also provide Peter Chase with a company car and a golf club membership. We provide our other named executive officers a car allowance of $1,000 per month. Our compensation committee considers these arrangements to be fair and reasonable in light of the relatively low cost to the company.

Named executive officers may also participate in our medical and dental insurance offerings by electing to make payroll deductions designed to cover approximately 20% of the cost of these programs (with the company covering the other 80% of the cost). We also provide disability and life insurance coverage for our named executive officers and pay a portion of the related premiums.

Named Executive Agreements

In prior years, as any of our named executives were hired by us, promoted or have taken on additional responsibilities, we entered into agreements with them pursuant to which they will be entitled to receive severance benefits upon termination by us without cause, or upon the occurrence of certain enumerated events during the two years following a change in control. The events that trigger payment are generally those related to termination of employment without cause or detrimental changes in the executive's terms and conditions of employment. See "Payments Upon Termination or Change of Control" below for a more detailed description of these triggering events and the resulting benefits. We believe that this structure will help: (i) assure that the named executive officers can give their full attention and dedication to us, free from distractions caused by personal uncertainties and risks related to a pending or threatened change in control, (ii) assure the named executives' objectivity in considering stockholders' interests, (iii) assure the named executives of fair treatment in case of involuntary termination following a change in control, and (iv) attract and retain key executive talent in a competitive market.

Use of Compensation Consultants and Benchmarking Data

A description of the extent to which we benchmarked our base salary levels against other companies is described above under "Base Salary." The committee has taken advice from expert compensation consultants engaged both by the committee and by management to set up the position values and salary ranges for executive officers and continues to adjust these annually in order for the Company to be competitive with respect to executive compensation. Consultants used by the committee and management over the years have included among others the aforementioned James F. Reda & Associates, LLC and Thomas Warren Associates. The compensation consultants have used similar benchmarking data in recommending the performance based components of the executive compensation package.

Impact of Tax and Accounting Issues

Section 162(m) of the Internal Revenue Code denies a tax deduction to a public corporation for annual compensation in excess of one million dollars paid to its Chief Executive Officer and certain of its other most highly compensated officers, unless such compensation is paid pursuant to one of the enumerated exceptions set forth in Section 162(m) of the Code, which include an exception for "performance based" compensation meeting certain requirements. Where possible, the committee attempts to structure its compensation programs such that compensation paid will be tax deductible whenever it is consistent with our compensation philosophy. However, the committee has not adopted a policy requiring all compensation to be deductible. Our compensation committee believes that factors other than tax deductibility are more important in determining the forms and levels of executive compensation most appropriate and in the best interests of our stockholders. Our compensation committee believes that it is important to retain the flexibility to design compensation programs consistent with our executive compensation philosophy, even if some executive compensation is not fully deductible. Also, the deductibility of some types of compensation payments will depend on the timing of an executive's vesting or exercise of previously granted rights. Accordingly, our compensation committee may from time to time approve elements of compensation for certain executives that are not fully deductible.

In addition, the compensation committee considers the impact of Section 409A of the Internal Revenue Code, which imposes certain requirements on "nonqualified deferred compensation plans." These may be particularly relevant in the case of compensation paid after termination of a named executive officer's employment under the change in control and severance agreements discussed above. We believe that this compensation is in compliance with the applicable requirements of Section 409A.

Report of the Compensation and Management Development Committee

The Compensation and Management Development Committee of the Chase Corporation Board of Directors has reviewed and discussed the foregoing Compensation Discussion and Analysis with management of the company and, based on such review and discussion, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement as well as the Company's Annual Report on Form 10-K.

By the Compensation and Management Development Committee

Ronald Levy (Chairman)
J. Brooks Fenno
Lewis P. Gack

Executive Compensation

The following table contains a summary of the compensation paid or accrued during the fiscal year ended August 31, 2007 to the Chief Executive Officer, the Treasurer and Chief Financial Officer and the two other executive officers of the Company (the "named executive officers").

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
Peter R. Chase Chairman, President and Chief Executive Officer	2007	446,518	309,210	743,553	563,462	360,704	59,431	2,482,878
Adam P. Chase Vice President & Chief Operating Officer	2007	185,309		186,701	240,000	5,002	19,500	636,512
Kenneth L. Dumas Treasurer and Chief Financial Officer	2007	136,364		85,081	170,000	2,960	17,642	412,047
Terry M. Jones Vice President & Chief Marketing Officer	2007	183,084		162,235	202,589	6,770	19,430	574,108

(1) Salary includes amounts earned in the fiscal year, whether or not deferred.

(2) The bonus for Peter R. Chase represents reimbursement to Mr. Chase by the Company for the cost of premiums incurred by the Executive for certain life insurance policies owned by the Executive. The Company agreed in January 2005 to make these premium payments on behalf of the Executive for a nine year period in connection with the Executive's restructuring of previously existing split dollar arrangements as a result of the enactment of the Sarbanes-Oxley Act of 2002 and the issuance by the Internal Revenue Service of regulations relating to the treatment of so-called "equity" split dollar arrangements.

(3) These amounts reflect the expense recognized for financial statement reporting purposes for the fiscal year ended August 31, 2007, in accordance with SFAS No. 123(R), for stock-based incentive awards granted under our equity incentive program, and therefore include awards granted in and prior to fiscal year 2007. These amounts do not necessarily reflect the value of the actual award when issued to the officer. Assumptions made in the valuation are described in more detail in Note 10 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2007. The amounts reported have been adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes.

(4)

These amounts reflect incentive payments made under our Annual Cash Incentive Program, earned during fiscal 2007 and paid in October 2007 (during fiscal 2008). The incentive program is described in the Compensation Discussion and Analysis under the heading "Principal Elements of our 2007 Compensation Program Cash Incentive Plan".

(5)

Represents the current year benefit increase of the present value of the qualified defined benefit plan as well as the supplemental pension plan as described under " Other Executive Plans Pension Plan".

(6)
These amounts include all other compensation as described in the following table:

Name	Qualified 401(k) and Supplemental Retirement Plan Contributions (a)	Life & Long-Term Disability Insurance Premiums (b)	Automobile Allowance or Use of Company Car (c)	Other (d)	Total
Peter R. Chase	$ 13,081	$ 17,629	$ 24,671	$ 4,050	$ 59,431
Adam P. Chase	5,515	1,985	12,000		19,500
Kenneth L. Dumas	4,091	1,551	12,000		17,642
Terry M. Jones	5,487	1,943	12,000		19,430

(a)
This amount represents the contribution by the Company on behalf of the named executive officers to the Chase Corporation Retirement Savings Plans.

(b)
These amounts include the portions of premiums paid by us for: (i) life insurance coverage exceeding $50,000 and (ii) long term disability premiums. Peter R. Chase is the only named executive officer who has supplemental long-term disability insurance. The premiums for this insurance totaled $7,650 and are included above.

(c)
These amounts represent automobile allowances or personal use of a company leased car.

(d)
Represents private membership club dues.

Grants of Plan-Based Awards for Fiscal 2007

The following table sets forth information relating to potential payments to each of our named executive officers under our fiscal 2007 cash and equity-based incentive award programs. The actual amounts that we paid under each of these programs are reflected in the Summary Compensation Table and described in more detail under our Compensation Discussion and Analysis under the heading "Principal Elements of our 2007 Compensation Program Cash Incentive Plan" and " Equity Incentive Program".

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			
Name & Award	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Grant Date Fair Value of Stock Awards ($)
Peter R. Chase								
Cash award	9/1/2006	$ 37,295	$ 223,863	N/A				
RSU grant	9/1/2006				26,730	53,460	N/A	$ 447,728
Adam P. Chase								
Cash award	9/1/2006	$ 12,806	$ 76,800	N/A				
RSU grant	9/1/2006				7,563	15,126	N/A	$ 126,680

Kenneth L. Dumas								
Cash award	9/1/2006	$ 7,500	$ 45,000	N/A				
RSU grant	9/1/2006				3,880	7,760	N/A	$ 64,990
Terry M. Jones								
Cash award	9/1/2006	$ 9,400	$ 56,400	N/A				
RSU grant	9/1/2006				6,142	12,284	N/A	$ 102,879

The grant date reflected in the table above is the beginning of the fiscal year which coincides with the effective date of the award for both the non-equity (cash) incentive plan and the long-term equity incentive program. Amounts in the table above under "Threshold" represent amounts payable under the cash incentive plan if 50% of the corporate EBT performance targets are achieved, representing a specified percentage of the named executive officers' base salaries, and amounts payable under the equity incentive program if 80% of the corporate performance targets are achieved. Below those performance levels, no payments would be made under the respective plans. Amounts under "Target" represent 100% of the target payout under each of those plans, which is set in each case as a specified percentage of the named executive officer's base salary. For fiscal 2007, the equity targets for Adam P. Chase, Kenneth L. Dumas and Terry M. Jones each reflected a blended rate taking into account salary increases during the fiscal year resulting from their respective promotions. There is no theoretical maximum payout under either the cash incentive plan or the equity award program. The grant date fair value of the possible equity awards reflects the grant date fair value of our common stock multiplied by the total number of restricted stock units to be awarded assuming the target was met. The awards were actually paid in accordance with the plans upon finalization of our annual financial results and certification of the awards by the compensation committee in November 2007.

