

CASCADE CORP
Form 10-K
April 05, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended January 31, 2010

OR

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

For the transition period from _____ to _____

Commission file number 1-12557

CASCADE CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: CASCADE CORP - Form 10-K

Oregon
(State or other jurisdiction of

93-0136592
(I.R.S. Employer Identification No.)

incorporation or organization)

2201 N.E. 201st Ave. Fairview, Oregon 97024-9718

(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: **503-669-6300**

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

Common Stock, par value \$.50 per share

Name of exchange on which registered: **New York Stock Exchange**

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock held by non-affiliates of the registrant as of July 31, 2009 was \$266,094,827, based on the closing sale price of the common stock on the New York Stock Exchange on that date.

The number of shares outstanding of the registrant's common stock as of March 9, 2010 was 10,885,426.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be filed within 120 days after the registrant's fiscal year end of January 31, 2010, to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held June 2, 2010 are incorporated by reference into Part III.

Table of Contents**TABLE OF CONTENTS**

<u>PART I</u>			4
	Item 1.	<u>Business</u>	4
		<u>General</u>	4
		<u>Products</u>	4
		<u>Markets</u>	4
		<u>Competition</u>	5
		<u>Customers</u>	6
		<u>Backlog</u>	6
		<u>Research and Development</u>	6
		<u>Environmental Matters</u>	6
		<u>Employees</u>	6
		<u>Construction Attachments</u>	6
		<u>Foreign Operations</u>	6
		<u>Available Information</u>	6
		<u>Officers of the Registrant</u>	7
	Item 1A.	<u>Risk Factors</u>	8
	Item 1B.	<u>Unresolved Staff Comments</u>	12
	Item 2.	<u>Properties</u>	13
	Item 3.	<u>Legal Proceedings</u>	13
	Item 4.	<u>Reserved</u>	13
<u>PART II</u>			14
	Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	14
	Item 6.	<u>Selected Financial Data</u>	16
	Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
	Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
	Item 8.	<u>Financial Statements and Supplementary Data</u>	39
	Item 9.	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	74
	Item 9A.	<u>Controls and Procedures</u>	74
	Item 9B.	<u>Other Information</u>	74
<u>PART III</u>			75
	Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	75
	Item 11.	<u>Executive Compensation</u>	75
	Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	75
	Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	76
	Item 14.	<u>Principal Accounting Fees and Services</u>	76
<u>PART IV</u>			77
	Item 15.	<u>Exhibits and Financial Statement Schedules</u>	77
<u>SIGNATURES</u>			78

NOTE: All references to fiscal years are defined as year ended January 31, 2010 (fiscal 2010), year ended January 31, 2009 (fiscal 2009) and year ended January 31, 2008 (fiscal 2008).

Table of Contents

Forward-looking Statements

This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any projections of revenue, gross profit, expenses, earnings or losses from operations, synergies or other financial items; any statements of plans, strategies, and objectives of management for future operations; any statements regarding future economic conditions or performance; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. The risks, uncertainties, and assumptions referred to above include, but are not limited to:

General business and economic conditions globally, in particular North America, Europe, Asia Pacific and China;

Effectiveness of our cost reduction initiatives and reorganization plans;

Competitive factors and the cyclical nature of the materials handling industry and lift truck orders;

Cost and availability of raw materials;

Risks and complexities associated with international operations;

Ability to comply with debt covenants;

Foreign currency fluctuations;

Environmental matters;

Impact of tax law changes;

Assumptions relating to pension and other postretirement costs;

Levels of construction activity;

Impact of acquisitions;

Fluctuations in interest rates.

Edgar Filing: CASCADE CORP - Form 10-K

We undertake no obligation to publicly revise or update forward-looking statements to reflect events or circumstances that arise after the date of this report. See Risk Factors (Item 1A) for additional information on risk factors with the potential to impact our business.

Table of Contents

PART I

Item 1. Business
General

Cascade Corporation (Cascade) was organized in 1943 under the laws of the state of Oregon. The terms Cascade, we, and our include Cascade Corporation and its subsidiaries. Our headquarters are located in Fairview, Oregon, a suburb of Portland, Oregon. We are one of the world's leading manufacturers of materials handling load engagement devices and related replacement parts, primarily for the lift truck industry and to a lesser extent the construction industry. We also manufacture attachments for the construction industry.

Products

We manufacture an extensive range of materials handling load engagement products that are widely used on lift trucks and, to a lesser extent, on construction and agricultural vehicles.

Our products are primarily manufactured and distributed under the Cascade name and symbol, for which we have secured trademark protection. The primary function of lift truck related products is to provide the lift truck with the capability of engaging, lifting, repositioning, carrying and depositing various types of loads and products. We offer a wide variety of functionally different products, each of which has numerous sizes, models, capacities and optional combinations. Lift truck related products are designed to handle loads with pallets and for specialized application loads without pallets. Examples of specialized products include devices specifically designed to handle loads such as appliances, carpet and paper rolls, baled materials, textiles, beverage containers, drums, canned goods, bricks, masonry blocks, lumber, plywood, and boxed, packaged and containerized products. Certain construction related products allow vehicles such as loaders, backhoes and rough terrain lift trucks to move materials in much the same manner as conventional lift trucks. Our other construction related products are used on excavators and loaders for both conventional and specialized ground engagement applications.

Our products are subject to strict design, construction and safety requirements established by industry associations and the International Organization for Standardization (ISO). Our major manufacturing facilities are ISO certified. Product specifications and characteristics are determined by the expected capacity to be lifted, the characteristics of the load, the environment in which employed, the terrain over which the load will be moved and the operational life cycle of the vehicle. Accordingly, while there are some standard products, the market demands a wide range of products in custom configurations and capacities.

The manufacturing of our products includes the purchase of raw materials and components: principally rolled bar, plate and extruded steel products; unfinished castings and forgings; hydraulic cylinders and motors; and hardware items such as fasteners, rollers, hydraulic seals and hose assemblies. Certain purchased parts are provided worldwide by a limited number of suppliers. Difficulties in obtaining alternative sources of rolled bar, plate and extruded steel products and other materials from a limited number of suppliers could affect operating results. We are not currently experiencing any shortages in obtaining raw materials, purchased parts, or other steel products.

Markets

We market our products throughout the world. Our primary customers are companies and industries that use lift trucks for materials handling. Examples of these industries include pulp and paper, grocery products, textiles, recycling and general consumer goods. Our products are sold to the end-user customer through the retail lift truck dealer distribution channel and to lift truck manufacturers as original equipment manufacturer (OEM) equipment.

In major industrialized countries, lift trucks are a widely utilized method of materials handling. In these markets lift trucks are generally considered maintenance capital investment. This tends to subject the industry in general to the cyclical patterns similar to the broader capital goods economic sector.

Table of Contents

However, many of our products measurably improve overall materials handling and lift truck productivity. Further, we are continually developing products to serve new types of materials handling applications to meet specific customer and industry requirements. In this sense, our products may also be generally considered a productivity enhancing investment. Historically, this has somewhat cushioned the negative impact of downward trends in the lift truck market on our net sales.

In emerging industrialized countries, China in particular, lift trucks are replacing manual labor and other less productive methods of materials handling. As such, lift trucks are generally considered productivity enhancing investments in these markets. We believe this makes the lift truck markets in these countries generally less susceptible to downward trends in overall capital goods spending.

See *Recent Trends and Developments Affecting Our Results* in *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Item 7) for further discussion on how the economic recession is affecting the markets we serve.

Competition

We are one of the leading global independent suppliers of load engagement products for industrial lift trucks. We compete with a number of companies in different parts of the world. Our primary competitor is Bolzoni Auramo, an Italian public company. Most of our remaining competitors are privately-owned companies with a strong presence in local and regional markets. A small number of these competitors compete with us globally.

In addition, several lift truck manufacturers, who are customers of ours, are also competitors in varying degrees to the extent they manufacture a portion of their load engagement product requirements. Since we offer a broad line of products capable of supplying a significant part of the total requirements for the entire lift truck industry, our experience has shown that lower costs resulting from our relatively high unit volume would be difficult for any individual lift truck manufacturer to achieve for most products. We design and position our products to be the performance and service leaders in their respective product categories and geographic markets.

Our market share and gross profit throughout the world vary by geographic region due to the different competitive environments we face in each of these regions. Fluctuations in gross profit within a geographic region over time are generally due to a change in the competitive environment, such as new competitors entering a market or existing entities merging or otherwise leaving the market. Additionally, cyclical variations in product demand directly affect margins as higher manufacturing volumes generally result in greater fixed cost absorption and increased gross profit.

A further discussion of the competition in each geographic region follows:

North America We are the leading manufacturer in North America and the preferred supplier of many OEMs as well as original equipment dealers (OEDs) and distributors. We compete in this region primarily with smaller regionally-based companies and a limited number of smaller foreign competitors. Our leading position is the result of our continued focus on providing high quality products and outstanding customer service.

Europe While we are also a leading manufacturer in Europe, we compete with Bolzoni Auramo and several privately-owned companies with a strong presence in local and regional markets. Price competition in this region has historically resulted in lower gross profit margins than in some other regions.

Asia Pacific This region includes operations in Japan, Australia, New Zealand, Korea, India and South Africa. The competitive environment varies somewhat from country to country, and competitors vary in size from smaller regionally-based private companies to some larger lift truck manufacturers. In general, we believe we have established a strong presence in the majority of markets in this region.

China We have operated in China for over 20 years and have established a strong presence in the lift truck market. As a result of the continued growth in China's economy and the expanded use of lift trucks for various industrial purposes, we are seeing an increase in the number of competitors in the Chinese market, including European based manufacturers.

Table of Contents

Customers

Our products are marketed and sold primarily to lift truck OEDs, OEMs and distributors globally. Our primary markets are North America, Europe, China and Asia Pacific. In addition to sales to the lift truck market, we do sell products to OEMs who manufacture construction, mining, agricultural and industrial vehicles other than lift trucks.

No single customer accounts for more than 10% of our consolidated net sales. Our sales to OEM customers account for approximately 42% of our consolidated net sales.

Backlog

Our products are manufactured with short lead times of generally less than one month. Accordingly, the level of backlog orders is not a significant factor in evaluating our overall level of business activity.

Research and Development

The majority of our research and development activities are performed at our corporate headquarters in Fairview, Oregon and at our manufacturing facility in Guelph, Ontario, Canada. Our engineering staff develops and designs substantially all of the products we sell and is continually involved in developing products for new applications. We generally do not consider patents to be important to our business.

Environmental Matters

From time to time, we are the subject of investigations, conferences, discussions and negotiations with various federal, state, local and foreign agencies with respect to cleanup of hazardous waste and compliance with environmental laws and regulations. Risk Factors (Item 1A), Notes to Consolidated Financial Statements (Item 8) and Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) contain additional information concerning our environmental matters.

Employees

At January 31, 2010, we had approximately 1,700 full-time employees throughout the world. The majority of these employees are not subject to collective bargaining agreements. We believe our relations with our employees are excellent.

Construction Attachments

We manufacture attachments for construction vehicles at two facilities on the West coast of the United States. The construction attachments are for medium and heavy duty construction vehicles used in a variety of construction markets, including infrastructure, demolition, recycling, forestry, utility and general construction. The prevailing levels of commercial, infrastructure and general construction activity have a significant influence on sales of these products. Housing construction has some overall influence. These products are sold through construction equipment dealers and major equipment manufacturers throughout the western United States. We have approximately 40 employees working to design, manufacture and market these products.

Foreign Operations

We have substantial operations outside the United States. There are additional business risks attendant to our foreign operations, including the risk that the relative value of the underlying local currencies may weaken when compared to the U.S. dollar. For further information about foreign operations, see Risk Factors (Item 1A), Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) and Notes to Consolidated Financial Statements (Item 8).

Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on or through our website at www.cascorp.com when such reports

Table of Contents

are available on the Securities and Exchange Commission (SEC) website www.sec.gov. Once filed with the SEC, such documents may be read and/or copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Officers of the Registrant

Robert C. Warren, Jr. Chief Executive Officer and President (1) Mr. Warren, 61, has served as President and Chief Executive Officer of Cascade since 1996. He was President and Chief Operating Officer from 1993 until 1996 and was formerly Vice President Marketing. Mr. Warren joined Cascade in 1972.

Richard S. Anderson Senior Vice President and Chief Operating Officer (1) Mr. Anderson, 62, has served as Chief Operating Officer since 2008. Mr. Anderson has been employed by Cascade since 1972 and held several positions including his appointments as Chief Financial Officer from 2001 to 2008, Vice President Material Handling Product Group in 1996 and Senior Vice President International in 1999.

Frank R. Altenhofen, Vice President Asia Pacific (1) Mr. Altenhofen, 48, was appointed Vice President Asia Pacific in June 2008 and was appointed Vice President, Americas in 2007. He started his career with Cascade in 1983 and held numerous manufacturing, marketing, and management positions including General Manager of Cascade's operations in China, until his departure in 2001. Mr. Altenhofen's experience from 2001 to 2007 includes four years as President of an international medical device company.

Peter D. Drake, Vice President Americas (1) Mr. Drake, 42, was appointed Vice President Americas in June 2008. He started his career with Cascade in 1991 and has held a number of management positions including serving as Plant Manager for Cascade's Portland facility since 2000.