Outstanding Equity Awards at Fiscal Year-End for 2007

The following table sets forth information relating to options and unvested restricted stock units outstanding as of August 31, 2007 that were granted pursuant to our 2005 Equity Incentive Plan or predecessor plans to our named executive officers.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options # Exercisable	Number of Securities Underlying Unexercised Options # Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Peter R. Chase						249,580	$ 4,310,247		$
Adam P. Chase						63,535	$ 1,097,249		$
Kenneth L. Dumas						29,395	$ 507,652		$
Terry M. Jones	90,000			$ 5.25	10/12/2012	54,771	$ 945,895		$

Of our named executive officers, only Terry M. Jones held outstanding options as of the end of fiscal 2007. Those options were granted in October 2002 and are all currently exercisable. Amounts under the "Stock Awards" columns reflect restricted stock units issued under our equity incentive programs for fiscal 2006 and fiscal 2007. The columns include share amounts earned during fiscal 2007, even though the final number of shares comprising the award was not certified until after the fiscal year end. The market value of all restricted stock units is based on the closing price of our common stock on August 31, 2007, the last trading day in fiscal 2007. The closing price as reported by the American Stock Exchange on that date was $17.27. Awards for fiscal 2006 will vest on August 31, 2008, and awards for fiscal 2007 will vest on August 31, 2009.

Option Exercises and Stock Vested for 2007

The following table sets forth information relating to options exercised in the year ended August 31, 2007 that were granted pursuant to our 2005 Equity Incentive Plan (or outstanding with respect to options granted under predecessor plans) by each of our named executive officers. No stock awards vested during fiscal 2007.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise(1) ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Peter R. Chase	540,000	$ 4,872,114		
Adam P. Chase	90,000	$ 303,750		
Kenneth L. Dumas				
Terry M. Jones				

(1) Amounts reported under "value realized upon exercise" reflect the difference between the market price of the underlying securities at exercise and the exercise price.

Payments Upon Termination or Change of Control

Executive Severance and Change in Control Agreement. In July 2006, we entered into severance agreements with our named executive officers. In the case of Peter R. Chase, our Chief Executive Officer, the agreement superseded the previous severance agreement entered into in October 1994. In the case of our other named executive officers, the agreements were new. Under the terms of the agreements, if the named executive's employment is terminated by the Company without cause, or terminated by the executive within 24 months after the occurrence of a change in control of the Company for good reason, then the named executive will receive the following benefits:

- Severance pay in an amount equal to one times (or two times in the case of Peter R. Chase) the greater of the named executive's annual salary in effect prior to the change in control or his annual salary in effect immediately prior to termination.

- Health insurance, dental insurance and group term life insurance for a period ending on the earlier of the commencement date of equivalent benefits from a new employer or one year from his termination date, provided the named executive continues to pay an amount equal to the employee's share of contributions.

If terminated for cause, the named executive shall be entitled to his salary through the period ending with the date of such termination and any accrued benefits. In case of death, disability or retirement, the named executive shall be entitled to such benefits as may be provided to him pursuant to the Company's employee benefit plans.

Amounts owed to the executive officers upon termination or a change of control assuming a triggering event took place on August 31, 2007, the last business day of the Company's most recently completed fiscal year, are presented below.

Name	Benefit	Voluntary or For Cause	Before Change in Control Termination without Cause	After Change in Control Termination without Cause or by the Executive for Good Reason	Disability	Death or Retirement	Change in Control
Peter R. Chase	Salary		$ 893,036	$ 893,036			
	Non-Equity Incentive Plan Compensation		439,030	439,030			
	Medical Benefits		8,249	8,249			
	Executive Bonus		1,855,272	1,855,272	$ 1,855,272		
	All Other Compensation		34,760	34,760			
	Acceleration of RSUs			2,464,484			$ 2,464,484
	Total		$ 3,230,347	$ 5,694,831	$ 1,855,272		$ 2,464,484
Adam P. Chase	Salary		$ 192,000	$ 192,000			
	Non-Equity Incentive Plan Compensation		167,500	167,500			
	Medical Benefits		10,791	10,791			
	Executive Bonus						
	All Other Compensation		19,500	19,500			
	Acceleration of RSUs			$ 649,961			$ 649,961
	Total		389,791	1,039,752			649,961
Kenneth L. Dumas	Salary		$ 150,000	$ 150,000			
	Non-Equity Incentive Plan Compensation		112,500	112,500			
	Medical Benefits		10,791	10,791			
	Executive Bonus						
	All Other Compensation		17,642	17,642			
	Acceleration of RSUs			312,053			$ 312,053
	Total		$ 290,933	$ 602,986			$ 312,053
Terry M. Jones	Salary		$ 188,000	$ 188,000			
	Non-Equity Incentive Plan Compensation		148,795	148,795			

				3,440	3,181
Claims settled	(589)	(525)	(2,279)	(2,708)	
Balance at end of period	$ 11,068	$ 9,613	$ 11,068	$ 9,613	

Recent Accounting Pronouncements:

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS No. 158). SFAS No. 158 requires a company to recognize an asset for a defined benefit pension or postretirement plan s overfunded status or a liability for a plan s underfunded status in its statement of financial position, and to recognize changes in that funded status through other comprehensive income in the year in which the changes occur. SFAS No. 158 will not change the amount of net periodic benefit expense recognized in an entity s results of operations. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. The Company does not expect the adoption of this statement to have a material effect on its consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to increase consistency in how fair value determinations are made under various existing accounting standards that permit, or in some cases require, estimates of fair market value. SFAS No. 157 also expands financial statement disclosure requirements about a company s use of fair value measurements, including the effect of such measures on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of this statement to have a material effect on its consolidated financial position and results of operations.

In July 2006, the FASB issued Financial Accounting Standards Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109.* FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is evaluating the effect that the adoption of FIN 48 will have on its consolidated financial position and results of operations.

NOTE 2 - INVENTORIES

Inventories are carried at the lower of cost or market. Cost is determined using the first-in, first-out method. The Company periodically reviews its inventory for excess, close-out and slow moving items and makes provisions as necessary to properly reflect inventory value.

Inventories consist of the following (in thousands):

	September 30, 2006	December 31, 2005
Raw materials	$ 2,349	$ 2,643
Work in process	16,998	8,288
Finished goods	252,766	174,939
	$ 272,113	$ 185,870

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL

Intangible assets with indefinite useful lives are not amortized and are periodically evaluated for impairment. Intangible assets that are determined to have finite lives are amortized over their useful lives.

The following table summarizes the Company s identifiable intangible assets balance (in thousands):

	September 30, 2006		December 31, 2005	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Patents	$ 2,000	$ (343)	$ 1,200	$ (231)
Intangible assets not subject to amortization:				
Trademarks and trade names	$ 46,871		$ 22,071	
Goodwill	17,494		12,659	

	$ 64,365	$ 34,730

Amortization expense for intangible assets subject to amortization is estimated to be $151,000 in 2006 and $156,000 in each of 2007, 2008, 2009 and 2010.

Other non-current assets totaled $3,652,000 and $3,063,000 at September 30, 2006 and December 31, 2005, respectively.

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NOTE 4 - COMPREHENSIVE INCOME

Accumulated other comprehensive income (loss) reported on the Company s consolidated balance sheets consists of foreign currency translation adjustments, net of applicable taxes, and the unrealized gains and losses, net of applicable taxes, on derivative transactions. A summary of comprehensive income (loss), net of related tax effects, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Net income	$ 60,331	$ 66,456	$ 84,631	$ 94,106
Other comprehensive income (loss):				
Unrealized derivative holding gains (losses) arising during period	1,672	(3,097)	(2,397)	(1,008)
Reclassification to net income of previously deferred losses (gains) on derivative transactions	(292)	2,827	1,132	5,561
Foreign currency translation adjustments	(1,676)	2,169	8,182	(16,815)
Other comprehensive income (loss)	(296)	1,899	6,917	(12,262)
Comprehensive income	$ 60,035	$ 68,355	$ 91,548	$ 81,844

Accumulated other comprehensive income, net of related tax effects, consisted of the following (in thousands):

	Foreign currency translation	Unrealized holding gains (losses) on derivative transactions	Accumulated other comprehensive income
Balance at December 31, 2005	$ 24,497	$ 465	$ 24,962
Activity for the nine months ended September 30, 2006	8,182	(1,265)	6,917
Balance at September 30, 2006	$ 32,679	$ (800)	$ 31,879

NOTE 5 - EARNINGS PER SHARE

SFAS No. 128, *Earnings per Share,* requires dual presentation of basic and diluted earnings per share (EPS). Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted EPS, the basic weighted average number of shares is increased by the dilutive effect of stock option and restricted stock units determined using the treasury stock method. While the conceptual computation of EPS is not changed by SFAS No. 123R, the inclusion of stock-based compensation expense affects the mechanics of the calculation. Stock-based compensation expense is recognized under SFAS No. 123R only for awards that are expected to vest (determined by applying a pre-vesting forfeiture rate assumption), while all stock option or restricted stock units that have not been forfeited are included in diluted EPS. As such, the amount of stock-based compensation cost in the numerator includes a forfeiture rate assumption while the number of shares in the denominator does not.

A reconciliation of the common shares used in the denominator for computing basic and diluted EPS is as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
	35,687	37,782	36,366	38,964

Weighted average common shares outstanding, used in computing basic earnings per share				
Effect of dilutive stock options and restricted stock units	372	356	402	413
Weighted-average common shares outstanding, used in computing diluted earnings per share	36,059	38,138	36,768	39,377
Earnings per share of common stock:				
Basic	$ 1.69	$ 1.76	$ 2.33	$ 2.42
Diluted	1.67	1.74	2.30	2.39

Options to purchase an additional 613,089 and 554,616 shares of common stock were outstanding for the three months ended September 30, 2006 and 2005, respectively, and 610,020 and 567,620 shares of common stock were outstanding for the nine months

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ended September 30, 2006 and 2005, respectively, but these shares were excluded in the computation of diluted EPS because their effect would be anti-dilutive.

Since the inception of the Company s stock repurchase plan in April 2004, the Company s Board of Directors has authorized the repurchase of $400,000,000 of the Company s common stock and the Company has repurchased 6,015,342 shares under this program at an aggregate purchase price of approximately $284,317,000. The repurchase program does not obligate the Company to acquire any specific number of shares or to acquire shares over any specified period of time.