Michael E. Kern, Vice President Construction Attachment Division (1) Mr. Kern, 63, has served as Vice President Construction Attachment Division since 2007. He has been employed by Cascade since 1966 and has held several positions, including his appointments as Vice President Sales and Marketing in 2003, as Vice President Director of Dealer Marketing and Sales in 2001 and Aftermarket Sales Manager in 1999.

Kevin B. Kreiter, Vice President Engineering and Marketing (1) Mr. Kreiter, 56, has served in his current position since 2007. He has been employed by Cascade since 1979 and has held several positions within the engineering group, including his appointment as Vice President Engineering in 2006.

Jeffrey K. Nickoloff, Vice President Corporate Manufacturing (1) Mr. Nickoloff, 54, has served in his current position since 2002. He has held several positions with Cascade, including his appointments as Director of North American Manufacturing in 2000 and Plant Manager in 1993. Mr. Nickoloff joined Cascade in 1979.

Joseph G. Pointer, Vice President and Chief Financial Officer (1) Mr. Pointer, 49, has served as Chief Financial Officer since 2008. He was the Vice President Finance from 2000 to 2008. Prior to joining Cascade in 2000, Mr. Pointer was a partner at PricewaterhouseCoopers LLP in Portland, Oregon.

Davide Roncari, Vice President Europe (1) Mr. Roncari, 37, was appointed Vice President Europe in June 2008. He has held a number of management positions in Cascade's European operations since 2003, including his most recent assignment as Director of Engineering Europe and Director of Production for the Verona, Italy manufacturing operations.

Susan Chazin-Wright, Vice President Human Resources (1) Susan Chazin-Wright, 57, was appointed as Vice President Human Resources in March 2008. Prior to joining Cascade, Ms. Wright served as Director of Human Resources at the Stanford Graduate School of Business and as Vice President of Corporate Services at Denso Corporation, a Toyota affiliate automotive component manufacturer.

John A. Cushing Treasurer Mr. Cushing, 49, has served as Treasurer since 2001. He previously was Assistant Treasurer from 1999 until 2001. Prior to joining Cascade in 1999, Mr. Cushing was Assistant Treasurer for Fred Meyer, Inc., a retail company in Portland, Oregon.

(1) These individuals are considered executive officers of Cascade Corporation.

Table of Contents

Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following are certain risks that we believe should be considered carefully in evaluating Cascade's business. Our business, financial condition, cash flows or results of operations could be materially adversely affected by any of these risks. The risks summarized below do not represent an exhaustive list, and additional risks not presently known to us or that we currently consider immaterial may also impair our business and operations.

Economic or industry downturns

Our business has historically experienced periodic cyclical downturns generally consistent with economic cycles in the markets in which we operate. The level of sales of our products reflects to a significant extent the capital investment decisions of the customers who buy our products and the lift trucks and other vehicles on which our products are used. These customers have had a tendency to delay capital projects, including the purchase of new equipment or upgrades, during industry or general economic downturns. Past downturns have been characterized by diminished product demand, excess manufacturing capacity and erosion of gross profit and net income. Therefore, a significant downturn in the markets of our customers, including lift truck manufacturers and to a lesser extent construction equipment manufacturers, or in general economic conditions, such as the recent global economic recession, will result in a reduction in demand for our products and negatively affect our business.

Fluctuations in raw material costs and availability

To manufacture our products we purchase a variety of raw materials and components. These consist principally of rolled bar, plate and extruded specialty steel products, unfinished castings and forgings, hydraulic cylinders and motors and various hardware items. The price of steel is particularly significant to our manufacturing costs since most of our products are manufactured using specialty steel as a primary raw material and specialty steel based components as purchased parts. As a result, we are exposed to increases in the market prices of raw materials and components. We may not be able to mitigate these increases by changing the selling prices of our products or through other means.

Significant cost decreases in raw materials and components could result in pressure from customers to lower our sales prices. Due to large quantities of raw material on hand at the end of the year, these lower sales prices could result in a write down of inventory costs to market value.

We may also experience shortages of raw materials and purchased parts, which in certain cases are provided by a limited number of suppliers. Shortages may require us to curtail production or to devote additional financial resources to maintaining inventories of raw materials and purchased parts in excess of our normal requirements.

Credit and Equity Markets

Our results of operations are materially affected by the conditions in the global economy. The recent global financial crisis has caused extreme volatility and disruptions in the capital and credit markets, principally in the U.S. and Europe. These conditions have decreased availability of liquidity and credit capacity for certain issuers and customers.

Although we generally generate funds from our operations to pay our operating expenses, fund our capital expenditures, pay dividends and fund our employee retirement benefit programs, our ability to continue to meet these cash requirements over the long-term will require substantial liquidity and access to sources of funds, including capital and credit markets. Changes in global economic conditions, including material cost increases and decreases in economic activity in many of the markets that we serve, and our success in managing cost increases, inventory and other important elements of our business may significantly impact our ability to generate funds from operations. Continuing market volatility, the impact of government intervention in financial markets and general economic conditions may also adversely impact our ability to access capital and credit markets to fund operating needs.

Table of Contents

Our line of credit agreement requires us to achieve certain financial and operating results and maintain compliance with specified financial ratios as outlined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Financial Condition and Liquidity. During fiscal 2010, we renegotiated the terms of our line of credit due to significant restructuring charges incurred in Europe that would have put us in violation of debt covenant ratios. Failure to comply with the updated terms of our line of credit agreement could result in a default allowing our lenders to declare all borrowings under the line of credit to be immediately due and payable. This would require us to obtain additional financing or renegotiate the terms of our line of credit agreement again. The terms under which we could obtain new or revised financing would likely be less favorable and require higher interest rates, significant fees and tighter restrictions and covenants.

Economic, political and other risks associated with international operations

Foreign operations represent a significant portion of our business. We expect revenue from foreign markets to continue to represent a significant portion of our total sales. As noted in Properties (Item 2), we own or lease facilities in several foreign countries throughout the world. Since we manufacture and sell our products worldwide, our business is subject to risks associated with doing business internationally. Accordingly, our future results could be harmed by a variety of factors, including:

Foreign currency exchange risks;

Difficulty in staffing and managing global operations;

Imposition of foreign exchange controls;

Changes in a specific country's or region's political or economic conditions, particularly in emerging markets such as China;

Seizure of our property or assets by a foreign government;

Tariffs, quotas, other trade protection measures and import or export licensing requirements;

Restrictions on our ability to own or operate or repatriate profits from our subsidiaries, make investments or acquire new businesses in foreign jurisdictions;

Potentially negative consequences from changes in tax laws;

Differing labor regulations;

Requirements relating to withholding taxes on remittances and other payments by subsidiaries;

Civil unrest or war in any of the countries in which we operate;

Edgar Filing: CASCADE CORP - Form 10-K

Unexpected transportation delays or interruptions;

Difficulty in enforcement of contractual obligations governed by non-U.S. law and complying with multiple and potentially conflicting laws; and

Unexpected changes in regulatory requirements.

Foreign currency fluctuations

Changes in economic or political conditions globally and in any of the countries in which we operate could result in exchange rate movements, new currency or exchange controls or other restrictions being imposed on our operations.

Because our combined financial results are reported in U.S. dollars, translation of sales or earnings generated in other currencies into U.S. dollars can result in a significant increase or decrease in the amount of those sales or earnings. In addition, our debt service requirements are primarily in U.S. dollars, even though a portion of our cash flow is generated in foreign currencies. Significant changes in the value of these foreign currencies relative to the U.S. dollar could have a material adverse effect on our financial condition.

Table of Contents

Fluctuations in currencies relative to currencies in which our earnings are generated make it more difficult to perform period-to-period comparisons of our reported results of operations. For purposes of accounting, the assets and liabilities of our foreign operations, where the local currency is the functional currency, are translated using period-end exchange rates, and the revenues, expenses and cash flows of our foreign operations are translated using average exchange rates during each period.

In addition to currency translation risks, we incur currency transaction risk whenever we enter into a purchase or a sales transaction using a currency other than the local currency of the transacting entity. Given the volatility of exchange rates, we cannot be assured we will be able to effectively manage our currency transaction and/or translation risks. We have purchased and may continue to purchase foreign currency hedging instruments protecting or offsetting positions in certain currencies to reduce the risk of adverse currency fluctuations. We only purchase these instruments to cover actual currency exposures. We have in the past experienced and expect to experience at times in the future an impact on earnings as a result of foreign currency exchange rate fluctuations.

Original equipment manufacturers sourcing practices

We sell approximately 42% of our products directly to OEMs, several of which are global manufacturers. The following actions taken by these OEMs could significantly affect our business:

Adjusting their inventories of finished products as part of ongoing operations.

Shifting from local or regional sourcing of products to lower cost global sourcing.

Altering the distribution channels of certain products by acquiring all or part of their dealer network or by exerting influence over their sale of replacement parts and attachments through their distribution channels.

Manufacturing their own attachments.

Competition

Our products do not depend upon proprietary technology to any significant degree, and therefore can be subject to intense competition. Competitive characteristics of our products include overall performance, ease of use, quality, safety, customer service and support, manufacturing lead times, global reach, brand reputation, breadth of product line and price. Our customers increasingly demand more technologically advanced and integrated products in certain cases and we must continue to develop our expertise and technical capabilities in order to manufacture and market these products successfully. To retain our competitive position, we will need to invest continuously in research and development and improve our manufacturing, marketing, customer service and support and our distribution networks.

Environmental compliance costs and liabilities

Our operations and properties are subject to stringent U.S. and foreign, federal, state and local laws and regulations relating to environmental protection. These laws and regulations govern the investigation and cleanup of contaminated properties as well as air emissions, water discharges, waste management and disposal and workplace health and safety. We can be held responsible under these laws and regulations whether or not the original actions were legal and whether or not we knew of, or were responsible for, the presence of such hazardous or toxic substances. We could be responsible for payment of the full amount of any liability, whether or not any other responsible party also is liable.

These laws and regulations affect a significant percentage of our operations, are different in every jurisdiction and can impose substantial fines and sanctions for violations. Further, they may require substantial clean-up costs for our properties, many of which are sites of long-standing manufacturing operations, and the installation of costly pollution control equipment or operational changes to limit pollution emissions and/or

Table of Contents

decrease the likelihood of accidental hazardous substance releases. We must conform our operations and properties to these laws and adapt to regulatory requirements in all jurisdictions as these requirements change.

We routinely deal with natural gas, oil and other petroleum products. As a result of our operations, we generate, manage and dispose of or recycle hazardous wastes and substances such as solvents, thinner, waste paint, waste oil, wash-down wastes and sandblast material. Hydrocarbons or other hazardous substances or wastes may have been disposed or released on, under or from properties owned, leased or operated by us or on, under or from other locations where such substances or wastes have been taken for disposal. These properties may be subject to investigatory, clean-up and monitoring requirements under U.S. and foreign, federal, state and local environmental laws and regulations.

In prior years, we entered into settlement agreements with various environmental insurance providers with respect to litigation of claims under insurance policies issued by the providers to recover expenses incurred in connection with environmental and related proceedings. As a part of these settlement agreements, we released all of our rights to any future recovery under these policies.

Loss of senior management

The success of our business is dependent on our ability to attract and retain qualified personnel. Several members of our senior management team have been with us for over 20 years, including our President and Chief Operating Officer, who have each been with us for over 35 years. We may lose the services of key management personnel or fail to attract and develop additional personnel.

Reliance on customers

Approximately 58% of our products are sold to the end-user customer through OEDs. Therefore, a significant portion of our sales is dependent on the quality and effectiveness of these dealers, who are not subject to our control. In addition, under current economic conditions customers may experience difficulty in obtaining credit to fund purchases of our products.

Underfunded benefit plans

Our obligations under our postretirement benefit plan and certain foreign subsidiaries' defined benefit pension plans are currently underfunded. At some time in the future we may have to make significant cash payments to fund these plans, which would reduce the cash available for our business.

As of January 31, 2010 our accumulated postretirement benefit obligation under our postretirement benefit plan, which is not funded, was \$7.9 million. As of January 31, 2010, our projected benefit obligations under our defined benefit pension plans exceed the fair value of assets by \$2 million. The underfunding in our defined benefit pension plans are impacted by fluctuations in the discount rate and financial markets that cause the valuation of assets to change. Also, the trustees of the UK defined benefit plan could decide to wind up the plan, which would cause us to be required to immediately fund the plan through a buyout of the obligation in full. We expect any required cash payments to our plans that are not fully funded will be made from future cash flows from operations. If our cash contributions are insufficient to adequately fund the plans to cover our future obligations, the performance of the pension plan assets do not meet our expectations or assumptions are modified, our contributions could be materially higher than we expect. This would reduce the cash available for our business. Changes in U.S. or foreign laws governing these plans could require us to make additional contributions and changes to generally accepted accounting principles in the United States could require the recording of additional costs related to these plans.

Impact of acquisitions

We have historically expanded our business through acquisitions and expect we will do so in the future if appropriate opportunities arise. If we are not successful in integrating acquisitions, we may not realize the

Table of Contents

operating results we anticipated at the time of acquisition. In addition, industry downturns in the markets the acquired companies serve and general economic conditions may adversely affect our financial results. Future acquisitions may require us to incur additional debt and contingent liabilities, which may materially and adversely affect our business, operating results, cash flows and financial condition. The acquisition and integration of businesses involve a number of risks, including:

Doing business in industries outside the lift truck material handling business;

Difficulties in matching the business culture of the acquired business with our culture;

Difficulties in the assimilation and retention of employees;

Difficulties in retaining customers and integrating customer bases;

Diversion of management's attention from existing operations due to the integration of acquired businesses;

Difficulties in integrating operations and systems; and

Assumption of unexpected liabilities.

Due to the decreased availability of, and the related high cost in accessing, liquidity and credit in this current volatile credit and capital market, we may, in a bid to conserve cash for operations, undertake acquisitions that would be financed in part through public offerings or private placements of debt or equity securities, or other arrangements. Such acquisition financing could result in a decrease of our ratio of earnings to fixed charges and adversely affect other leverage measures. We cannot guarantee any such acquisition financing would be available to us on acceptable terms if and when required. If we were to undertake an acquisition by issuing equity securities, the issued securities may have a dilutive effect on the interests of the holders of our common shares.

Item 1B. Unresolved Staff Comments

None.

Table of Contents**Item 2. Properties**

We own and lease various types of properties located throughout the world. Our corporate office is located in Fairview, Oregon. We generally consider the productive capacity of our manufacturing facilities to be adequate and suitable to meet our requirements. Our primary locations are presented below:

Location	Primary Activity	Approximate Square Footage	Status
NORTH AMERICA			
Springfield, Ohio	Manufacturing	200,000	Owned
Fairview, Oregon	Manufacturing/Headquarters	155,000	Owned
Guelph, Ontario Canada	Manufacturing	125,000	Owned
Toronto, Ontario Canada	Manufacturing	73,000	Leased
Woodinville, Washington	Manufacturing	68,000	Leased
Warner Robins, Georgia	Manufacturing	65,000	Owned
Findlay, Ohio	Manufacturing	52,000	Owned
San Juan Capistrano, California	Manufacturing	9,000	Leased
EUROPE			
Almere, The Netherlands*	Distribution	162,000	Owned
Schalksmuhle, Germany*	Distribution	81,000	Owned
Verona, Italy	Manufacturing	74,000	Leased
Manchester, England	Manufacturing	44,000	Owned
La Machine, France*	Vacant	37,000	Owned
Brescia, Italy	Manufacturing	19,000	Owned
Ancenis, France*	Distribution	12,000	Owned
Vaggeryd, Sweden	Sales	2,000	Leased
Epignay, France	Sales	2,000	Leased
Barcelona, Spain	Sales	1,000	Leased
Vantaa, Finland	Sales	500	Leased
ASIA PACIFIC			
Brisbane, Australia	Manufacturing	46,000	Leased
Osaka, Japan	Sales/Distribution	24,000	Owned
Inchon, Korea	Manufacturing	12,000	Owned
Auckland, New Zealand	Sales/Distribution	9,000	Leased
Johannesburg, South Africa	Sales	9,000	Leased
Pune, India	Sales	120	Leased
CHINA			
Xiamen, China	Manufacturing	189,000	Leased
Hebei, China	Manufacturing	88,000	Leased
Xiamen, China	Manufacturing	87,000	Leased
Hebei, China	Manufacturing	65,000	Leased

* Location is currently available for sale.

Item 3. Legal Proceedings

Neither Cascade nor any of our subsidiaries are involved in any material pending legal proceedings. We believe we are adequately insured against product liability, personal injury and property damage claims, which may occasionally arise.

Item 4. Reserved

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of March 9, 2010, there were 159 shareholders of record of Cascade's common stock including blocks of shares held by various depositories. It is our belief that when the shares held by the depositories are attributed to the beneficial owners, the total exceeds 2,000.

Performance Graph

The following graph compares the annual percentage change in the cumulative shareholder return on our common stock with the cumulative total return of the Russell 2000 Index and an industry group of peer companies, in each case assuming investment of \$100 on January 31, 2005, and reinvestment of dividends. The stock price performance shown in the graph below is not necessarily indicative of future stock price performance. Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, the stock performance graph shall not be incorporated by reference into any such filings and shall not otherwise be deemed filed under such acts.

The peer group comprises the following companies: Actuant Corporation, Alamo Group Inc., Ampco-Pittsburgh Corporation, Astec Industries, Inc., Columbus-McKinnon Corporation, Gulf Island Fabrication, Inc., IDEX Corporation, Lindsay Manufacturing Company and Nordson Corporation.

Table of Contents**Market Information**

The high and low sales prices of our common stock based on intra-day prices on the New York Stock Exchange for each quarter during the last two fiscal years were as follows:

	Year ended January 31			
	2010		2009	
	High	Low	High	Low
First quarter	\$ 26.38	\$ 12.81	\$ 54.87	\$ 39.70
Second quarter	31.91	15.11	51.05	39.01
Third quarter	28.83	22.85	53.76	27.65
Fourth quarter	32.26	21.36	36.16	20.60

Dividends

The cash dividends declared during each quarter of the last two fiscal years were as follows:

	Year ended January 31	
	2010	2009
First quarter	\$ 0.05	\$ 0.18
Second quarter	0.05	0.20
Third quarter	0.01	0.20
Fourth quarter	0.01	0.20
Total	\$ 0.12	\$ 0.78

Stock Exchange Listing and Transfer Agent

Cascade's stock is traded on the New York Stock Exchange under the symbol CASC.

Cascade's registrar and transfer agent is BNY Mellon Shareowner Services, P.O. Box 358015, Pittsburgh, P.A., 15252, (877) 268-3023.

Equity Compensation Plan Information

For information on our equity compensation plans, see Items 8 and 12 of this report.

Table of Contents**Item 6. Selected Financial Data**

The following selected financial data should be read in conjunction with our consolidated financial statements and accompanying notes contained in Item 8 of this Form 10-K.

	Year Ended January 31				
	2010	2009	2008	2007	2006
	(In thousands, except per share amounts and employees)				
Income statement data:					
Net sales	\$ 314,353	\$ 534,172	\$ 558,073	\$ 478,850	\$ 450,503
Operating income (loss)(1)	\$ (31,494)	\$ 11,477	\$ 95,613	\$ 68,351	\$ 63,894
Net income (loss)(2)	\$ (38,649)	\$ 1,267	\$ 60,147	\$ 45,481	\$ 42,051
Cash flow data:					
Cash flows from operating activities	\$ 45,413	\$ 41,086	\$ 53,326	\$ 57,109	\$ 50,425
Cash flows from investing activities	\$ (5,732)	\$ (16,134)	\$ (31,627)	\$ (33,582)	\$ (31,723)
Cash flows from financing activities	\$ (44,659)	\$ (20,382)	\$ (33,432)	\$ (22,153)	\$ (13,191)
Free cash flow(3)	\$ 39,479	\$ 24,377	\$ 30,518	\$ 39,031	\$ 39,845
Stock information:					
Basic earnings per share(2)	\$ (3.57)	\$ 0.12	\$ 5.08	\$ 3.64	\$ 3.40
Diluted earnings per share(2)	\$ (3.57)	\$ 0.11	\$ 4.88	\$ 3.48	\$ 3.27
Dividends declared	\$ 0.12	\$ 0.78	\$ 0.70	\$ 0.61	\$ 0.54
Balance sheet information:					
Cash and marketable securities	\$ 20,201	\$ 31,185	\$ 21,223	\$ 36,593	\$ 58,497
Working capital(4)	\$ 112,378	\$ 161,718	\$ 151,971	\$ 113,130	\$ 124,962
Property, plant and equipment, net	\$ 73,408	\$ 93,826	\$ 98,350	\$ 84,151	\$ 75,374
Total assets	\$ 341,931	\$ 397,583	\$ 462,500	\$ 397,432	\$ 361,283
Total debt	\$ 59,416	\$ 102,763	\$ 110,716	\$ 51,119	\$ 29,922
Shareholders' equity	\$ 215,762	\$ 236,967	\$ 268,025	\$ 271,636	\$ 259,406
Other:					
Capital expenditures	\$ 5,934	\$ 16,709	\$ 22,808	\$ 18,078	\$ 10,580
Depreciation	\$ 11,893	\$ 13,801	\$ 13,898	\$ 13,753	\$ 14,562
Amortization	\$ 403	\$ 2,519	\$ 3,214	\$ 1,472	\$ 1,443
Share-based compensation expense(5)	\$ 3,562	\$ 4,421	\$ 4,451	\$ 4,033	\$ 2,278
Interest expense, net of interest income	\$ 1,561	\$ 3,475	\$ 3,315	\$ 400	\$ 1,762
Diluted weighted average shares outstanding	10,816	11,077	12,333	13,071	12,850
Number of employees	1,700	2,100	2,400	2,100	1,900

- (1) Amount includes \$30,001 of restructuring costs in 2010, a \$46,376 asset impairment charge in 2009 and a \$15,977 insurance litigation recovery in 2008.
- (2) Amount includes an after-tax restructuring charge of \$29,519 (\$2.73 per diluted share) in 2010, an after-tax asset impairment charge in 2009 of \$31,576 (\$2.85 per diluted share) and an after-tax insurance litigation recovery in 2008 of \$10,026 (\$0.81 per diluted share).
- (3) A non-GAAP measure defined as cash flow from operating activities less capital expenditures. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information about free cash flow.
- (4) Defined as current assets less current liabilities.

Edgar Filing: CASCADE CORP - Form 10-K

(5) See Notes 2 and 13 to the Consolidated Financial Statements for additional information on share-based compensation.

Table of Contents

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

The following is a discussion and analysis of certain significant factors that have affected our financial condition as of January 31, 2010, and the results of operations and cash flows for the fiscal years ended January 31, 2010, 2009 and 2008. This information should be read in conjunction with our consolidated financial statements and notes thereto under Item 8, Financial Statements and Supplementary Data of this report.

OVERVIEW

Our businesses globally manufacture and distribute material handling load engagement products primarily for the lift truck industry and to a lesser extent the construction industry. We operate our business in four geographic segments: North America, Europe, Asia Pacific and China. A further discussion of the nature of our business is contained in Item 1, Business, of this report.

RECENT TRENDS AND DEVELOPMENTS AFFECTING OUR RESULTS

Global Economic Conditions

The financial and banking crisis that began in the third quarter of fiscal 2009 triggered a significant deterioration in global economic conditions, which included depressed demand for lift trucks and our products. Excluding the impact of foreign currencies, our consolidated net sales decreased 40% during fiscal 2010, while global lift truck shipments were down 42% compared to the prior year. During this very challenging global business environment, we initiated a major restructuring of our European operations and implemented a number of steps to control costs, while continuing to meet customer needs. We believe the steps we have taken will position us to emerge from this economic cycle a stronger company, enable us to take advantage of improved markets and increase our market share.

Towards the end of fiscal 2010, we started to see some more positive regional trends in the lift truck market which we believe could continue into 2011. Based on these trends, we believe the following:

North America North America has begun to recover, however it will be at a slow, gradual pace over the upcoming year.

Europe The decrease in European shipments has leveled off and will begin to see a gradual recovery during the next 18 months.

Asia Pacific The Asia Pacific market will experience slow growth during fiscal 2011.

China China will continue to grow at a rate that is comparable to the Chinese gross domestic product growth rate.

Europe Restructuring

During the past two fiscal years we have taken a number of steps to change the structure of our European business and improve operational efficiencies with the goal of achieving a sustainable level of operating income. These steps have included closing production facilities in Germany, The Netherlands and France, changes in management personnel, other workforce reductions within Europe and movement of certain production activities to Italy. We have incurred \$32.5 million of European restructuring costs over the past two years. We believe we have been able to continue to serve our customers needs during this transition period despite operational disruption due to the restructuring effort.

We will continue to review our existing production capacity and look for further opportunities to improve our European operations. At this time, however, we do not anticipate incurring any significant European restructuring costs during fiscal 2011 and believe that over the long-term our objective of sustained profitability in Europe will be met.

Table of Contents**COMPARISON OF FISCAL 2010 AND FISCAL 2009****Executive Summary**

	Year Ended January 31		Change	Change %
	2010	2009		
	(In thousands except per share amounts)			
Net sales	\$ 314,353	\$ 534,172	\$ (219,819)	(41)%
Operating income (loss)	\$ (31,494)	\$ 11,477	\$ (42,971)	(374)%
Income (loss) before taxes	\$ (33,498)	\$ 4,391	\$ (37,889)	(863)%
Provision for income taxes	\$ 5,151	\$ 3,124	\$ 2,027	65%
Effective tax rate	(15)%	71%		
Net income (loss)	\$ (38,649)	\$ 1,267	\$ (39,916)	
Diluted earnings (loss) per share	\$ (3.57)	\$ 0.11	\$ (3.68)	

The following is an overview of fiscal 2010. All percentage comparisons to the prior year exclude the impact of foreign currencies:

Consolidated net sales decreased 40% as a result of the general economic downturn and a weak lift truck market. Global lift truck shipments were down 42% compared to the prior year. We have found that lift truck industry statistics provide a strong indication of the direction of our business activity. However, changes in our net sales do not correspond directly to the percentage changes in lift truck shipments or orders.

Our consolidated gross profit percentage decreased from 28% to 23%, primarily as a result of operational costs associated with our European restructuring and unabsorbed fixed and variable costs due to lower sales volumes, particularly in Europe and North America.

We incurred restructuring costs of \$30 million, primarily related to shutting down production activities at our facilities located in France, Germany and The Netherlands.

We paid down outstanding debt by \$43.3 million during 2010 using cash flow from operations.