NOTE 6- SEGMENT INFORMATION

The Company operates in one industry segment: the design, production, marketing and selling of active outdoor apparel, including outerwear, sportswear, footwear, related accessories and equipment.

The geographic distribution of the Company s net sales, income before income tax, and identifiable assets are summarized in the tables below (in thousands). In addition to the geographic distribution of net sales, the Company s net sales by major product line are also summarized below. Inter-geographic net sales, which are recorded at a negotiated mark-up and eliminated in consolidation, are not material.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales to unrelated entities:				
United States	$ 276,301	$ 244,928	$ 539,592	$ 491,508
Europe	66,403	62,108	143,464	134,131
Canada	53,647	52,645	92,562	88,235
Other International	57,789	50,076	150,286	127,820
	$ 454,140	$ 409,757	$ 925,904	$ 841,694
Income before income tax:				
United States	$ 58,695	$ 59,014	$ 72,379	$ 75,196
Europe	11,160	12,985	11,879	19,666
Canada	13,645	14,054	20,259	18,712
Other International	7,835	6,094	19,618	17,285
Interest and other income and eliminations	774	929	5,073	4,431
	$ 92,109	$ 93,076	$ 129,208	$ 135,290
Interest (income) expense, net:				
United States	$ (1,547)	$ (862)	$ (6,204)	$ (3,257)
Europe	796	119	2,129	77
Canada	(7)	(263)	(36)	(601)
Other International	(169)	17	(629)	87
	$ (927)	$ (989)	$ (4,740)	$ (3,694)
Income tax expense:				
United States	$ 24,867	$ 18,988	$ 33,520	$ 30,570
Europe	856	1,844	616	328
Canada	5,449	5,073	7,499	6,249
Other International	606	715	2,942	4,037
	$ 31,778	$ 26,620	$ 44,577	$ 41,184

Depreciation and amortization expense:				
United States	$ 3,853	$ 4,114	$ 11,980	$ 11,763
Europe	1,644	1,581	4,727	4,819
Canada	106	108	327	336
Other International	243	213	695	618
	$ 5,846	$ 6,016	$ 17,729	$ 17,536

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	September 30, 2006	December 31, 2005
Assets:		
United States	$ 983,505	$ 930,469
Europe	384,603	284,127
Canada	119,698	70,833
Other International	125,279	84,650
Total identifiable assets	1,613,085	1,370,079
Eliminations and reclassifications	(588,859)	(399,552)
Total assets	$ 1,024,226	$ 970,527

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Net sales to unrelated entities:				
Outerwear	$ 217,802	$ 201,427	$ 316,186	$ 292,631
Sportswear	146,653	125,736	400,635	360,338
Footwear	69,394	63,819	163,304	147,919
Accessories	15,816	16,954	29,140	32,885
Equipment	4,475	1,821	16,639	7,921
	$ 454,140	$ 409,757	$ 925,904	$ 841,694

NOTE 7 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As part of the Company s risk management programs, the Company uses a variety of financial instruments, including foreign currency option and forward exchange contracts. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company hedges against the currency risk associated with firmly committed and anticipated transactions for the next twelve months denominated in European euros, Canadian dollars and Japanese yen. The Company accounts for these instruments as cash flow hedges. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activity*, as amended, such financial instruments are marked to market with the offset to accumulated other comprehensive income and subsequently recognized as a component of cost of goods sold when the underlying transaction is recognized. Hedge effectiveness is determined by evaluating whether gains and losses on hedges will offset gains and losses on the underlying exposures. Hedge ineffectiveness was not material during the nine months ended September 30, 2006 and 2005.

NOTE 8 - ACQUISITIONS

On January 26, 2006, the Company acquired substantially all of the assets of Montrail, Inc. (Montrail) for cash consideration of $15,000,000 plus the assumption of certain liabilities. The Montrail® brand is recognized as a premium outdoor footwear brand with a reputation for delivering technical, high performance trail running, hiking, and climbing footwear for outdoor enthusiasts. The acquisition was accounted for under the purchase method of accounting and the results of operations of Montrail have been recorded in the Company s consolidated financial statements since January 26, 2006. The cost of the acquisition was allocated on the basis of the estimated fair value of the assets acquired and the liabilities assumed. The fair values of assets and liabilities acquired are presented below (in thousands):

Cash	$ 23
Accounts receivable	1,778
Inventory	6,878

Prepaids and other assets	112
Property, plant and equipment	597
Intangible assets	12,235
Total assets acquired	21,623
Accounts payable and accrued liabilities	790
Note payable	5,833
Total liabilities assumed	6,623
Net assets acquired	$ 15,000

Intangible assets acquired from Montrail consisted of $10,000,000 related to trademarks, $935,000 for goodwill, $800,000 related to patents and $500,000 related to order backlog. The $11,300,000 of purchase price allocated to the trademark, patents and order backlog was determined by management, based in part on a third party appraisal using established valuation techniques. Patents are

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subject to amortization over 17 years from the date filed with the U.S. Patent and Trademark Office. At the time of the acquisition, the remaining useful lives of these patents ranged from 11 to 16 years and the weighted average useful life was 11.4 years. The goodwill and trademarks are not subject to amortization because these assets are deemed to have indefinite useful lives. The order backlog was amortized over the period for which the orders were shipped. At September 30, 2006, the order backlog was fully amortized.

On March 31, 2006, the Company acquired a group of Pacific Trail, Inc. (Pacific Trail) trademarks and goodwill for $20,400,000. The acquisition was the result of the March 29, 2006 auction in bankruptcy court of specified assets of Pacific Trail and London Fog Group, Inc. On September 30, 2006, the Company sold Pacific Trail s Dockers brand licenses for $1,700,000. Intangible assets acquired from Pacific Trail consisted of $14,800,000 for the trademarks and $3,900,000 for goodwill. The $14,800,000 of purchase price allocated to the trademarks was determined by management, based in part on a third party appraisal using established valuation techniques. The trademarks and goodwill are not subject to amortization because these assets are deemed to have indefinite useful lives. These intangible assets will be reviewed for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets.*

NOTE 9 - SUBSEQUENT EVENT

On October 26, 2006, the Board of Directors approved a quarterly dividend of $0.14 per share, payable on November 30, 2006 to shareholders of record on November 16, 2006.

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Item 2 ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

This quarterly report contains forward-looking statements. Forward-looking statements include any statements related to our expectations regarding future results, performance or conditions, including any statements regarding anticipated sales growth across markets, distribution channels, and product categories, access to and the cost of raw materials and factory capacity, and financing and working capital requirements and resources.

These forward-looking statements, and others we make from time to time, are subject to a number of risks and uncertainties. Many factors could cause actual results to differ materially from those projected in forward-looking statements, including the risks described in Part II, Item 1A of this quarterly report. Forward-looking information may change after the date these statements are made without notice to you.

You should read the following discussion in conjunction with our Condensed Consolidated Financial Statements and Accompanying Notes. All references to quarters relate to the quarter ended September 30 of the particular year.

Overview

Since our initial public offering in 1998, our net sales have steadily increased from $427.3 million in 1998 to $1,155.8 million in 2005. This equates to a compound annual growth rate of 15.3%. Our long-term goal is to capitalize on global market opportunities for each of our key product categories. We are committed to our growth strategies of enhancing the retail productivity of our customers, leveraging our brands in international markets, further developing our product categories, selectively broadening our retail distribution channels and expanding the global awareness of our brands through license agreements. We believe that our sourcing and distribution infrastructure and our proven design and product development team position us well for future long-term growth.

Highlights as of and for the quarter ended September 30, 2006 are as follows:

Our backlog for the spring 2007 selling season increased $55.2 million, or 15.4%, to $414.5 million from $359.3 million as of September 30, 2005. Excluding changes in currency exchange rates, spring backlog increased 14.1% to $409.8 million. Excluding the backlog from the recently acquired Montrail® and Pacific Trail® brands, spring backlog increased $45.7 million, or 12.7%, to $405.1 million. Spring orders increased in all key geographic markets, particularly in our domestic and international distributor markets. Increased sportswear backlog continues to be the key driver to spring order growth. Although we cannot predict with certainty any future results, our reported backlog is one indicator of our anticipated sales for the spring 2007 selling season. Many factors, however, could cause actual sales to differ materially from reported future order backlog. Moreover, our spring backlog is not indicative of, and should not be used in, forecasting sales beyond the spring 2007 selling season.

Net sales increased $44.3 million, or 10.8%, to $454.1 million from $409.8 million for the same period in 2005. Excluding changes in currency exchange rates, net sales increased 9.1%. Our sales growth was largely attributable to increased revenue in the United States resulting from increased sales of sportswear as well as sales resulting from our acquisitions of the Montrail and Pacific Trail brands earlier this year. Sales growth was also achieved in each of our major international markets. From a product category perspective, we attribute our sales growth to increased sales of sportswear and outerwear. We expect full year 2006 net sales to increase approximately 11.0% compared to full year 2005 net sales.

Gross profit decreased 230 basis points to 43.7% of net sales from 46.0% of net sales for the same period in 2005. We primarily attribute the decrease in gross profit to increased competition and our efforts to grow our market share, including a broadened product assortment and pricing changes. As a result of these competitive pressures, we expect full year 2006 gross profit to contract to approximately 42.0% from 43.6% for 2005.

Selling, general and administrative (SG&A) expenses increased $10.8 million, or 11.1%, to $108.3 million compared to $97.5 million for the same period in 2005. We primarily attribute this increase to additional personnel-related costs, including stock-based compensation of approximately $1.8 million. We expect full year 2006 SG&A expense, as a percentage of net sales, to increase to 28.5% of net sales for 2006 from 27.8% of net sales for 2005.