The income tax expense in fiscal 2010 is a result of taxes due in countries where we are generating income and taxes on foreign dividends related to the repatriation of cash to the U.S. We are currently unable to realize a tax benefit in several European countries where we have incurred losses.

During fiscal 2009, we recognized a \$46.4 million asset impairment charge for goodwill and intangible assets associated with our construction attachment business.

North America

Year Ended January 31

Change

Change %

Edgar Filing: CASCADE CORP - Form 10-K

	2010	%	2009	%		
	(In thousands)					
Net sales	\$ 154,654	91%	\$ 257,077	90%	\$ (102,423)	(40)%
Transfers between areas	15,086	9%	29,083	10%	(13,997)	(48)%
Net sales and transfers	169,740	100%	286,160	100%	(116,420)	(41)%
Cost of goods sold	120,933	71%	198,236	69%	(77,303)	(39)%
Gross profit	48,807	29%	87,924	31%	(39,117)	(44)%
Selling and administrative	39,802	24%	45,451	16%	(5,649)	(12)%
Environmental	1,255	1%			1,255	
Loss on disposition of assets, net	3		178		(175)	
Amortization	191		2,221	1%	(2,030)	(91)%
Asset impairment charge			46,376	16%	(46,376)	
Operating income (loss)	\$ 7,556	4%	\$ (6,302)	(2)%	\$ 13,858	220%

Table of Contents

Details of the change in net sales compared to the prior year are as follows (in thousands):

	Amount	Change %
Net sales change	\$ (101,744)	(40)%
Foreign currency change	(679)	
Total	\$ (102,423)	(40)%

The following summarizes financial results for North America for fiscal 2010. All percentage comparisons to the prior year exclude the impact of foreign currencies:

Net sales decreased 40% primarily due to lower sales volumes as a result of the general economic downturn and a weak lift truck market. Lift truck industry shipments decreased 43% compared to the prior year.

Shipments of product to other Cascade locations decreased 48% during fiscal 2010 due to lower global customer demand and efforts to reduce inventory.

Our gross profit percentage decreased in the current year due to significantly lower sales volumes which resulted in unabsorbed fixed and variable costs. This was offset by a favorable product mix during the current year and a reduction of overhead costs as a result of headcount reductions and other cost cutting measures. All of our facilities in North America operated at reduced work schedules during fiscal 2010.

Selling and administrative costs decreased 12% due to lower personnel and other general costs.

During fiscal 2010, we recorded a \$1.3 million environmental charge primarily related to our Springfield, Ohio location. This expense was the result of formalizing a revised remediation plan with the Ohio Environmental Protection Agency, which will require additional cleanup activities related to groundwater contamination.

During fiscal 2009, we recognized a \$46.4 million asset impairment charge for goodwill and intangible assets associated with our construction attachment business.

Europe

	Year Ended January 31				Change	Change %
	2010	%	2009	%		
	(In thousands)					
Net sales	\$ 81,068	96%	\$ 167,955	99%	\$ (86,887)	(52)%
Transfers between areas	3,648	4%	1,686	1%	1,962	116%
Net sales and transfers	84,716	100%	169,641	100%	(84,925)	(50)%
Cost of goods sold	90,021	106%	144,388	85%	(54,367)	(38)%

Edgar Filing: CASCADE CORP - Form 10-K

Gross profit (loss)	(5,305)	(6)%	25,253	15%	(30,558)	(121)%
Selling and administrative	19,424	23%	26,148	15%	(6,724)	(26)%
Loss on disposition of assets, net	59		108		(49)	(45)%
Amortization	212		298		(86)	(29)%
Restructuring costs	30,001	36%	2,544	2%	27,457	
Operating loss	\$ (55,001)	(65)%	\$ (3,845)	(2)%	\$ (51,156)	

Table of Contents

Details of the change in net sales compared to the prior year are as follows (in thousands):

	Amount	Change %
Net sales change	\$ (82,173)	(49)%
Foreign currency change	(4,714)	(3)%
Total	\$ (86,887)	(52)%

The following summarizes financial results for Europe for fiscal 2010. All percentage comparisons to the prior year exclude the impact of foreign currencies:

Net sales decreased 49% primarily due to lower sales volumes as a result of the general economic downturn and a weak lift truck market. Lift truck industry shipments decreased 58% during 2010 as the economic recession had a more significant impact on European economies.

Our gross profit percentage decreased due to costs associated with our European restructuring effort, including considerable operational disruption costs and inventory writeoffs. In addition, significantly lower sales volumes resulted in unabsorbed overhead costs, as all facilities operated under reduced work schedules during fiscal 2010.

Selling and administrative costs decreased 22% primarily due to lower personnel costs, as a result of headcount reductions made during our European restructuring activities. Marketing, selling and travel costs were also lower.

Restructuring costs of \$30 million were primarily a result of closing production activities at our facilities in Germany (\$10.9 million), The Netherlands (\$13.2 million) and France (\$5.3 million). These costs included severance costs of \$17.3 million, fixed asset write downs of \$9 million, costs for movement of equipment and facility shutdowns of \$2.6 million and other restructuring costs of \$1.1 million.

Asia Pacific

	Year Ended January 31				Change	Change %
	2010	%	2009	%		
	(In thousands)					
Net sales	\$ 44,102	100%	\$ 68,466	99%	\$ (24,364)	(36)%
Transfers between areas	147		355	1%	(208)	(59)%
Net sales and transfers	44,249	100%	68,821	100%	(24,572)	(36)%
Cost of goods sold	32,972	74%	52,458	76%	(19,486)	(37)%
Gross profit	11,277	26%	16,363	24%	(5,086)	(31)%
Selling and administrative	7,485	17%	9,040	13%	(1,555)	(17)%
Loss on disposition of assets, net	2		47		(45)	
Operating income	\$ 3,790	9%	\$ 7,276	11%	\$ (3,486)	(48)%

Edgar Filing: CASCADE CORP - Form 10-K

Details of the change in net sales compared to the prior year are as follows (in thousands):

	Amount	Change %
Net sales change	\$ (23,734)	(35)%
Foreign currency change	(630)	(1)%
Total	\$ (24,364)	(36)%

Edgar Filing: CASCADE CORP - Form 10-K

quarter of fiscal 2010. Overall the Chinese market recovered during the last three quarters.

Transfers to other Cascade locations decreased 55% due to lower customer demand in Europe and Asia Pacific and efforts to reduce inventory.

Our gross profit percentage increased due to changes in product mix and fewer intercompany transfers, which carry lower gross margins.

Selling and administrative costs decreased 12% due to lower personnel and other general costs.

Non-Operating Items

The following are financial highlights for non-operating items during fiscal 2010:

Interest expense decreased \$2.2 million during fiscal 2010 as a result of lower interest rates and our efforts to pay down debt. During fiscal 2010 we reduced our outstanding debt by 42% or \$43.3 million.

Table of Contents

Foreign currency losses decreased \$3.2 million during the current year as a result of more stable foreign currency rates and changes in our practices for managing foreign currencies put in place during the year.

The effective tax rate for fiscal 2010 was negative 15% compared to 71% for fiscal 2009. The current year income tax expense was a result of taxes due in countries where we are generating income and taxes on foreign dividends related to the repatriation of cash to the U.S. We are currently unable to realize a tax benefit in several European countries where we have incurred losses. During 2009, the high tax rate was attributable to a low level of net income as a result of impairments of intangible assets and goodwill that were not deductible for tax purposes.

Lift Truck Market Outlook

The uncertain duration of the current recession makes it very difficult to estimate the effect on the global lift truck market in the future. A summary of regional lift truck market trends can be found under Recent Trends and Developments Affecting Our Results.

Additional information on lift truck industry trends can be found at www.cascorp.com/investor/industrytrends. This website address is intended to provide an inactive, textual reference only. The information at this website is not part of this Form 10-K and is not incorporated by reference.

Fourth Quarter Results (2010/2009)

	Three Months Ended January 31				Change	Change %
	2010	%	2009	%		
	(In thousands)					
Net sales	\$ 80,572	100%	\$ 95,068	100%	\$ (14,496)	(15)%
Cost of goods sold	62,179	77%	72,122	76%	(9,943)	(14)%
Gross profit	18,393	23%	22,946	24%	(4,553)	(20)%
Selling and administrative expenses	17,836	22%	17,614	19%	222	1%
Environmental	1,255	2%			1,255	
Loss on disposition of assets	8		236		(228)	(97)%
Amortization	47		518		(471)	(91)%
Asset impairment charge			46,376	49%	(46,376)	
European restructuring costs	12,121	15%	806	1%	11,315	
Operating loss	(12,874)	(16)%	(42,604)	(45)%	29,730	(70)%
Interest expense, net	421	1%	399		22	6%
Foreign currency losses, net	159		1,239	2%	(1,080)	(87)%
Loss before taxes	(13,454)	(17)%	(44,242)	(47)%	30,788	(70)%
Provision for (benefit from) taxes	976	1%	(13,741)	(15)%	14,717	(107)%
Net loss	\$ (14,430)	(18)%	\$ (30,501)	(32)%	\$ 16,071	(53)%
Diluted loss per share	\$ (1.33)		\$ (2.82)			
Operating income (loss) by region:						
North America	\$ 1,403		\$ (41,827)		\$ 43,230	(103)%
Europe	(18,750)		(3,439)		(15,311)	(445)%
Asia Pacific	701		1,065		(364)	(34)%
China	3,772		1,597		2,175	136%
	\$ (12,874)		\$ (42,604)		\$ 29,730	(70)%

Table of Contents

The following summarizes the financial results from the fourth quarter of fiscal 2010. All percentage comparisons to the prior year exclude the impact of foreign currencies:

Consolidated net sales decreased 19% as a result of the general economic downturn and a weak lift truck market. Global lift truck shipments were down 25% compared to the prior year.

Our consolidated gross profit percentage decreased primarily as a result of operational costs associated with our European restructuring, including considerable operational disruption costs and inventory writeoffs. This decrease was offset by a favorable product mix in the current year and a reduction of overhead costs as a result of headcount reductions and other cost cutting measures implemented during fiscal 2010.

We incurred restructuring costs of \$12.1 million, primarily related to shutting down production at our fork facility in Hagen, Germany.

Selling and administrative expenses decreased 4%, due to lower personnel and other general costs.

During fiscal 2010, we recorded a \$1.3 million environmental charge primarily related to our Springfield, Ohio location. This expense was the result of formalizing a revised remediation plan with the Ohio Environmental Protection Agency, which will require additional cleanup activities related to groundwater contamination.

During the fourth quarter of fiscal 2009, we recognized a \$46.4 million asset impairment charge for goodwill and intangible assets associated with our construction attachment business.

The income tax expense in fiscal 2010 is a result of taxes due in countries where we are generating income and taxes on foreign dividends related to the repatriation of cash to the U.S. We are currently unable to realize a tax benefit in several European countries where we have incurred losses.

COMPARISON OF FISCAL 2009 AND FISCAL 2008**Executive Summary**

	Year Ended January 31		Change	Change %
	2009	2008		
	(In thousands except per share amounts)			
Net sales	\$ 534,172	\$ 558,073	\$ (23,901)	(4)%
Operating income	\$ 11,477	\$ 95,613	\$ (84,136)	(88)%
Net income	\$ 1,267	\$ 60,147	\$ (58,880)	(98)%
Diluted earnings per share	\$ 0.11	\$ 4.88	\$ (4.77)	(98)%

The following is an overview of fiscal 2009. All percentage comparisons to the prior year exclude the impact of foreign currencies:

During fiscal 2009 net sales were down 6%. Global lift truck shipments were flat compared to fiscal 2008.

During fiscal 2009, gross profit percentages decreased in all geographic regions as a result of lower sales volumes and material price increases. Our consolidated gross profit percentage decreased to 28% in fiscal 2009 from 31% in fiscal 2008.

During the fourth quarter of fiscal 2009 we recognized a \$46.4 million asset impairment charge for goodwill and intangible assets associated with our construction attachment business, which decreased net income \$31.6 million.

During the first quarter of fiscal 2008 we settled an insurance litigation matter which accounted for a \$16 million increase to operating income and a \$10 million increase to net income.

Table of Contents**North America**

	Year Ended January 31				Change	Change %
	2009	%	2008	%		
	(In thousands)					
Net sales	\$ 257,077	90%	\$ 286,832	90%	\$ (29,755)	(10)%
Transfers between areas	29,083	10%	33,118	10%	(4,035)	(12)%
Net sales and transfers	286,160	100%	319,950	100%	(33,790)	(11)%
Cost of goods sold	198,236	69%	210,118	66%	(11,882)	(6)%
Gross profit	87,924	31%	109,832	34%	(21,908)	(20)%
Selling and administrative	45,451	16%	51,020	16%	(5,569)	(11)%
Loss (gain) on disposition of assets, net	178		(1,135)	(1)%	1,313	
Amortization	2,221	1%	2,482	1%	(261)	(11)%
Insurance litigation recovery, net			(15,977)	(5)%	15,977	
Asset impairment	46,376	16%			46,376	
Operating income (loss)	\$ (6,302)	(2)%	\$ 73,442	23%	\$ (79,744)	(109)%

Details of the change in net sales compared to fiscal 2008 are as follows (in thousands):

	Amount	Change %
Net sales change	\$ (29,354)	(10)%
Foreign currency change	(401)	(0)%
Total	\$ (29,755)	(10)%

The following summarizes financial results for North America for fiscal 2009. All percentage comparisons to fiscal 2008 exclude the impact of foreign currencies:

Net sales decreased 10% during fiscal 2009 primarily as a result of lower sales volumes due to the general economic downturn, which worsened during the fourth quarter, but was partially offset by sales price increases. North America lift truck industry shipments decreased 12% from 2008 to 2009.

Transfers to other Cascade geographic areas decreased 12% during fiscal 2009 due to lower global customer demand.

Our gross profit percentage decreased 3% during fiscal 2009 due to higher material costs, changes in product mix, lower production volumes, new product introduction costs and other cost increases, which were partially offset by sales price increases. Our gross profit percentage was consistent each quarter during fiscal 2009.

Selling and administrative costs decreased 11% during fiscal 2009 due to a reduction in personnel and consulting costs combined with significant discretionary spending reductions in other areas.

Edgar Filing: CASCADE CORP - Form 10-K

During the fourth quarter of fiscal 2009, we recognized a \$46.4 million asset impairment charge for goodwill and intangible assets associated with our construction attachment business. See Critical Accounting Policies and Estimates for further discussion related to the asset impairment charge.

During fiscal 2008, we realized a \$1.1 million pre-tax gain on the sale of land in Fairview, Oregon.

During fiscal 2008, we entered into a settlement agreement with Employers Reinsurance Corporation with respect to litigation to recover various expenses incurred in connection with environmental and related proceedings. The recovery from this settlement was \$16 million, net of expenses.

Table of Contents**Europe**

	Year Ended January 31				Change	Change %
	2009	%	2008	%		
	(In thousands)					
Net sales	\$ 167,955	99%	\$ 171,435	99%	\$ (3,480)	(2)%
Transfers between areas	1,686	1%	1,497	1%	189	13%
Net sales and transfers	169,641	100%	172,932	100%	(3,291)	(2)%
Cost of goods sold	144,388	85%	145,288	84%	(900)	(1)%
Gross profit	25,253	15%	27,644	16%	(2,391)	(9)%
Selling and administrative	26,148	15%	26,201	15%	(53)	
Loss on disposition of assets, net	108				108	
Amortization	298		732	1%	(434)	(59)%
European restructuring costs	2,544	2%			2,544	
Operating income (loss)	\$ (3,845)	(2)%	\$ 711	0%	\$ (4,556)	(641)%

Details of the change in net sales compared to fiscal 2008 are as follows (in thousands):

	Amount	Change %
Net sales change	\$ (8,249)	(5)%
Foreign currency change	4,769	3%
Total	\$ (3,480)	(2)%

The following summarizes financial results for Europe for fiscal 2009. All percentage comparisons to fiscal 2008 exclude the impact of foreign currencies:

During fiscal 2009 net sales decreased 5%, primarily as a result of weakening economic conditions in the fourth quarter. Although lift truck industry shipments for the year increased 1%, European lift truck shipments for the fourth quarter 2009 were down 27%.

Our fiscal 2009 gross profit percentage decreased 1%, primarily due to increased material costs, which have been mitigated in part by sales price increases and more efficient manufacturing as a result of cost reductions.

Selling and administrative expenses decreased 4%, due to lower personnel, selling, and other general costs.

During fiscal 2009, we incurred \$2.5 million in restructuring costs, primarily severance and legal costs, related to optimization of operations at our facilities in Almere, The Netherlands and Hagen, Germany.

Asia Pacific

Edgar Filing: CASCADE CORP - Form 10-K

	Year Ended January 31				Change	Change %
	2009	%	2008	%		
	(In thousands)					
Net sales	\$ 68,466	99%	\$ 59,776	100%	\$ 8,690	15%
Transfers between areas	355	1%	179		176	98%
Net sales and transfers	68,821	100%	59,955	100%	8,866	15%
Cost of goods sold	52,458	76%	44,892	75%	7,566	17%
Gross profit	16,363	24%	15,063	25%	1,300	9%
Selling and administrative	9,040	13%	8,297	14%	743	9%
Loss (gain) on disposition of assets, net	47		(34)		81	
Operating income	\$ 7,276	11%	\$ 6,800	11%	\$ 476	7%

Table of Contents

Details of the change in net sales compared to fiscal 2008 are as follows (in thousands):

	Amount	Change %
Net sales change	\$ 8,180	14%
Foreign currency change	510	1%
Total	\$ 8,690	15%

The following summarizes the financial results for Asia Pacific for fiscal 2009. All percentage comparisons to fiscal 2008 exclude the impact of foreign currencies:

Net sales increased 14% due to higher shipping volumes as a result of strong business activity in the region. Lift truck industry shipments for the year increased 3%. However, Asia Pacific lift truck shipments for the fourth quarter 2009 were down 20%.

Our gross profit percentage in Asia Pacific decreased 1% due to material cost increases and fluctuations in foreign currency rates.

Selling and administrative costs increased 6% due to higher personnel, marketing and other general expenses. However, as a percentage of net sales and transfers, selling and administrative costs decreased from 14% in fiscal 2008 to 13% in fiscal 2009.

China

	Year Ended January 31				Change	Change %
	2009	%	2008	%		
	(In thousands)					
Net sales	\$ 40,674	64%	\$ 40,030	70%	\$ 644	2%
Transfers between areas	23,219	36%	17,410	30%	5,809	33%
Net sales and transfers	63,893	100%	57,440	100%	6,453	11%
Cost of goods sold	44,885	70%	38,805	68%	6,080	16%
Gross profit	19,008	30%	18,635	32%	373	2%
Selling and administrative	4,590	8%	3,927	6%	663	17%
Loss on disposition of assets, net	70		48		22	
Operating income	\$ 14,348	22%	\$ 14,660	26%	\$ (312)	(2)%

Details of the change in net sales compared to fiscal 2008 are as follows (in thousands):

	Amount	Change %
Net sales change	\$ (2,764)	(7)%
Foreign currency change	3,408	9%

Edgar Filing: CASCADE CORP - Form 10-K

Total	\$ 644	2%
-------	--------	----

The following summarizes the financial results for China for fiscal 2009. All percentage comparisons to fiscal 2008 exclude the impact of foreign currencies:

During fiscal 2009 net sales decreased 7% due to a general slowdown in the Chinese economy during the fourth quarter, which included a decline in the lift truck industry. Lift truck industry shipments for the year decreased 4%. China lift truck shipments for the fourth quarter 2009 were down 45%.

Transfers to other Cascade geographic areas increased during fiscal 2009 due to the export of products to Europe and Asia Pacific.

The fiscal 2009 gross profit percentage decreased 2% due to material cost increases, changes in product mix and higher intercompany transfers, which carry lower gross margins. Price increases implemented during fiscal 2009 helped to mitigate these factors to some extent.

Selling and administrative costs increased 7% during fiscal 2009 due to marketing, consulting and other general costs.

Table of Contents**Non-Operating Items**

The following are financial highlights for non-operating items during fiscal 2009:

Interest expense, net of interest income, remained relatively constant during fiscal 2009.

Foreign currency losses increased \$2.2 million during fiscal 2009. This is a result of significant changes in the Euro, British Pound, Korean Won, Canadian Dollar and Australian Dollar.

The following table represents the percentage change from January 31, 2008 to January 31, 2009 in our most significant foreign currency rates.

Currency	Change %
Korean Won	(32)%
Australian Dollar	(29)%
British Pound	(27)%
Canadian Dollar	(18)%
Euro	(14)%
Chinese Yuan	5%

The effective tax rate for fiscal 2009 was 71% compared to 34% in fiscal 2008. The increase is primarily attributable to a low level of net income for fiscal 2009 as a result of impairments of intangible assets and goodwill that are not deductible for tax purposes, offset in part by benefits from foreign tax credits.

CASH FLOWS**Free Cash Flow**

Free cash flow, a non-GAAP measure, is defined as cash flow from operating activities less capital expenditures. Free cash flow is considered a liquidity measure and provides useful information to management and investors about the amount of cash generated after capital expenditures, which can then be used for strategic opportunities including, among others, investing in our business, making strategic acquisitions and strengthening our balance sheet. A limitation of free cash flow is that it does not represent the total increase or decrease in the cash balance for the period.

In addition, management refers to these financial measures to facilitate internal and external comparisons to our historical operating results, in making operating decisions, for budget planning purposes, and to form the basis upon which management is compensated. These measures should be considered in addition to, not as a substitute for, or superior to, gross profit, income from operations, cash flow from operating activities, or other measures of financial performance prepared in accordance with generally accepted accounting principles. The following table presents a summary of our free cash flow:

	2010	2009	Year Ended January 31		
			2008	2007	2006
	(In thousands)				
Cash flow from operating activities	\$ 45,413	\$ 41,086	\$ 53,326	\$ 57,109	\$ 50,425
Capital expenditures	(5,934)	(16,709)	(22,808)	(18,078)	(10,580)
Free cash flow	\$ 39,479	\$ 24,377	\$ 30,518	\$ 39,031	\$ 39,845

Statements of Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the three years ended January 31, 2010 by classifying transactions into three major categories of activities: operating, investing and financing.

Table of Contents

Our overall balance of cash and cash equivalents was \$20 million at January 31, 2010 including a balance of \$12 million in China. Legal restrictions and tax consequences in certain jurisdictions can limit our ability to repatriate cash to the United States. Certain transactions could result in negative tax consequences.

The following table presents net changes in cash and cash equivalents for the three years ended January 31, 2010.

	Year Ended January 31		
	2010	2009	2008
	(In thousands)		
Operating activities	\$ 45,413	\$ 41,086	\$ 53,326
Investing activities	(5,732)	(16,134)	(31,627)
Financing activities	(44,659)	(20,382)	(33,432)
Effect of exchange rate changes	(6,006)	5,392	(3,637)
Net change in cash	\$ (10,984)	\$ 9,962	\$ (15,370)

Operating

Our primary source of liquidity is cash generated from operating activities which is measured as net income or loss adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and share-based compensation.

The following are operating activity highlights for fiscal 2010:

Net cash provided by operating activities increased from \$41.1 million in fiscal 2009 to \$45.4 million in fiscal 2010.

The net loss in fiscal 2010 was a result of significantly lower sales volumes, lower gross margins and restructuring charges.

Inventories decreased \$34.1 million during fiscal 2010 compared to an increase of \$16 million in fiscal 2009. During fiscal 2010, we limited purchases of materials, focused on lowering inventory quantities and wrote off inventory as a result of our European restructuring plan.

During fiscal 2010, accounts receivable decreased \$18.2 million compared to a decrease of \$21.4 million in fiscal 2009. The decrease in accounts receivable during fiscal 2010 is primarily a result of lower sales.

The following are operating activity highlights for fiscal 2009:

Net cash provided by operating activities decreased \$12.3 million during fiscal 2009 compared to fiscal 2008.

Lower net income in fiscal 2009, as a result of lower sales and gross profit along with the insurance settlement recognized in fiscal 2008, were the primary reasons for the decrease.

Edgar Filing: CASCADE CORP - Form 10-K

During fiscal 2009, accounts receivable decreased \$21.4 million compared to an increase of \$9.8 million during fiscal 2008. The decrease in fiscal 2009 is primarily due to lower sales.

Inventories increased during fiscal 2009 by \$16 million, compared with \$19.5 million in fiscal 2008. Overall our inventory in fiscal 2009 has continued to increase primarily as a result of increasing material costs, additional inventories of product produced in China and additional material purchases made in advance of price increases.

During fiscal 2009, accounts payable decreased \$13.8 million compared to an increase of \$3.7 million in fiscal 2008. The decrease in fiscal 2009 is due to decreased product demand and the elimination of most advance purchases of inventory.

Table of Contents**Investing**

During the three years ended January 31, 2010, our investing activities consisted primarily of capital expenditures and business acquisitions.

Capital expenditures are primarily for equipment and tooling related to product improvements, more efficient production methods and replacement for normal wear and tear. Capital expenditures by geographic segment were as follows (in thousands):

	Year Ended January 31		
	2010	2009	2008
	(In thousands)		
North America	\$ 1,878	\$ 6,646	\$ 7,986
Europe	2,678	4,415	4,439
Asia Pacific	581	2,796	5,302
China	797	2,852	5,081
	\$ 5,934	\$ 16,709	\$ 22,808

The following are capital expenditures highlights during the three years ended January 31, 2010:

Overall capital expenditures decreased \$10.8 million during fiscal 2010 as we limited spending to only critical projects. Capital expenditures in Europe during fiscal 2010 were needed to reallocate production capacity in Europe.

During fiscal 2009 we completed renovations on our sales/distribution facility in Korea at a cost of \$827,000.

During fiscal 2008 we purchased a new sales/distribution facility in Japan for \$4.2 million. Additional expenditures of \$1.6 million were made during fiscal 2009. We moved to our new facility during fiscal 2009.

Capital expenditures in China in fiscal 2008 related primarily to the completion of two manufacturing facilities. Capital expenditures in China in fiscal 2009 related to equipment upgrades and completion of a building to manufacture construction attachments. We completed the following acquisitions during the three years ended January 31, 2010:

During fiscal 2008, we purchased American Compaction Equipment, Inc, a manufacturer of construction attachments located in San Juan Capistrano, California. The total purchase price was approximately \$11.5 million, net of assumed liabilities.