Results of Operations

Net income decreased $6.2 million, or 9.3%, to $60.3 million for the third quarter of 2006 from $66.5 million for the same period in 2005. Diluted earnings per share decreased $0.07 to $1.67 for the third quarter of 2006 from $1.74 for the same period in 2005.

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The following table shows the percentage relationship to net sales of certain items in our consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	56.3	54.0	57.7	56.1
Gross profit	43.7	46.0	42.3	43.9
Selling, general and administrative expense	23.8	23.8	29.2	28.6
Net licensing income	(0.2)	(0.3)	(0.3)	(0.3)
Income from operations	20.1	22.5	13.4	15.6
Interest income, net	(0.2)	(0.2)	(0.5)	(0.5)
Income before income tax	20.3	22.7	13.9	16.1
Income tax expense	7.0	6.5	4.8	4.9
Net income	13.3%	16.2%	9.1%	11.2%

Quarter Ended September 30, 2006 Compared to Quarter Ended September 30, 2005

Net Sales: Consolidated net sales increased 10.8% to $454.1 million for the third quarter of 2006 from $409.8 million for the same period in 2005. Excluding changes in currency exchange rates, consolidated net sales increased 9.1%.

Reconciliation of Net Sales Changes to Net Sales Changes Excluding Changes in Currency Exchange Rates

Net sales from year to year are affected by changes in selling price and unit volume as well as changes in currency exchange rates where we have sales in foreign locations. Our net sales changes excluding the effect of changes in currency exchange rates, as well as our net sales changes calculated in accordance with accounting principles generally accepted in the United States of America (GAAP), are shown below. We disclose changes in sales excluding changes in currency exchange rates because we use the measure to understand sales growth excluding any effect of foreign currency exchange rate changes. In addition, we evaluate and compensate our foreign personnel in part based on our results of operations excluding currency exchange rate changes for their respective regions.

	Quarter ended September 30, 2006	
	Amount (millions)	% Change
Consolidated:		
Net sales increase (GAAP)	$ 44.3	10.8%
Effect of currency exchange rate changes	(6.9)	(1.7)
Net sales increase excluding changes in currency exchange rates	$ 37.4	9.1%
United States:		
Net sales increase (GAAP)	$ 31.4	12.8%
Europe:		
Net sales increase (GAAP)	$ 4.3	6.9%
Effect of currency exchange rate changes	(2.8)	(4.6)
Net sales increase excluding changes in currency exchange rates	$ 1.5	2.3%

Canada:		
Net sales increase (GAAP)	$ 1.0	1.9%
Effect of currency exchange rate changes	(4.0)	(7.6)
Net sales decrease excluding changes in currency exchange rates	($ 3.0)	(5.7%)
Other International:		
Net sales increase (GAAP)	$ 7.6	15.1%
Effect of currency exchange rate changes	(0.1)	(0.2)
Net sales increase excluding changes in currency exchange rates	$ 7.5	14.9%

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The increase in net sales was led by the United States, followed by Other International, Europe and Canada. We primarily attribute sales growth to increased sales of sportswear in the United States as well as an increase in outerwear and footwear sales due to sales of Pacific Trail and Montrail branded products, respectively, in the third quarter of 2006 compared to the same period in 2005. Our sales growth was also attributable to an increase in the volume of units sold in each of our major geographic regions except Canada. By product category, consolidated unit sales volume increased for sportswear, outerwear, footwear and equipment, while unit sales volume decreased for accessories.

Net sales from outerwear increased $16.4 million, or 8.1%, to $217.8 million for the third quarter of 2006 from $201.4 million for the same period in 2005. We primarily attribute the outerwear sales growth to increased sales in the United States and Other International and, to a lesser degree, an increase in sales in Canada and Europe. Outerwear sales growth was predominantly the result of sales resulting from our acquisition of the Pacific Trail brand.

Net sales from sportswear increased $20.9 million, or 16.6%, to $146.6 million for the third quarter of 2006 from $125.7 million for the same period in 2005. We primarily attribute the increase in sportswear sales to an increase in sales in the United States, followed by Europe, Other International and Canada. Sportswear sales growth in the third quarter was the result of increased sales of a broader assortment of products, competitive sportswear prices and related consumer demand for our sportswear products particularly fleece sweaters, knitted and woven tops and pants.

Net sales from footwear increased $5.6 million, or 8.8%, to $69.4 million for the third quarter of 2006 from $63.8 million for the same period in 2005. We attribute most of our footwear sales growth to increased footwear sales in the United States, which was partially driven by footwear sales resulting from our acquisition of the Montrail brand in January 2006. Internationally, footwear sales growth was led by Other International, followed by Europe and Canada.

Net sales from accessories decreased $1.3 million, or 7.6%, to $15.8 million for the third quarter of 2006 from $17.1 million for the same period in 2005. Accessories sales decreased in all major geographic regions. Prior to Columbia forming its own bags and packs business, which was introduced for the Spring 2006 selling season, certain third-party designed and licensed bags and packs were marketed and sold in Canada, Europe and Japan and were categorized as accessories. As a result, less than $0.1 million of third-party designed and licensed bags and packs sales were included in the accessories category for the third quarter of 2006 compared to $1.4 million for the third quarter of 2005. We continue to market and sell some third-party designed and licensed bags and packs in Korea and Japan and a majority of these sales remain in the accessories category. Beginning in 2007, accessories and equipment will be presented as one combined category.

Net sales from equipment increased $2.7 million, or 150.0%, to $4.5 million for the third quarter of 2006 from $1.8 million for the same period in 2005. Equipment sales growth was led by Other International, followed by the United States, Europe and Canada. We predominantly attribute our sales growth to sales of Columbia® brand bags and packs, which were previously designed and sold by a licensee and included in net license income. We began selling Columbia brand equipment in 2006 after the expiration of the license agreement.

Net sales in the United States increased $31.4 million, or 12.8%, to $276.3 million for the third quarter of 2006 from $244.9 million for the same period in 2005. Net sales growth was led by sportswear, followed by outerwear, footwear and equipment, while sales of accessories decreased. Sales growth in the United States was the result of increased sales within nearly all of our distribution channels particularly the outdoor and department store channels. United States sales growth was also attributable to sales of Pacific Trail and Montrail branded products.

Net sales in Europe increased $4.3 million, or 6.9%, to $66.4 million for the third quarter of 2006 from $62.1 million for the same period in 2005. Excluding changes in currency exchange rates, Europe s net sales increased 2.3%. Net sales growth was led by sportswear, followed by footwear, outerwear and equipment, partially offset by decreased sales of accessories. European sales growth was particularly strong in France, Germany, and Switzerland.

Net sales in Canada increased $1.0 million, or 1.9%, to $53.6 million for the third quarter of 2006 from $52.6 million for the same period in 2005. Excluding changes in currency exchange rates, Canada s net sales decreased 5.7%, which related to a shift in the timing of shipments into the second quarter from the third quarter. Including the benefits of currency exchange rates, net sales growth was led by outerwear, followed by sportswear, footwear and equipment, offset by decreased sales of accessories.

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Net sales from Other International, which includes our direct businesses in Japan and Korea and our international distributor markets worldwide, increased $7.6 million, or 15.1%, to $57.8 million for the third quarter of 2006 from $50.2 million for the same period in 2005. Excluding changes in currency exchange rates, Other International sales increased 14.9%. Sales growth for Other International was led by our international distributors, followed by Korea and Japan. Net sales growth was led by outerwear, followed by footwear, equipment and sportswear, partially offset by decreased sales of accessories.

Gross Profit*:* Gross profit, as a percentage of net sales, decreased to 43.7% for the third quarter of 2006 from 46.0% for the same period in 2005. This decrease in gross profit margin was predominantly the result of increased competition and our efforts to grow our market share, including a broadened product assortment and pricing changes. To a lesser degree, other factors that adversely affected our gross profit margin included an increase in close-out sales of excess inventory at reduced margins, European anti-dumping duties imposed on Chinese and Vietnamese footwear imports, lower margins on Pacific Trail product shipments, stock-based compensation expense and costs associated with certain international promotional campaigns.

The most significant factor that adversely affected our third quarter of 2006 gross profit was increased competitive pressures in the United States and Europe. As a result of these competitive pressures, we broadened our product assortment and more competitively priced our Fall 2006 products, which negatively affected our third quarter gross profit margins. We anticipate that this increased competition will continue to exert pressure on our gross profit margins for the remainder of 2006.

Our gross profits may not be comparable to those of other companies in our industry because some include all of the costs related to their distribution network in cost of sales. We, like others, have chosen to include these expenses as a component of selling, general and administrative expense.

Selling, General and Administrative Expense: SG&A expense includes all costs associated with our design, merchandising, marketing, distribution and corporate functions including related depreciation and amortization.

SG&A expense increased $10.8 million, or 11.1%, to $108.3 million for the third quarter of 2006 from $97.5 million for the same period in 2005. Selling expenses increased $1.2 million, or 3.0%, while general and administrative expenses increased $9.6 million, or 16.8%. As a percentage of net sales, SG&A expense remained constant at 23.8% of net sales for both the third quarter of 2006 and the third quarter of 2005.

Selling expenses, primarily including commissions and advertising, decreased to 9.1% of net sales for the third quarter of 2006 from 9.8% of net sales for the same period in 2005. The decrease in selling expenses was attributable to a reduction in marketing related expenses.

The increase in general and administrative expenses primarily resulted from an increase in personnel related costs. We attribute the increase in personnel costs to stock-based compensation expense of $1.8 million and additional Europe sales, merchandising and administrative personnel hired to execute strategic growth initiatives in that region. Depreciation and amortization totaled $5.6 million for the third quarter of 2006, compared to $5.8 million for the same period in 2005.