Financing

The following were major financing activities during the three years ended January 31, 2010:

Net borrowings against our line of credit were \$53 million, \$96 million and \$104 million as of January 31, 2010, 2009, and 2008 respectively. The decrease in our line of credit borrowing in fiscal 2010 is a result of our focus to pay down debt with available cash.

Edgar Filing: CASCADE CORP - Form 10-K

We declared dividends of \$0.12, \$0.78 and \$0.70 per share in fiscal 2010, 2009, and 2008, respectively. The reduction in dividends in fiscal 2010 is due to our focus to pay down outstanding debt to maintain compliance with debt covenants.

The issuance of common stock related to the exercise of share-based awards generated \$130,000 and \$3.8 million of cash in fiscal 2009 and 2008, respectively. We did not receive any cash from the exercise of share-based awards during fiscal 2010.

Table of Contents

FINANCIAL CONDITION AND LIQUIDITY

The following are highlights regarding our financial condition and liquidity for fiscal 2010:

Our working capital, defined as current assets less current liabilities, decreased from \$161.7 million at January 31, 2009 to \$112.4 million at January 31, 2010. Our current ratio decreased from 4.7 to 1 at January 31, 2009 to 3.3 to 1 at January 31, 2010. The decreases are primarily due to using cash, generated by the reduction of accounts receivable and inventory, to pay down long-term debt.

Total outstanding debt, including notes payable to banks, decreased from \$102.8 million at January 31, 2009 to \$59.4 million at January 31, 2010. We utilized cash from operations to pay down long-term debt.

In July 2009, we entered into an amendment of our loan agreement with Bank of America and Union Bank. The loan amendment, which in addition to modifying the debt covenant ratios themselves, allowed us to exclude cash restructuring costs and lowered the maintenance capital asset expenditures deducted when calculating the ratios, provided us with flexibility to pursue our European restructuring activities without violating our loan covenants.

The following are the major changes made with the loan agreement amendment:

Decreased the aggregate amount that may be borrowed under the loan agreement from \$144 million to \$115 million, but provides that the amount may be increased up to \$145 million, subject to the agreement of the lenders.

Granted the lenders a security interest in substantially all of our assets.

Increased the interest rate on the loan to rates ranging from 1.5% to 3.0% over LIBOR depending on our consolidated leverage ratio.

Modified certain loan covenants, including the consolidated leverage ratio and consolidated fixed charge coverage ratio, which we are required to maintain.

The following are details on our two debt covenant ratios, which are calculated quarterly, based on actual results from the previous twelve months:

Fixed charge coverage ratio requires earnings before interest, taxes, depreciation, amortization and other non-cash charges (EBITDA), reduced for cash taxes paid, \$8 million of maintenance capital expenditures and cash dividends, to be 1.15 times interest charges paid in cash plus required principal payments for the rolling four fiscal quarters through January 31, 2010, be 1.25 times from January 31, 2010 to July 30, 2010 and 1.5 times from July 30, 2010 onward. The actual fixed charge coverage ratio at January 31, 2010 was 2.71.

Leverage ratio requires outstanding debt and letters of credit to be less than 4.0 times EBITDA through April 29, 2010, less than 3.5 times EBITDA from April 30, 2010 through July 30, 2010 and less than 3.0 times EBITDA from July 31, 2010 onward. The actual leverage ratio at January 31, 2010 was 3.09.

We were in compliance with our debt covenants at January 31, 2010.

As of January 31, 2010, outstanding borrowings under this line of credit totaled \$52.5 million and an additional \$1.7 million was used to issue letters of credit. The maximum amount that may be borrowed under this line of credit at January 31, 2010, based on our leverage ratio was \$79.1 million, thus resulting in available borrowings of \$24.9 million. No principal payments are required until December 2011. The interest rate on

Edgar Filing: CASCADE CORP - Form 10-K

the line of credit, which was based on LIBOR plus a margin of 2.5% at January 31, 2010 was 2.8%.

We have various notes payable to banks, totaling \$2.9 million at January 31, 2010. Average interest rates on these notes were 5.7% at January 31, 2010 and 2.6% at January 31, 2009.

We believe our cash and cash equivalents, existing credit facilities and cash flows from operations will be sufficient to satisfy our expected working capital, capital expenditure and debt requirements for the next twelve

Table of Contents

months. We would pursue other options in the event additional liquidity is needed due to a prolonged downturn in our industry. We expect that any outstanding borrowing under our line of credit at the date of maturity will be refinanced.

OTHER MATTERS

Defined Benefit Pension Plans

We maintain defined benefit pension plans in England and France covering certain present and former employees. We calculate the liability and net periodic pension costs related to our defined benefit plans on an annual basis. The following are highlights of these defined benefit pension plans:

Our projected benefit obligation for defined benefit pension plans was \$8.7 million at January 31, 2010 compared to \$6.2 million as of January 31, 2009. The increase is the result of a lower discount rate at January 31, 2010.

The unfunded pension liability, net of plan assets, was \$2 million and \$1 million as of January 31, 2010 and 2009, respectively. The change is a result of increased obligations, partially offset by an increase in the value of plan assets.

The allocation of assets in our pension plan in England at January 31, 2010 is comprised of equities (48%), debt (44%), cash (3%) and real estate (5%). Equity includes domestic and international equity securities, such as common, preferred or other capital stock, as well as mutual funds. Debt includes domestic and international debt securities, such as U.S. and other foreign government securities, corporate bonds and commercial paper.

Our expected cash contribution to fund the pension plan in England in fiscal 2011 is \$352,000.

Postretirement Health Care Plan

We maintain a postretirement health care benefit plan in the United States that provides health care coverage for approximately 150 eligible retirees and qualifying dependents. Another 100 current employees, all over 55 years of age, will be eligible to participate upon retirement. No additional employees will be eligible to participate in the plan. We calculate the liability and net periodic cost related to this health care plan on an annual basis. The following are highlights of the postretirement plan:

The postretirement plan is currently unfunded with an accumulated postretirement benefit obligation of \$7.9 and \$7.1 million at January 31, 2010 and 2009, respectively.

Due to the continued trend of increasing health care costs, the overall cost of the plan may continue to rise in future years. We will continue to investigate various options to mitigate future cost increases.

We currently fund this plan on a pay-as-you-go basis. Annual cash contributions represent gross benefit payments less required retiree contributions and the medicare subsidy. Our expected cash contribution in fiscal 2011 is \$436,000.

Environmental Matters

We are engaged in ongoing environmental remediation efforts at our Fairview, Oregon and Springfield, Ohio manufacturing facilities. Current estimates provide for some level of remediation activities at both facilities through 2019. Costs of certain remediation activities at the Fairview facility are shared with The Boeing Company, with Cascade paying 70% of actual remediation costs. The following are highlights of

environmental matters:

During fiscal 2010 we recorded a \$1.3 million environmental charge primarily related to our Springfield, Ohio location. This expense is a result of formalizing a revised remediation plan with the Ohio Environmental Protection Agency, which will require additional cleanup activities related to groundwater contamination.

Table of Contents

The environmental liability is \$5.1 million and \$4.6 million as of January 31, 2010 and 2009, respectively. The liability increase was primarily a result of the Springfield accrual less payments made during fiscal 2010 for activities at both the Fairview and Springfield sites.

We expect our cash payments for environmental matters during fiscal 2011 to be approximately \$1 million.

Contractual Obligations and Commitments

The following summarizes our contractual obligations and commitments as of January 31, 2010:

	Total	Payment due by fiscal year			After 2015
		2011	2012 - 2013	2014 - 2015	
			(In thousands)		
Notes payable to banks	\$ 2,927	\$ 2,927	\$	\$	\$
Long-term debt	56,489	499	53,498	998	1,494
Estimated interest payments(1)	3,184	1,642	1,391	96	55
Operating leases	6,094	2,655	2,324	1,115	
Environmental payments	5,126	965	1,825	1,038	1,298
Defined benefit pension obligations(2)	8,710	670	1,179	1,220	5,641
Postretirement benefit obligation(3)	7,871	436	947	1,107	5,381
Total(4)	\$ 90,401	\$ 9,794	\$ 61,164	\$ 5,574	\$ 13,869

- (1) Interest payments on the line of credit are calculated using an interest rate of 2.8% and an outstanding debt balance as of January 31, 2010 through the maturity date. Interest payments on the note payable in Japan are calculated using an interest rate of 2.39% and assumes monthly principal payments through fiscal 2018. Interest payments on notes payable to banks are calculated using an average interest rate of 5.69% at January 31, 2010.
- (2) Represents committed and current minimum funding requirements for all plans. The total payments due in the future may vary from these estimates based on actual returns on plan assets, changes in assumptions, plan modifications and actuarial gains and losses.
- (3) Payments represent gross benefit payments less required retiree contributions and the Medicare subsidy. The total payments due in the future may vary from these estimates based on changes in assumptions, plan modifications and actuarial gains and losses.
- (4) Liabilities for uncertain tax positions have been omitted as amounts are immaterial.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. We evaluate our estimates and judgments on an on-going basis, including those related to uncollectible receivables, inventories, impairment of goodwill, warranty obligations, environmental liabilities, benefit plans, share-based compensation and deferred taxes. We base our estimates on our historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies reflect our more significant judgments and estimates in the preparation of our consolidated financial statements.

Table of Contents

Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses on accounts receivable resulting from the inability of customers to make required payments. Such allowances are based on an ongoing review of customer payments against terms and a review of customer financial statements and financial information. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory Reserves

Inventories are stated at the lower of cost or market. We maintain reserves to write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value, less costs to sell, based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write downs may be required, which would result in cost of goods sold in the consolidated statements of income being greater than expected in the period in which more information becomes available.

Impairment of Long-Lived Assets

Long-lived assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the assets and eventual disposition in comparison with the carrying value. An estimate of future sales, gross margins and selling and administrative expenses are used to calculate future cash flows. The fair value of each asset is calculated using a cash flow methodology based on these assumptions. An impairment of a long-lived asset exists when the carrying value of an asset exceeds its fair value.

During fiscal 2010 we recorded \$9 million of fixed asset write downs related to our European restructuring activities. See [Impairment of Goodwill](#) below for details relating to our goodwill and intangible asset impairment charge recorded during fiscal 2009.

Impairment of Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value of the net identifiable assets acquired. Goodwill is allocated based on the acquisition cost of a component within a reporting unit. Once allocated to a reporting unit, we do not make any adjustments to the manner in which that goodwill is allocated.

We review goodwill for impairment either annually or when events or changes in circumstances indicate the carrying value of the assets might exceed their current fair values. Certain factors we consider important that could trigger an impairment review at an interim date outside of the annual review, include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or our overall business and significant industry or economic trends.

Our goodwill impairment assessment is performed at the reporting unit level. We define our reporting units as either operating segments or components, which are one level below an operating segment. Components of an operating segment are businesses where financial information is available and regularly reviewed by our management. Where appropriate, we aggregated components that have similar economic characteristics into a single reporting unit.

We define our operating segments to be North America, Europe, Asia Pacific and China and define our reporting units for purposes of our goodwill impairment assessment to be North America Non-Construction, North America Construction, Europe and Australia. There is no goodwill in China or in the other components comprising our Asia Pacific operating segment, therefore these are not included as reporting units in our goodwill impairment assessment.

Table of Contents

The chart below outlines the relationship between our operating segments and goodwill reporting units:

Business	Operating Segment	Goodwill Reporting Unit
North America	X	
Non-Construction		X
Construction		X
Europe	X	X
Asia Pacific	X	
Australia		X
Other		N/A
China	X	N/A

N/A location does not have recorded goodwill.

Our impairment review is a two-step process. The first step compares the fair value of a reporting unit with its carrying amount. If the fair value is greater than the carrying amount, there is no goodwill impairment and the second step in the impairment review is not performed. If the carrying amount of the reporting unit is greater than the fair value, the second step of the impairment test is necessary. The second step compares the implied fair value with the carrying value of the reporting unit's goodwill. If the reporting unit's goodwill carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. However, the impairment loss can not exceed the carrying amount of the goodwill.

The first step of our goodwill impairment review utilizes a discounted projected cash flow model that uses estimates of future sales, sales growth rates, gross profits, expense and capital expenditure levels, a discount rate and estimated terminal values to determine the reporting unit fair value. We use a weighted average cost of capital (WACC), which is the expected rate of return based on an industry specific debt and equity capital structure and cost of debt, adjusted for geographic and company size specific factors, to discount future cash flows. The WACC can vary by reporting unit. WACC used in our impairment test at January 31, 2010 ranged from 13.3% to 16.5%.

After completing step one of our goodwill impairment review, as of January 31, 2010, we concluded that all reporting units with goodwill pass step one. As such, step two was not necessary.

Changes in certain economic and market factors could trigger an impairment review at an interim date outside of the annual review. If actual results are not consistent with our goodwill impairment review assumptions and judgments, we could be exposed to a material impairment charge on a portion or all of the \$84.1 million of goodwill recorded on our consolidated balance sheet at January 31, 2010.

During fiscal 2009, we determined that the carrying value of goodwill and long-lived assets in our North American construction business exceeded the estimated fair value, resulting in a \$46.4 million impairment charge. All of the goodwill related to our construction business was written off. The components of the impairment charge include the following (in thousands):

Goodwill	\$ 29,157
Customer relationships	13,269
Intellectual property	3,950
	\$ 46,376

Warranty Obligations

We offer certain warranties with the sale of our products, which generally range from six months to one year. The warranty obligation is recorded as a liability on the balance sheet and is estimated through historical customer claims, product failure rates, material usage and service

delivery costs incurred in correcting a product failure. Changes in these factors and statutory requirements for product warranties in markets in which we sell our products may require an adjustment to the recorded warranty obligations.

Table of Contents***Environmental Liabilities***

We accrue environmental remediation and litigation costs if it is probable a liability has been incurred at the financial statement date and the amount can be reasonably estimated. Our liability for environmental costs, other than for costs of assessments themselves, are generally determined after the completion of investigations and studies and are based on the estimated cost of remediation activities we are then required to undertake. The gross liability is based on our best estimate of undiscounted future costs using currently available technology and applying current regulations, as well as our own historical experience regarding environmental cleanup costs. The reliability and precision of the estimates are affected by numerous factors, such as site evaluation and reevaluation of the degree of remediation required, claims by third parties and changes to environmental laws and regulations. We adjust our liabilities as new remediation requirements are defined, as information becomes available permitting reasonable estimates to be made and to reflect new facts.

Benefit Plans

We make a number of assumptions with regard to both future financial conditions and future actions by plan participants to calculate on an actuarial basis the amount of income or expense and assets and liabilities recognized in association with our defined benefit and postretirement benefit plans. These assumptions include the expected return on plan assets, discount rates, expected increases in compensation levels, health care cost trend rates and expected rates of retirement and life expectancy for plan participants. We review the assumptions on an annual basis and make changes to reflect market conditions and the administration of the plans. While we believe the current assumptions are appropriate in the circumstances, actual results and changes in these assumptions in the future will result in adjustments that could impact the income or expense recognized in future years in relation to these plans.

The assumed rate of return on plan assets for our defined benefit plans is evaluated on an annual basis. We select the assumed rate of return based on information considering historical returns, our current and target asset allocation and the expected returns by asset class. We believe this assumption is reasonable given the asset composition and long-term historic trends. Our discount rate reflects the rate at which the pension benefits could be effectively settled. We decreased our discount rate assumption to determine the January 31, 2010 liability to 5.5% from 7.0% at January 31, 2009 due to market decreases in interest rates during the year. Our most significant defined benefit plan is in England so interest rates on high-quality corporate bonds in that market have more influence on the overall discount rate.

Our discount rate, used to determine the liability for our postretirement plan, decreased to 5.75% at January 31, 2010 from the discount rate of 6.5% at January 31, 2009. We determine our discount rate using a yield curve expected benefit payment methodology. This methodology uses individual curve rates to discount each future year's expected plan benefit payments. We select our health care cost trend rates based on recent plan experience and expectations about future increases in plan costs. We assume health care costs in fiscal 2010 will increase by 8.0% and future increases will decline by 0.5% per year until 4.5% is reached in 2017. The following presents the sensitivity of the key postretirement plan assumptions (in thousands):

	Increase
The following presents the sensitivity of a 1% decrease in the discount rate:	
Effect on net periodic benefit cost	\$ 128
Effect on postretirement benefit obligation	\$ 889
The following presents the sensitivity of a 1% increase in the health care cost trend:	
Effect on net periodic benefit cost	\$ 230
Effect on postretirement benefit obligation	\$ 944

Table of Contents***Share-based Compensation***

We account for share-based compensation, for which we receive employee services in exchange for our equity instruments, using a fair value method. Share-based compensation cost is measured at the grant date based on the value of the award and is recognized as a corporate headquarters expense in North America over the service period the award is expected to vest. Determining the fair value of share-based awards at the grant date requires judgment, including estimating the expected term of stock awards, the expected volatility of our common stock and expected dividends. In addition, judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. We consider many factors when estimating expected forfeitures, including types of awards, award recipient class and historical experience. Significant changes in the assumptions for future awards and actual forfeiture rates could materially impact share-based compensation expense and our results of operations. Subsequent changes in forfeiture rates will be recorded as a cumulative adjustment in the period estimates are revised. See Note 13 to the Consolidated Financial Statements (Item 8) for further discussion of our share-based awards and the related accounting treatment.

Deferred Taxes

Our provision for income taxes and the determination of the resulting deferred tax assets and liabilities involves a significant amount of management judgment. We are subject to taxation from federal, state and international jurisdictions. The taxes paid to these jurisdictions are subject to audit, although to date the results of any tax audits have been minor.

Judgment is also applied in determining whether deferred tax assets will be realized in full or in part. We record a valuation allowance to reduce our deferred tax assets when it is more likely than not that all or some portion of specific deferred tax assets, such as foreign tax credit carryovers or net operating loss carryforwards, will not be realized. We have recorded on our consolidated balance sheets a valuation allowance against various deferred tax assets. We consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged against income in the period such determination was made. Likewise, should we determine that we would be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made. We continually evaluate strategies that could allow for the future utilization of our deferred tax assets.

OFF BALANCE SHEET ARRANGEMENTS

At January 31, 2010 and 2009, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity market or credit risk that could arise if we had engaged in such relationships.

RECENT ACCOUNTING PRONOUNCEMENTS

Business combinations and noncontrolling interests in consolidated financial statements In December 2007, the Financial Accounting Standards Board (FASB) issued accounting guidance on business combinations and noncontrolling interests in consolidated financial statements. The guidance on business combinations requires the acquiring entity in a business combination to recognize the assets acquired and liabilities assumed. Further, it also changes the accounting for acquired in-process research and development assets, contingent consideration, partial acquisitions and transaction costs. Under the guidance on noncontrolling interests, all entities are required to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. In addition, transactions between an entity and noncontrolling interests will be treated as equity transactions. We adopted this new guidance on February 1, 2009. The adoption of this guidance did not have any impact on our financial statements.

Table of Contents

Disclosures about derivative instruments and hedging activities In March 2008, the FASB issued accounting guidance on disclosures about derivative instruments and hedging activities. This guidance expands disclosures for derivative instruments by requiring entities to disclose the fair value of derivative instruments and their gains or losses in tabular format. It also requires disclosure of information about credit risk-related contingent features in derivative agreements, counterparty credit risk, and strategies and objectives for using derivative instruments. We adopted this new guidance on February 1, 2009. The adoption of this guidance did not have any impact on our financial statements.

Classification of share based payment instruments as participating securities In June 2008, the FASB issued accounting guidance which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The provisions of this guidance were adopted on February 1, 2009 and did not have a material impact on our financial statements.

Subsequent events In May 2009, the FASB issued accounting guidance on subsequent events that establishes standards of accounting for and disclosure of subsequent events. In addition, it requires disclosure of the date through which an entity has evaluated subsequent events and the nature of any nonrecognized subsequent events. This new guidance was adopted for our financial statements for the quarter ended July 31, 2009. The adoption of this guidance did not have an impact on our financial statements.

Accounting standards codification In June 2009, the FASB issued guidance on a single source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) to be applied by nongovernmental entities. While not intended to change U.S. GAAP, the codification significantly changed the way in which the accounting literature is referenced and organized. All existing accounting standards were superseded by the codification, and all other accounting guidance not included in the codification will be considered non-authoritative. We adopted this new guidance for our financial statements for the quarter ended October 31, 2009. The adoption of this guidance did not have an impact on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rate and interest rate fluctuations. A significant portion of our net sales are denominated in currencies from international markets outside the United States. As a result, our operating results could become subject to significant fluctuations based upon changes in the exchange rates of the foreign currencies in relation to the United States dollar.

The table below illustrates the hypothetical increase or decrease in fiscal 2010 net sales of a 10% change in the U.S. dollar against foreign currencies which impact our operations (in millions):

Euro	\$ 6.5
Chinese Yuan	3.5
Japanese Yen	1.7
Australian Dollar	1.5
British Pound	1.4
Canadian Dollar	1.4
Other currencies (representing 4% of consolidated net sales)	1.4

We enter into foreign currency forward exchange contracts to offset the impact of currency fluctuations on certain nonfunctional currency assets and liabilities. The principal currencies hedged are denominated in Japanese Yen, Canadian Dollars, Euros, Swedish Krona, Korean Won, Chinese Yuan and British Pounds. Our foreign currency forward exchange contracts have terms lasting up to six months, but generally less than one month. We do not enter into derivatives or other financial instruments for trading or speculative purposes. See Note 18 to the Consolidated Financial Statements (Item 8).

Table of Contents

A majority of our products are manufactured using specialty steel. As such, our cost of goods sold is sensitive to fluctuations in specialty steel prices, either directly through the purchase of raw materials or indirectly through the purchase of components. However, due to the nature of specialty steel, we are not impacted by changes in commodity steel prices to the extent others might be.

Presuming that the full impact of steel price increases is reflected in all steel and steel based component purchases, we estimate our gross profit percentage would decrease by approximately 0.4% for each 1.0% increase in steel prices. Based on our statement of income for the year ended January 31, 2010, a 1.0% increase in steel prices would have decreased consolidated gross profit by approximately \$1.2 million.

The majority of our debt as of January 31, 2010 has a variable interest rate, which is currently based on LIBOR plus a margin of 2.5%. Based on the outstanding balance of our variable rate debt of \$52.5 million at January 31, 2010, a 1% increase in our interest rate would result in a \$525,000 increase in annual interest expense.

Table of Contents

Item 8. Financial Statements and Supplementary Data
Report of Independent Registered Public Accounting Firm

To Board of Directors and Shareholders of Cascade Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Cascade Corporation and its subsidiaries at January 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the appendix appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

PricewaterhouseCoopers LLP

Portland, Oregon

April 5, 2010

Table of Contents**Cascade Corporation****Consolidated Statements of Operations**

	Year Ended January 31		
	2010	2009	2008
	(In thousands,		
	except per share amounts)		
Net sales	\$ 314,353	\$ 534,172	\$ 558,073
Cost of goods sold	243,283	385,624	386,899
Gross profit	71,070	148,548	171,174
Selling and administrative expenses	70,807	85,229	89,445
Environmental	1,255		
Loss (gain) on disposition of assets, net	98	403	(1,121)
Amortization	403	2,519	3,214
Asset impairment charge		46,376	
European restructuring costs	30,001	2,544	
Insurance litigation recovery, net			(15,977)
Operating income (loss)	(31,494)	11,477	95,613
Interest expense	1,889	4,083	4,094
Interest income	(328)	(608)	(779)
Foreign currency losses, net	443	3,611	1,460
Income (loss) before provision for income taxes	(33,498)	4,391	90,838
Provision for income taxes	5,151	3,124	30,691
Net income (loss)	\$ (38,649)	\$ 1,267	\$ 60,147
Basic earnings (loss) per share	\$ (3.57)	\$ 0.12	\$ 5.08
Diluted earnings (loss) per share	\$ (3.57)	\$ 0.11	\$ 4.88
Basic weighted average shares outstanding	10,816	10,794	11,841
Diluted weighted average shares outstanding	10,816	11,077	12,333

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**Cascade Corporation****Consolidated Balance Sheets**

	As of January 31	
	2010	2009
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,201	\$ 31,185
Accounts receivable, less allowance for doubtful accounts of \$1,328 and \$1,441	50,910	64,568
Inventories	63,466	90,806
Deferred income taxes	4,230	4,712
Assets available for sale	9,125	
Prepaid expenses and other	12,334	13,603
Total current assets	160,266	204,874
Property, plant and equipment, net	73,408	93,826
Goodwill	84,122	74,387
Deferred income taxes	21,022	21,347
Intangible assets, net	763	1,151
Other assets	2,350	1,998
Total assets	\$ 341,931	\$ 397,583
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	\$ 2,927	\$ 2,255
Current portion of long-term debt	499	501
Accounts payable	20,542	19,704
Accrued payroll and payroll taxes	7,683	7,992
Accrued restructuring costs	5,260	699
Other accrued expenses	10,977	12,005
Total current liabilities	47,888	43,156
Long-term debt, net of current portion	55,990	100,007
Accrued environmental expenses	4,161	3,748
Deferred income taxes	4,839	2,337
Employee benefit obligations	9,120	7,413
Other liabilities	4,171	3,955
Total liabilities	126,169	160,616
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, \$.50 par value, 40,000 authorized shares; 10,885 and 10,852 shares issued and outstanding	5,443	5,426
Additional paid-in capital	7,119	3,574
Retained earnings	179,747	219,700
Accumulated other comprehensive income	23,453	8,267
Total shareholders' equity	215,762	236,967

Edgar Filing: CASCADE CORP - Form 10-K

Total liabilities and shareholders' equity	\$ 341,931	\$ 397,583
--	------------	------------