Net Licensing Income: As our licensees have become more established in the marketplace, our licensing arrangements have produced highly profitable income for the Company. We derive net licensing income by licensing our trademarks across a range of categories that complement our current product offerings.

For the third quarter of 2006, we recognized licensing income from fifteen licensees. Products distributed by our licensees included socks, leather outerwear, eyewear, watches, camping gear, home furnishings, bicycles, insulated products and other accessories.

Net licensing income remained flat at $1.2 million for the third quarter of 2006 and for the same period in 2005. The largest component of licensing income was Columbia licensed leather outerwear, followed by socks, home furnishings and leather accessories.

Interest (Income) Expense, Net*:* Interest income was $1.2 million for the third quarter of 2006 compared to $1.4 million for the same period in 2005. We attribute the decrease in interest income to a lower cash and cash equivalents balance compared to the same period in 2005. Interest expense was $0.3 million for the third quarter of 2006 compared to $0.4 million for the same period in 2005. We attribute the decrease in interest expense to a lower long-term debt level offset by a higher notes payable balance, coupled with higher capitalized interest related to distribution related capital projects, which reduced interest expense in the third quarter of 2006.

Income Tax Expense: Our provision for income taxes increased to $31.8 million for the third quarter of 2006 from $26.6 million for the same period in 2005 because of our higher income tax rate for the third quarter of 2006 compared to the same period in 2005. Our effective income tax rate increased to 34.5% for the third quarter of 2006 compared to 28.6% for the same period in 2005. The

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increase was due primarily to the conclusion of several income tax audits which resulted in the recording of a net tax benefit in the third quarter of 2005 of approximately $5.6 million.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Net Sales: Consolidated net sales increased $84.2 million, or 10.0% to $925.9 million for the nine months ended September 30, 2006 from $841.7 million for the same period in 2005. Excluding changes in currency exchange rates, consolidated net sales increased 9.7%. A significant portion of our sales growth was attributable to an increase in shipments of sportswear, much of which were in the United States. As a result of our acquisitions of the Montrail and Pacific Trail brands, footwear and outerwear sales also increased substantially for the period.

Reconciliation of Net Sales Changes to Net Sales Changes Excluding Changes in Currency Exchange Rates

	Nine months ended September 30, 2006	
	Amount (millions)	**% Change**
Consolidated:		
Net sales increase (GAAP)	$ 84.2	10.0%
Effect of currency exchange rate changes	(2.8)	(0.3)
Net sales increase excluding changes in currency exchange rates	$ 81.4	9.7%
United States:		
Net sales increase (GAAP)	$ 48.1	9.8%
Europe:		
Net sales increase (GAAP)	$ 9.4	7.0%
Effect of currency exchange rate changes	2.8	2.1
Net sales increase excluding changes in currency exchange rates	$ 12.2	9.1%
Canada:		
Net sales increase (GAAP)	$ 4.3	4.9%
Effect of currency exchange rate changes	(7.1)	(8.1)
Net sales decrease excluding changes in currency exchange rates	($ 2.8)	(3.2%)
Other International:		
Net sales increase (GAAP)	$ 22.4	17.5%
Effect of currency exchange rate changes	1.5	1.2
Net sales increase excluding changes in currency exchange rates	$ 23.9	18.7%

Increased net sales were realized in each major geographic region in which we operate, led by the United States and followed by Other International, Europe and Canada. Increased net sales were led by sportswear, followed by outerwear, footwear and equipment, while sales of accessories decreased.

Net sales from outerwear increased $23.6 million, or 8.1%, to $316.2 million for the nine months ended September 30, 2006 from $292.6 million for the same period in 2005. Outerwear sales growth was led by Other International, followed by the United States, Europe and Canada. Internationally, outerwear sales growth was partially driven by favorable weather as well as consumer demand for our product offering. The increase in the United States was due to sales of Pacific Trail branded product.

Net sales from sportswear increased $40.3 million, or 11.2%, to $400.6 million for the nine months ended September 30, 2006 from $360.3 million for the same period in 2005. The majority of our sportswear sales growth was realized in the United States. Internationally, sportswear sales growth was led by Other International, followed by Europe and Canada. Sportswear sales growth was the result of increased sales of a broader assortment of products, competitive sportswear prices and related consumer demand for our sportswear products, particularly knitted tops, fleece sweaters and pants.

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Net sales from footwear increased $15.4 million, or 10.4%, to $163.3 million for the nine months ended September 30, 2006 from $147.9 million for the same period in 2005. The increase was led by the United States, followed by Other International and Europe, while sales of footwear decreased in Canada. A significant portion of our footwear sales growth primarily resulted from sales of Montrail branded footwear. Excluding sales of the Montrail branded footwear, footwear sales were adversely affected by a highly competitive outdoor footwear market.

Net sales from accessories decreased $3.9 million, or 11.8%, to $29.1 million for the nine months ended September 30, 2006 from $33.0 million for the same period in 2005. The sales decrease for accessories was led by Other International, followed by the United States, Europe and Canada. Prior to Columbia forming its own bags and packs business, which was introduced for the Spring 2006 selling season, certain third-party designed and licensed bags and packs were marketed and sold in Canada, Europe and Japan and were categorized as accessories. As a result, $0.1 million of third-party designed and licensed bags and packs sales were included in the accessories category for the nine months ended September 30, 2006 compared to $3.8 million for the nine months ended September 30, 2005. We continue to market and sell some third-party designed and licensed bags and packs in Korea and Japan and a majority of these sales remain in the accessories category. Beginning in 2007, accessories and equipment will be presented as one combined category.

Net sales from equipment increased $8.8 million, or 111.4%, to $16.7 million for the nine months ended September 30, 2006 from $7.9 million for the same period in 2005. Equipment sales growth was led by the United States, followed by Other International, Europe and Canada. We attribute our sales growth to sales of Columbia brand bags and packs, which were previously designed and sold by a licensee and included in net license income.

Net sales in the United States increased $48.1 million, or 9.8%, to $539.6 million for the nine months ended September 30, 2006 from $491.5 million for the same period in 2005. The majority of the sales growth was attributable to increased sales of sportswear, followed by footwear, outerwear and equipment sales, while sales of accessories decreased. Sales growth in the United States was the result of increased sales within almost all of our distribution channels, particularly the department store and sports specialty channels. The sales growth in the United States was also attributable to sales of Pacific Trail outerwear and Montrail footwear.

Net sales in Europe increased $9.4 million, or 7.0%, to $143.5 million for the nine months ended September 30, 2006 from $134.1 million for the same period in 2005. Excluding changes in currency exchange rates, Europe s net sales increased 9.1%. Sales growth was led by outerwear, followed by sportswear, equipment and footwear, while sales of accessories decreased. European sales growth was predominantly the result of increased sales in France and Switzerland. The Switzerland sales growth was partially attributable to the acquisition of our distributor in Switzerland, Tecnisport SA, in July 2005.

Net sales in Canada increased $4.3 million, or 4.9%, to $92.5 million for the nine months ended September 30, 2006 from $88.2 million for the same period in 2005. Excluding changes in currency exchange rates, Canada s net sales decreased 3.2%. Sales growth was led by sportswear, followed by outerwear and equipment, while sales of footwear and accessories decreased. Sales growth in Canada was largely due to increased sales within the department store channel, while the sports specialty channel, our largest channel in Canada, remained essentially flat.

Net sales from Other International increased $22.4 million, or 17.5%, to $150.3 million for the nine months ended September 30, 2006 from $127.9 million for the same period in 2005. Excluding changes in currency exchange rates, other international sales increased 18.7%. Sales growth was led by outerwear, followed by sportswear, footwear and equipment, while sales of accessories decreased. Sales growth for Other International was led by our international distributors, followed by Korea and Japan.

Gross Profit*:* Gross profit, as a percentage of net sales, decreased to 42.3% for the nine months ended September 30, 2006 from 43.9% for the same period in 2005. We primarily attribute the decrease in gross profit margin to increased competition and our efforts to grow our market share, including a broadened product assortment and pricing changes. Other factors that adversely affected our gross profit margin included the effect of recording the Montrail inventory at fair value in purchase accounting, European anti-dumping duties imposed on Chinese and Vietnamese footwear imports, costs associated with certain international promotional campaigns, stock-based compensation expense and lower margins on Pacific Trail shipments. Recording the Montrail inventory at fair value in purchase accounting will continue to unfavorably affect our gross profit in 2006.

The most significant factor that adversely affected our 2006 gross profit margin was increased competition in the United States and, to a lesser degree, in certain international markets. As a result of these competitive pressures, we broadened our product assortment and competitively priced our Fall 2006 products, which negatively affected our third quarter gross profit margin. We anticipate that this increased competition will continue to exert pressure on our gross profits for the remainder of 2006.

Selling, General and Administrative Expense: SG&A expense increased $29.8 million, or 12.4%, to $270.2 million for the nine months ended September 30, 2006 from $240.4 million for the same period in 2005. Selling expenses decreased $1.0 million, or 1.2%,

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while general and administrative expenses increased $30.8 million, or 19.8%. As a percentage of net sales, SG&A expense increased to 29.2% of net sales for the nine months ended September 30, 2006 from 28.6% of net sales for the same period in 2005.

Selling expense, including commissions and advertising, decreased to 9.0% of net sales for the nine months ended September 30, 2006 from 10.0% for the same period in 2005. We attribute the decrease in selling expenses to lower sales commissions and marketing related expenses. The decrease in sales commissions was largely attributable to our decision to employ an in-house sales force in certain key European markets.

The increase in general and administrative expenses primarily resulted from an increase in personnel related costs. We attribute the increase in personnel costs to stock-based compensation expense of $7.6 million, one-time compensation related charges, additional Europe sales, merchandising and administrative personnel hired to execute strategic growth initiatives in that region and increased personnel costs in the United States. Depreciation and amortization in general and administrative expenses totaled $16.9 million for the nine months ended September 30, 2006 compared to $17.0 million for the same period in 2005.

Net Licensing Income: For the nine months ended September 30, 2006, we recognized licensing income from nineteen licensees. Products distributed by our licensees included socks, leather outerwear, eyewear, watches, camping gear, home furnishings, bicycles, insulated products and other accessories.

Net licensing income increased to $3.4 million for the nine months ended September 30, 2006 from $2.8 million for the same period in 2005. The largest component of licensing income was Columbia licensed socks, followed by camping gear, leather outerwear, bicycles, eyewear, home furnishings and insulated products.

Interest (Income) Expense, Net*:* Interest income increased to $5.4 million for the nine months ended September 30, 2006 from $4.8 million for the same period in 2005. The increase in interest income was due to a higher interest rate environment compared to the same period in 2005, partially offset by the reduction in cash and short-term investments used for operations, capital expenditures and acquisitions during the nine months ended September 30, 2006. Interest expense decreased to $0.7 million for the nine months ended September 30, 2006, from $1.1 million for the same period in 2005. We attribute the decrease in interest expense to a lower long-term debt level offset by a higher notes payable balance, coupled with higher capitalized interest related to distribution related capital projects, which reduced interest expense for the nine months ended September 30, 2006.

Income Tax Expense: The provision for income taxes increased to $44.6 million for the nine months ended September 30, 2006 from $41.2 million for the same period in 2005 due to a higher estimated effective tax rate for the first nine months of 2006 compared to the same period in 2005. Our estimated effective income tax rate was 34.5% for the first nine months of 2006 compared to 30.4% for the same period in 2005. The increase was due primarily to the conclusion of several income tax audits, which resulted in the recording of a net tax benefit in the third quarter of 2005 of approximately $5.6 million.

Backlog

We typically receive the bulk of our orders for each of the fall and spring seasons at least three months prior to the date the products are shipped to customers. Generally, orders are subject to cancellation prior to the date of shipment. At September 30, 2006, our order backlog was $693.9 million, compared to $588.8 million at September 30, 2005. Excluding the backlog from the acquired Montrail and Pacific Trail brands, our order backlog was $676.5 million at September 30, 2006. For a variety of reasons, including the timing of shipments, timing of order deadlines, timing of receipt of orders, product mix of customer orders, order cancellations, the amount of in-season orders, and fluctuations in foreign currency rates, backlog at September 30 may not be a reliable measure of future sales for any succeeding period. For these reasons backlog figures in one year also may not be directly comparable to backlog figures in another year when measured at the same date.

Seasonality of Business

Our business is affected by the general seasonal trends common to the outdoor apparel industry, with sales and profits highest in the third calendar quarter. Our products are marketed on a seasonal basis, with product sales mix weighted substantially toward the fall season. Results of operations in any period should not be considered indicative of the results to be expected for any future period. Sales of our products are subject to substantial cyclical fluctuation and to the impact of unseasonable weather conditions. Sales tend to decline in periods of recession or uncertainty regarding future economic prospects that affect consumer spending, particularly on discretionary items. This seasonality and any related fluctuation in consumer demand could have a material adverse effect on our results of operations, cash flows and financial position.

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Liquidity and Capital Resources

Our primary ongoing funding requirements are to finance working capital and to continue to grow the business. At September 30, 2006, we had total cash equivalents of $29.0 million compared to $101.1 million at December 31, 2005. Net cash used in operating activities was $29.1 million for the nine months ended September 30, 2006 compared to net cash provided by operating activities of $6.5 million for the same period in 2005. This change was primarily due to earlier cash payments for inventory.

Our primary capital requirements are for working capital, investing activities associated with the expansion of our global operations and general corporate needs. Net cash provided by investing activities was $39.8 million for the nine months ended September 30, 2006 compared to $105.2 million for the same period in 2005. For the 2006 period, net cash used in investing activities primarily consisted of net sales of short-term investments of $117.5 million, offset by $33.7 million used for the acquisitions of Montrail and Pacific Trail and $43.5 million in capital expenditures related to the expansion of our distribution center in Cambrai, France and the upgrade of our distribution center in Portland, Oregon. For the 2005 period, net cash provided by investing activities primarily consisted of net sales of short-term investments of $132.1 million, offset by capital expenditures of $24.7 million.

Cash used in financing activities was $83.9 million for the nine months ended September 30, 2006 compared to $117.1 million for the same period in 2005. For the 2006 period, net cash used in financing activities primarily consisted of the repurchase of $75.5 million of common stock, the net repayments of notes payable of $16.9 million and of long-term debt of $6.6 million, partially offset by proceeds from the issuance of common stock under employee stock plans of $14.1 million. For the 2005 period, net cash used in financing activities primarily consisted of the repurchase of $121.0 million of common stock and the repayment of long-term debt of $5.6 million, offset by the proceeds from the issuance of common stock under employee stock plans of $9.6 million.

To fund our domestic working capital requirements, we have unsecured revolving lines of credit with aggregate seasonal limits ranging from approximately $50 million to $125 million, of which $25 million to $100 million is committed. As of September 30, 2006, no balances were outstanding under these lines of credit. Internationally, our subsidiaries have local currency operating lines in place that we guarantee with a combined limit of approximately $108.7 million at September 30, 2006, of which $5.2 million is designated as a European customs and anti-dumping guarantee. At September 30, 2006, $29.6 million was outstanding under these lines of credit.

As we continue our investment in global infrastructure to support our growth, we anticipate that capital expenditures for 2006 will total up to $55.0 million, consisting of maintenance capital requirements and distribution and information technology projects. We expect to fund these capital expenditures with existing cash and cash provided by operations. If the need arises for additional expenditures, we may need to seek additional funding. Our ability to obtain additional credit facilities will depend on many factors, including prevailing market conditions, our financial condition, and our ability to negotiate favorable terms and conditions. There is no assurance that financing will be available on terms that are acceptable or favorable to us, if at all.

Our operations are affected by seasonal trends typical in the outdoor apparel industry, and have historically resulted in higher sales and profits in the third calendar quarter. This pattern has resulted primarily from the timing of shipments to wholesale customers for the fall outerwear season. We believe that our liquidity requirements for at least the next 12 months will be adequately covered by existing cash, cash provided by operations and existing short-term borrowing arrangements.

Off-Balance Sheet Arrangements

We maintain unsecured import lines of credit with a combined limit of approximately $225.0 million at September 30, 2006, available for issuing documentary letters of credit. At September 30, 2006, we had letters of credit outstanding of $22.0 million for inventory related purchases.

Critical Accounting Policies and Estimates

Management s discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make various estimates and judgments that affect reported amounts of assets, liabilities, sales, cost of sales and expenses and related disclosure of contingent assets and liabilities. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies and estimates. Because of the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies. We base our ongoing estimates on historical experience and other various assumptions that we believe to be reasonable under the circumstances. Many of these critical accounting policies affect working capital account balances, including the policy for revenue recognition, the allowance for uncollectible accounts receivable, the provision for potential excess, close-out and slow moving inventory, product warranty and income taxes.

Management and our independent auditors regularly discuss with our audit committee each of our critical accounting estimates, the development and selection of these accounting estimates, and the disclosure about each estimate in Management s Discussion and

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Analysis of Financial Condition and Results of Operations. These discussions typically occur at our quarterly audit committee meetings and include the basis and methodology used in developing and selecting these estimates, the trends in and amounts of these estimates, specific matters affecting the amount of and changes in these estimates, and any other relevant matters related to these estimates, including significant issues concerning accounting principles and financial statement presentation.

Revenue Recognition

We record wholesale and licensed product revenues when title passes and the risks and rewards of ownership have passed to the customer, based on the terms of sale. Title generally passes upon shipment or upon receipt by the customer depending on the country of the sale and the agreement with the customer. Retail store revenues are recorded at the time of sale.

In some countries outside of the United States where title passes upon receipt by the customer, predominantly where we sell directly in Western Europe, precise information regarding the date of receipt by the customer is not readily available. In these cases, we estimate the date of receipt by the customer based on historical and expected delivery times by geographic location. We periodically test the accuracy of these estimates based on actual transactions. Delivery times vary by geographic location, generally from one to four days. To date, we have found these estimates to be materially accurate.

At the time of revenue recognition, we also provide for estimated sales returns and miscellaneous claims from customers as reductions to revenues. The estimates are based on historical rates of product returns and claims. However, actual returns and claims in any future period are inherently uncertain and thus may differ from the estimates. If actual or expected future returns and claims are significantly greater or lower than the reserves that we have established, we will record a reduction or increase to net revenues in the period in which we make such a determination. Over the three year period ended December 31, 2005, our actual annual sales returns and miscellaneous claims from customers have been less than two percent of net sales.

Allowance for Uncollectible Accounts Receivable

We make ongoing estimates of the uncollectibility of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our customers to make required payments. In determining the amount of the allowance, we consider our historical level of credit losses and we make judgments about the creditworthiness of customers based on ongoing credit evaluations. We analyze specific customer accounts, customer concentrations, credit insurance coverage, current economic trends, and changes in customer payment terms. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from our estimates. If the financial condition of our customers deteriorates, resulting in their inability to make payments, a larger allowance may be required. If we determine that a smaller or larger allowance is appropriate, we will record a credit or a charge to SG&A expense in the period in which we make such a determination.

Inventory Obsolescence and Product Warranty

We make ongoing estimates of potential future excess, close-out or slow moving inventory and product warranty costs. We identify our excess inventory, a component of which is planned, and evaluate our purchase commitments, sales forecasts, and historical experience, and make provisions as necessary to properly reflect inventory value at the lower of cost or estimated market value. When we evaluate our reserve for warranty costs, we consider our historical claim rates by season, product mix, current economic trends, and the historical cost to repair, replace, or refund the original sale. If we determine that a smaller or larger reserve is appropriate, we will record a credit or a charge to cost of sales in the period we make such a determination.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, we recognize income tax expense for the amount of taxes payable or refundable for the current year and for the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. We make assumptions, judgments and estimates to determine our current provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance to be recorded against a deferred tax asset. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly affect the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years could cause our current assumptions, judgments and estimates of recoverable net deferred taxes to be inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates, which could materially affect our financial position and results of operations.

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On a quarterly basis, we estimate what our effective tax rate will be for the full fiscal year and record an appropriate quarterly income tax provision, in accordance with the anticipated effective rate. As the calendar year progresses, we periodically refine our estimate based on actual events and earnings by jurisdiction during the year. This ongoing estimation process can result in changes to our expected effective tax rate for the full calendar year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that our year-to-date provision equals our expected annual effective tax rate.

Stock-Based Compensation

We account for stock-based compensation in accordance with Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment*. We estimate stock-based compensation cost at the grant date based on the award s fair-value and we recognize the cost as expense over the requisite service period using the straight-line attribution method. Our estimation of stock-based compensation for stock options granted, utilizing the Black-Scholes option-pricing model, requires various highly subjective assumptions, including volatility and expected option life. Further, as required under SFAS No. 123R, we now estimate forfeitures for stock-based awards granted, which are not expected to vest. If any of these inputs or assumptions changes significantly, our stock-based compensation expense may differ materially in the future from the expense recorded in the current period.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS No. 158). SFAS No. 158 requires a company to recognize an asset for a defined benefit pension or postretirement plan s overfunded status or a liability for a plan s underfunded status in its statement of financial position, and to recognize changes in that funded status through other comprehensive income in the year in which the changes occur. SFAS No. 158 will not change the amount of net periodic benefit expense recognized in a company s results of operations. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. We do not expect the adoption of this statement to have a material effect on our consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to increase consistency in how fair value determinations are made under various existing accounting standards that permit, or in some cases require, estimates of fair market value. SFAS No. 157 also expands financial statement disclosure requirements about a company s use of fair value measurements, including the effect of such measures on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the adoption of this statement to have a material effect on our consolidated financial position and results of operations.

In July 2006, the FASB issued Financial Accounting Standards Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109.* FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are evaluating the effect that the adoption of FIN 48 will have on our consolidated financial position and results of operations.

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Item 3 ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

There has not been any material change in the market risk disclosure contained in our Annual Report on Form 10-K for the year ended December 31, 2005.

Item 4 ***CONTROLS AND PROCEDURES***

Our management has evaluated, under the supervision and with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1A ***RISK FACTORS***

We May be Adversely Affected by Weather Conditions

Our business is adversely affected by unseasonable weather conditions. Sales of our outerwear and cold weather footwear are dependent in part on the weather and may decline in years in which weather conditions do not favor the use of these products. For example, in fall 2004, unseasonably warm weather in the United States caused customers to delay, and in some cases reduce or cancel, orders for our outerwear, which had an adverse effect on our net sales and profitability. Periods of unseasonably warm weather in the fall or winter or unseasonably cold or wet weather in the spring could have a material adverse effect on our results of operations and financial condition.

We May be Adversely Affected by an Economic Downturn or Economic Uncertainty

Sales of our products are subject to substantial cyclical fluctuation. Consumer demand for our products may not reach our growth targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets, particularly markets in North America and Europe. Weakness in the Japanese economy, for example, has limited growth opportunities in recent years, and a slower economy in the United States in 2002 and 2003 created additional uncertainties for our customers and our business. In addition, continued volatility in the global oil markets has resulted in rising fuel prices, which many shipping companies are passing on to their customers. Because we price our products to our customers in advance, we may not be able to pass these increased costs on to our customers. Rising oil prices and interest rates may also adversely affect consumer demand. Our sensitivity to economic cycles and any related fluctuation in consumer demand and rising shipping costs could have a material adverse effect on our results of operations and financial condition.

Our International Operations Involve Many Risks

We are subject to the risks generally associated with doing business abroad. These risks include foreign laws and regulations, foreign consumer preferences, political unrest, disruptions or delays in shipments and changes in economic conditions in countries in which we manufacture or sell products. In addition, disease outbreaks, terrorist acts and U.S. military operations have increased the risks of doing business abroad. These factors, among others, could affect our ability to sell products in international markets, our ability to manufacture products or procure materials, and our cost of doing business. If any of these or other factors make the conduct of business in a particular country undesirable or impractical, our business could be materially and adversely affected. In addition, many of our imported products are subject to duties, tariffs or quotas that affect the cost and quantity of various types of goods imported into the United States or into our other sales markets. For example, the European Commission recently imposed additional duties on certain leather footwear imported into Europe from Vietnam and China. These duties could significantly affect the sale of our footwear in Europe. Any country in which our products are produced or sold may eliminate, adjust or impose new quotas, duties, tariffs, antidumping penalties or other charges or restrictions, any of which could have a material adverse effect on our results of operations and financial condition.

We May be Adversely Affected by the Financial Health of Retailers

We extend credit to our customers based on an assessment of a customer s financial circumstances, generally without requiring collateral. To assist in the scheduling of production and the shipping of seasonal products, we offer customers discounts for placing pre-season orders and extended payment terms for taking delivery before the peak shipping season. These extended payment terms increase our exposure to the risk of uncollectible receivables. In addition, we face increased risk of order reduction or cancellation when dealing with financially ailing retailers or retailers struggling with economic uncertainty. Some of our significant customers have experienced financial difficulties in the past, which in turn have had an adverse effect on our business. A slowing economy in our key markets could have an adverse effect on the financial health of our customers, which could in turn have a material adverse effect on our results of operations and financial condition.

We Operate in Very Competitive Markets

The markets for outerwear, sportswear, rugged footwear, tents and sleeping bags are highly competitive, as are the markets for our licensed products. In each of our geographic markets, we face significant competition from global and regional branded apparel and footwear companies. In many instances, retailers who are our customers pose our most significant competitive threat by marketing apparel, footwear and equipment under their own labels. We also compete with other companies for the production capacity of independent manufacturers that produce our products and for import quota capacity. Many of our competitors are significantly larger

and have substantially greater financial, distribution, marketing and other resources and have achieved greater recognition for their products than we have. Increased competition could result in reductions in display areas in retail locations, reductions in sales, or reductions in our profit margins, any of which could have a material adverse effect on our results of operations and financial condition.

We May be Adversely Affected by Retailer Consolidation

When retailers combine their operations through mergers, acquisitions, or other transactions, their consolidated order volume may decrease while their bargaining power and the competitive threat they pose by marketing products under their own label may increase. Some of our significant customers have consolidated their operations in the past, which in turn has had a negative impact on our business. We expect retailer consolidation to continue, which could have a material adverse effect on our results of operations and financial condition.

We Face Risks Associated with Consumer Preferences and Fashion Trends

Changes in consumer preferences or consumer interest in outdoor activities could have a material adverse effect on our business. In addition, although we believe that our products have not been significantly affected by past fashion trends, changes in fashion trends could have a greater impact as we expand our offerings to include more product categories in more geographic areas. We also face risks because our business requires us to anticipate consumer preferences. Our decisions about product designs often are made far in advance of consumer acceptance. Although we try to manage our inventory risk through early order commitments by retailers, we must generally place production orders with manufacturers before we have received all of a season s orders, and orders may be cancelled by retailers before shipment. If we fail to anticipate accurately and respond to consumer preferences, we could experience lower sales, excess inventories and lower profit margins, any of which could have a material adverse effect on our results of operations and financial condition.

Our Success Depends on Our Use of Proprietary Rights

Our registered and common law trademarks have significant value and are important to our ability to create and sustain demand for our products. We also place significant value on our trade dress, the overall appearance and image of our products. From time to time, we discover products that are counterfeit reproductions of our products or design knock offs, or that otherwise infringe on our proprietary rights. Counterfeiting activities typically increase as brand recognition increases, especially in markets outside the United States. If we are unsuccessful in challenging a party s products on the basis of trademark or design infringement, continued sales of these products could adversely affect our sales and our brand and result in a shift of consumer preference away from our products. The actions we take to establish and protect trademarks and other proprietary rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as violations of proprietary rights. Additionally, in markets outside of the United States, it may be more difficult for us to establish our proprietary rights and to successfully challenge use of those rights by other parties. Actions or decisions in the management of our intellectual property portfolio may affect the strength of the brand, which may in turn have a material adverse effect on our results of operations and financial condition.

Although we have not been materially inhibited from selling products in connection with trademark and trade dress disputes, as we extend our brand into new product categories and new product lines and expand the geographic scope of our marketing, we could become subject to litigation based on allegations of the infringement of intellectual property rights of third parties. Future litigation also may be necessary to defend us against such claims or to enforce and protect our intellectual property rights. Any intellectual property litigation could be costly and could divert management s attention from the operation of our business. Adverse determinations in any litigation could result in the loss of our proprietary rights, subject us to significant liabilities or require us to seek licenses from third parties, which may not be available on commercially reasonable terms, if at all. This could have a material adverse effect on our results of operations and financial condition.

Our Success Depends on Our Distribution Facilities

Our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies depends on the proper operation of our existing distribution facilities, the development or expansion of additional distribution capabilities and the timely performance of services by third parties (including those involved in shipping product to and from our distribution facilities). In the United States, we rely primarily on our distribution centers in Portland, Oregon and Robards, Kentucky; in Canada, we rely primarily on our distribution center in Strathroy, Ontario; and in Europe we rely primarily on our distribution center in Cambrai, France.

The implementation and performance of our Kentucky distribution facility is subject to many risks generally associated with transition and startup activities, including the risk that the new distribution facility may not successfully handle distribution activities and the risk that the transition may be disruptive to our business. Our distribution facilities in the United States and France are highly automated, which means that their operations are complicated and may be subject to a number of risks related to computer viruses, the proper operation of software and hardware, electronic or power interruptions, or other system failures. In 2006 and 2007, we are upgrading our Portland distribution center and expanding our Cambrai facility. Risks associated with upgrading or expanding these facilities may significantly disrupt or increase the cost of our operations.

Our distribution facilities could also be interrupted by disasters, such as earthquakes (which are known to occur in the Northwestern United States) or fires. We maintain business interruption insurance, but it may not adequately protect us from the adverse effect that could be caused by significant disruptions in our distribution facilities.

Our Success Depends on Our Information Systems

Our business is increasingly reliant on information technology. Information systems are used in all stages of our production cycle, from design to distribution, and are used as a method of communication between employees, our subsidiaries overseas, as well as our customers. We also rely on our information systems to allocate resources and forecast operating results. System failures or service interruptions may occur as the result of a number of factors, including computer viruses, hacking or other unlawful activities by third parties, disasters, or failure to properly protect, repair or maintain systems. Any interruption of critical business information systems may have a material adverse affect on our results of operations and financial condition.

Our Success Depends on Our Growth Strategies

We face many challenges in implementing our growth strategies. For example, our expansion into international markets involves countries where we have little sales or distribution experience and where our brand is not yet widely known. Expanding our product categories involves, among other things, gaining experience with new products, gaining consumer acceptance, and establishing and protecting intellectual property rights. Increasing sales to department stores, and improving the sales productivity of our customers, will each depend on various factors, including strength of our brand name, competitive conditions, our ability to manage increased sales and future expansion, the availability of desirable locations and the negotiation of terms with retailers. Future terms with customers may be less favorable to us than those under which we now operate. Large retailers in particular increasingly seek to transfer various costs of business to their vendors, such as the cost of lost profits from product price markdowns.

To implement our business strategy, we must manage growth effectively. We need to continue to change various aspects of our business, to maintain and enhance our information systems and operations to respond to increased demand and to attract, retain and manage qualified personnel. Growth could place an increasing strain on management, financial, product design, marketing, distribution and other resources, and we could experience operating difficulties. For example, in recent years, we have undertaken a number of new initiatives that require significant management attention and corporate resources, including the development or expansion of distribution facilities on two continents, the acquisition, rejuvenation and expansion of the Sorel® and Pacific Trail brands, and the acquisition, integration and expansion of Mountain Hardwear, Inc. and Montrail, Inc. This growth involves many risks and uncertainties that, if not managed effectively, could have a material adverse effect on our results of operations and financial condition.

We May be Adversely Affected by Currency Exchange Rate Fluctuations

We generally purchase products in U.S. dollars. However, the cost of these products sourced overseas may be affected by changes in the value of the relevant currencies. Price increases caused by currency exchange rate fluctuations could make our products less competitive or have an adverse effect on our margins. Our international revenues and expenses generally are derived from sales and operations in foreign currencies, and these revenues and expenses could be materially affected by currency fluctuations, including amounts recorded in foreign currencies and translated into U.S. dollars for consolidated financial reporting. Currency exchange rate fluctuations could also disrupt the business of the independent manufacturers that produce our products by making their purchases of raw materials more expensive and more difficult to finance. Foreign currency fluctuations could have a material adverse effect on our results of operations and financial condition.

We May be Adversely Affected by Labor Disruptions

Our business depends on our ability to source and distribute products in a timely manner. Labor disputes at factories, shipping ports, transportation carriers, or distribution centers create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes, or other disruptions during our peak manufacturing and importing seasons, and could have a

material adverse effect on our business, potentially resulting in cancelled orders by customers, unanticipated inventory accumulation, and reduced revenues and earnings.

We Depend on Independent Manufacturers

Our products are produced by independent manufacturers worldwide. We do not operate or own any production facilities. Although we enter into a number of purchase order commitments each season, we do not have long-term contracts with some manufacturers. We therefore face risks that manufacturing operations will fail to perform as expected or that our competitors will gain production or quota capacities that we need for our business. If a manufacturer fails to ship orders in a timely manner or to meet our standards, we could miss delivery deadlines, which could result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect on our business.

Reliance on independent manufacturers also creates quality control risks. A failure in our quality control program could result in diminished product quality, which may have a material adverse affect on our results of operations and financial condition.

In an effort to ensure that our independent manufacturers operate with safe, ethical and humane working conditions, we regularly monitor factories and we enforce our requirements that each manufacturer agree to comply with our *Standards of Manufacturing Practices* and applicable laws and regulations, but we do not control these vendors or their labor practices. If a manufacturer violates labor or other laws, or engages in practices that are not generally accepted as ethical in our key markets, it could have a material adverse effect on our results of operations and financial condition.

We Depend on Key Suppliers

Some of the materials that we use may be available, in the short-term, from only one source or a very limited number of sources. For example, some specialty fabrics are manufactured to our specification by one source or a few sources. From time to time, we have experienced difficulty satisfying our raw material and finished goods requirements. Although we believe that we could identify and qualify additional factories to produce these materials, the unavailability of some existing manufacturers for supply of these materials could have a material adverse effect on our results of operations and financial condition.

Our Advance Purchases of Products May Result in Excess Inventories

To minimize our purchasing costs, the time necessary to fill customer orders and the risk of non-delivery, we place orders for our products with manufacturers prior to receiving all of our customers orders and maintain an inventory of various products that we anticipate will be in greater demand. We may not be able to sell the products we have ordered from manufacturers or that we have in our inventory. Customers are allowed to cancel an order prior to shipment with sufficient notice. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have a material adverse effect on our results of operations and financial condition.

We Depend on Key Personnel

Our future success will depend in part on the continued service of key personnel, particularly Timothy Boyle, our President and Chief Executive Officer, and Gertrude Boyle, our Chairman and widely recognized advertising spokesperson. Our future success will also depend on our ability to attract and retain key managers, designers, sales people and others. We face intense competition for these individuals worldwide, and there is a significant concentration of well-funded apparel and footwear competitors in and around Portland, Oregon (including NIKE, Inc. and adidas AG). We may not be able to attract or retain these employees, which could have a material adverse effect on our results of operations and financial condition.

Our Business Is Affected by Seasonality

Our results of operations have fluctuated and are likely to fluctuate significantly from period to period. Our products are marketed on a seasonal basis, with a product sales mix now weighted substantially toward the fall season. Our results of operations for the quarter ended September 30 in the past have been much stronger than the results for the other quarters. This seasonality, along with other factors that are beyond our control, including general economic conditions, changes in consumer preferences, weather conditions, availability of import quotas and currency exchange rate fluctuations, could adversely affect our business and cause our results of operations to fluctuate. Our operating margins are also sensitive to a number of factors that are beyond our control, including shifts in product sales mix, geographic sales trends, and currency exchange rate fluctuations, all of which we expect to continue as we expand our product offerings and geographic penetration. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

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We Face Risks of Product Liability and Warranty Claims

Our products are used in outdoor activities, sometimes in severe conditions. Although we have not experienced any significant expense as the result of product recalls or product liability claims, recalls or these types of claims could occur in the future and have a material adverse effect on our business. Some of our products carry limited warranties for defects in quality and workmanship. We maintain a warranty reserve for future warranty claims, but the actual costs of servicing future warranty claims could exceed the reserve and have a material adverse effect on our results of operations and financial condition.

Our Common Stock Price May Be Volatile

The price of our common stock has fluctuated substantially since our initial public offering. Our common stock is traded on the NASDAQ Global Market, which has experienced and is likely to continue to experience significant price and volume fluctuations that could adversely affect the market price of our common stock without regard to our operating performance. We also believe factors such as fluctuations in financial results, variances from financial market expectations, changes in earnings estimates by analysts, or announcements by us or competitors may cause the market price of the common stock to fluctuate, perhaps substantially.

Insiders Control a Majority of Our Common Stock and Could Sell Shares

Three shareholders Timothy Boyle, Gertrude Boyle and Sarah Bany beneficially own a majority of our common stock. As a result, if acting together, they can effectively control matters requiring shareholder approval without the cooperation of other shareholders. Shares held by these three insiders are available for resale, subject to the requirements of, and the rules under, the Securities Act of 1933. The sale or prospect of the sale of a substantial number of these shares could have an adverse effect on the market price of our common stock.

Item 2 ***UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS***

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2006 to July 30, 2006				$ 115,683,000
August 1, 2006 to August 31, 2006				115,683,000
September 1, 2006 to September 30, 2006				115,683,000
Total				$ 115,683,000

[1] Since the inception of our stock repurchase plan in April 2004, our Board of Directors has authorized the repurchase of $400,000,000 of our common stock and we have repurchased 6,015,342 shares under this program at an aggregate purchase price of approximately $284,317,000. The repurchase program does not obligate us to acquire any specific number of shares or to acquire shares over any specified period of time.

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Item 6 ***EXHIBITS***

(a) Exhibits

3.1	Third Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000)
3.2	2000 Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000)
4.1	See Article II of Exhibit 3.1 and Article I of Exhibit 3.2
31.1	Rule 13a-14(a) Certification of Timothy P. Boyle, President and Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Bryan L. Timm, Vice President and Chief Financial Officer
32.1	Section 1350 Certification of Timothy P. Boyle, President and Chief Executive Officer
32.2	Section 1350 Certification of Bryan L. Timm, Vice President and Chief Financial Officer

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLUMBIA SPORTSWEAR COMPANY

Date: November 7, 2006

/s/ BRYAN L. TIMM
Bryan L. Timm
Vice President and Chief Financial Officer