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

Cascade Corporation

Consolidated Statements of Changes in Shareholders' Equity

(In thousands, except per share amounts)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Annual Comprehensive Income (Loss)
	Shares	Amount	Additional Paid-In Capital			
Balance at January 31, 2007	12,070	\$ 6,035	\$	\$ 253,307	\$ 12,294	
Net income				60,147		\$ 60,147
Dividends (\$.70 per share)				(8,243)		
Common stock issued	430	215	3,628			
Tax effect from share-based compensation awards			3,070			
Common stock repurchase	(1,660)	(830)	(11,149)	(78,279)		
Share-based compensation			4,451			
Translation adjustment					22,817	22,817
Minimum pension/postretirement liability adjustment, net of tax effect of (\$304)					562	562
Balance at January 31, 2008	10,840	5,420		226,932	35,673	\$ 83,526
Net income				1,267		\$ 1,267
Dividends (\$.78 per share)				(8,460)		
Common stock issued	30	15	115			
Tax effect from share-based compensation awards			(61)			
Common stock repurchase	(18)	(9)	(901)			
Share-based compensation			4,421			
Translation adjustment					(28,550)	(28,550)
Minimum pension/postretirement liability adjustment, net of tax effect of (\$319)				(39)	1,144	1,144
Balance at January 31, 2009	10,852	5,426	3,574	219,700	8,267	\$ (26,139)
Net loss				(38,649)		\$ (38,649)
Dividends (\$.12 per share)				(1,304)		
Common stock issued	33	17	(17)			
Share-based compensation			3,562			
Translation adjustment					16,470	16,470
Minimum pension/postretirement liability adjustment, net of tax effect of \$359					(1,284)	(1,284)
Balance at January 31, 2010	10,885	\$ 5,443	\$ 7,119	\$ 179,747	\$ 23,453	\$ (23,463)

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**Cascade Corporation****Consolidated Statements of Cash Flows**

	Year Ended January 31		
	2010	2009	2008
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	\$ (38,649)	\$ 1,267	\$ 60,147
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Fixed asset write off due to restructuring	9,004		
Loss on asset impairment		46,376	
Depreciation	11,893	13,801	13,898
Amortization	403	2,519	3,214
Share-based compensation	3,562	4,421	4,451
Deferred income taxes	3,233	(15,911)	2,560
Loss (gain) on disposition of assets	98	403	(1,121)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	18,172	21,386	(9,843)
Inventories	34,126	(16,065)	(19,514)
Prepaid expenses and other	2,488	(2,734)	1,237
Accounts payable and accrued expenses	1,348	(13,753)	3,671
Income tax payable and receivable	(833)	(653)	(3,492)
Other assets and liabilities	568	29	(1,882)
Net cash provided by operating activities	45,413	41,086	53,326
Cash flows from investing activities:			
Capital expenditures	(5,934)	(16,709)	(22,808)
Business acquisitions			(11,529)
Proceeds from sale of assets	202	575	2,710
Net cash used in investing activities	(5,732)	(16,134)	(31,627)
Cash flows from financing activities:			
Payments on long-term debt and capital leases	(92,983)	(68,945)	(112,143)
Proceeds from long-term debt	49,000	60,500	173,433
Notes payable to banks, net	628	(326)	(3,166)
Cash dividends paid	(1,304)	(8,460)	(8,243)
Common stock repurchased		(3,220)	(90,240)
Common stock issued under share-based compensation plans		130	3,843
Tax effect from share-based compensation awards		(61)	3,084
Net cash used in financing activities	(44,659)	(20,382)	(33,432)
Effect of exchange rate changes	(6,006)	5,392	(3,637)
Change in cash and cash equivalents	(10,984)	9,962	(15,370)
Cash and cash equivalents at beginning of year	31,185	21,223	36,593
Cash and cash equivalents at end of period	\$ 20,201	\$ 31,185	\$ 21,223

Supplemental disclosure of noncash information:

See Note 12 to Consolidated Financial Statements

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

Cascade Corporation

Notes to Consolidated Financial Statements

Note 1 Description of Business

Cascade Corporation is an international company engaged in the manufacture of materials handling products that are widely used on industrial lift trucks and, to a lesser extent, on construction, mining and agricultural vehicles. Accordingly, our sales are largely dependent on the sales of lift trucks and on the sales of replacement parts. Our sales are made throughout the world. We are headquartered in Fairview, Oregon, employing approximately 1,700 people and maintaining operations in 16 countries outside the United States.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

Our consolidated financial statements include the accounts of Cascade Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid investments with maturities of three months or less at the date of purchase.

Allowances for Trade Accounts Receivable

Trade accounts receivable are stated net of allowances for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses on accounts receivable resulting from the inability of our customers to make required payments. Such allowances are based on evaluation of the credit worthiness of our customers, an ongoing review of customer payments against terms, historical trends and economic circumstances.

Inventories

Inventories are stated at the lower of average cost or market. Cost is computed on a standard basis, which approximates actual cost. We classify inventory into two categories: finished goods and raw materials and components. Finished goods inventory represents inventory that is readily available for sale without further manufacturing and spare parts. Raw materials and components include inventory to be used to build finished goods inventory.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is generally provided using the straight-line method over the estimated useful lives of the assets. Tooling costs are capitalized as machinery and equipment. Useful lives range from thirty to forty years for buildings, fifteen years for land improvements and two to ten years for machinery and equipment. Maintenance and repairs are expensed as incurred and costs of improvements and renewals are capitalized. Upon disposal, cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in operations.

Intangible Assets

Intangible assets represent items such as customer relationships, intellectual property, primarily patents and trade names, and non-compete agreements that are assigned a fair value at the date of acquisition. We amortize finite-lived assets on a straight-line basis over the periods that expected economic benefits will be provided. Useful lives range from six to ten years for customer relationships, four to ten years for intellectual property and one to five years for other intangible assets. At the end of the estimated economic life, the fully-amortized intangible asset cost and corresponding accumulated amortization are eliminated.

Table of Contents

Cascade Corporation

Notes to Consolidated Financial Statements (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

Long-lived assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the assets and eventual disposition in comparison with the carrying value. An estimate of future sales, gross margins and selling and administrative expenses are used to calculate future cash flows. The fair value of each asset is calculated using a cash flow methodology based on these assumptions. An impairment of a long-lived asset exists when the carrying value of an asset exceeds its fair value. See Note 10 Restructuring Activities for details on the fixed asset write downs as a result of our European restructuring activities. See Note 6 Goodwill and Intangible Assets for a discussion of the goodwill and intangible asset impairment charge recorded during fiscal 2009.

Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value of the net identifiable assets acquired. Once allocated to a reporting unit, we do not make any adjustments to the manner in which goodwill is allocated.

We review goodwill for impairment either annually or when events or changes in circumstances indicate the carrying value of the assets might exceed their current fair values. Certain factors we consider important which could trigger an impairment review at an interim date outside of the annual review, include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or our overall business and significant industry or economic trends.

Our goodwill impairment assessment is performed at the reporting unit level. We define our reporting units as either operating segments or components, which are one level below an operating segment. Components of an operating segment are businesses where financial information is available and regularly reviewed by our management. Where appropriate, we aggregated components that have similar economic characteristics into a single reporting unit.

We define our operating segments to be North America, Europe, Asia Pacific and China and define our reporting units for purposes of our goodwill impairment assessment to be North America Non-Construction, North America Construction, Europe and Australia. There is no goodwill in China or in the other businesses comprising our Asia Pacific operating segment, therefore these are not included as reporting units in our goodwill impairment assessment.

Our impairment review is a two-step process. The first step compares the fair value of a reporting unit with its carrying amount. If the fair value is greater than the carrying amount, there is no goodwill impairment and the second step in the impairment review is not performed. If the carrying amount of the reporting unit is greater than the fair value, the second step of the impairment test is necessary. The second step compares the implied fair value with the carrying value of the reporting unit's goodwill. If the reporting unit's goodwill carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. However, the impairment loss can not exceed the carrying amount of the goodwill.

The first step of our goodwill impairment review utilizes a discounted projected cash flow model that uses estimates of future sales, sales growth rates, gross profits, expense and capital expenditure levels, a discount rate and estimated terminal values to determine the reporting unit fair value. We use a weighted average cost of capital (WACC), which is the expected rate of return based on an industry specific debt and equity capital structure and cost of debt, adjusted for geographic and company size specific factors, to discount future cash flows. The WACC can vary by reporting unit. WACC used in our impairment test at January 31, 2010 ranged from 13.3% to 16.5%.

Table of Contents

Cascade Corporation

Notes to Consolidated Financial Statements (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

If actual results are not consistent with our goodwill impairment review assumptions and judgments, we could be exposed to a material impairment charge.

Common Stock

We follow the practice of recording amounts received upon the exercise of awards by crediting common stock and additional paid-in capital. In addition, we credit additional paid-in-capital upon the recognition of share-based compensation expense. We realize an income tax benefit from the exercise or early disposition of certain stock awards. This benefit results in a decrease in current income taxes payable and an increase in additional paid-in capital.

Minimum Pension/Postretirement Liability Adjustment

We record a minimum pension/postretirement liability adjustment to the extent that the accumulated benefit obligation exceeds the fair value of plan assets and accrued pension/postretirement liabilities. This adjustment is reflected as a reduction in shareholders' equity, net of income tax benefits.

Share-Based Compensation

We account for share-based compensation, for which we receive employee services in exchange for our equity instruments, using a fair value method. Share-based compensation cost is measured at the grant date based on the value of the award and is recognized as a corporate headquarters expense in North America over the service period the award is expected to vest. Determining the fair value share-based awards at the grant date requires judgment, including estimating the expected term of stock awards, the expected volatility of our common stock and expected dividends. In addition, judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. We consider many factors when estimating expected forfeitures, including types of awards, award recipient class and historical experience. Significant changes in the assumptions for future awards and actual forfeiture rates could materially impact share-based compensation expense and our results of operations. Subsequent changes in forfeiture rates will be recorded as a cumulative adjustment in the period estimates are revised.

Foreign Currency Translation

We translate the balance sheets of our foreign subsidiaries using fiscal year-end exchange rates. The cumulative effect on such translations is included in shareholders' equity. The consolidated statements of income and cash flows are translated using the average exchange rates for the period.

Environmental Remediation

We accrue environmental costs if it is probable a liability has been incurred at the financial statement date and the amount can be reasonably estimated. Recorded liabilities have not been discounted. Environmental compliance and legal costs are expensed as incurred. Assets related to the reimbursement of amounts expended for environmental expenses are recognized only when realization is probable.

Foreign Currency Forward Exchange Contracts

Gains and losses on foreign currency forward exchange contracts, which generally mature in six months or less, are measured over the period of the contract by reference to the forward rate for a contract to be consummated on the same future date as the original contract.

Table of Contents

Cascade Corporation

Notes to Consolidated Financial Statements (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition

We recognize revenue when the following criteria are met:

Persuasive evidence of an arrangement exists Sales arrangements are supported by written or electronic documentation or evidence from a customer.

Delivery has occurred or services have been rendered Revenue is recognized when title transfers and risk and rewards of ownership have passed to the customer. This generally occurs upon shipment of our product with FOB Shipping Point terms. Shipments with FOB Destination terms are recorded as revenue when products are delivered to the customer. Customers are responsible for payment even if the product is not sold to their end customer. Once shipping terms are met we have no continuing obligations or performance criteria requirements.

Fixed or determinable sales price Sales are at fixed or established sales prices determined prior to the time the products are shipped with no customer cancellation, price protection or termination clauses.

Collectibility is reasonably assured Based on our credit management policies, we generally believe collectibility is reasonably assured when product is shipped to a customer. Provisions for uncollectible accounts and return allowances are recorded at the time revenue is recognized based on our historical experience.

Shipping and Handling Costs

We incur shipping, handling and other related costs for the shipment of goods to customers. These costs are recognized in the period in which the expenses occur and are classified as cost of goods sold. Amounts billed to customers for shipping, handling and related costs are reported as a component of net sales.

Warranty Obligations

We record a liability on our consolidated balance sheet for costs related to certain warranties we provide with the sales of our products. This liability is estimated through historical customer claims, product failure rates, material usage and service delivery costs incurred in correcting a product failure.

Income Taxes

Deferred income tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and the amounts reported in the consolidated financial statements. The provision for income taxes is the tax payable for the period and the change during the period in net deferred income tax assets and liabilities. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Research and Development Costs

Research and development costs are expensed as incurred and are related to developing new products and to improving existing products or processes. These costs primarily include salaries, consulting, supplies, legal costs related to patents and design costs. We incurred research and development costs of \$2.2 million, \$3 million, and \$3.8 million for the years ended January 31, 2010, 2009 and 2008, respectively.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable and foreign currency forward exchange contracts. We place our cash

Table of Contents

Cascade Corporation

Notes to Consolidated Financial Statements (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

and cash equivalents in major financial institutions. Deposits held with financial institutions may exceed regulatory limits in countries in which we operate.

Accounts receivable are with a large number of customers, primarily equipment manufacturers and dealers, dispersed across a wide geographic base. No single customer accounts for more than 10% of our consolidated net sales. Our consolidated net sales to all original equipment manufacturers (OEM) are approximately 42% of total net sales. This percentage is consistent with recent years. We perform on-going credit evaluations and do not require collateral. Allowances are maintained for potential credit losses when deemed necessary.

See Note 18 **Derivative Instruments and Hedging Activities** for discussion of foreign currency forward exchange contracts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on our historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Significant estimates and judgments made by our management include matters such as the collectibility of accounts receivable, obsolete inventory reserves, realizability of deferred income tax assets, realizability of goodwill and long-lived assets, warranty liabilities, share based compensation and benefit plan assumptions and future costs of environmental matters.

Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects potential dilution that could occur if stock options, stock appreciation rights (SARS) or unvested restricted stock were exercised or converted into common stock using the treasury stock method.

Recent Accounting Pronouncements

Business combinations and noncontrolling interests in consolidated financial statements In December 2007, the Financial Accounting Standards Board (FASB) issued accounting guidance on business combinations and noncontrolling interests in consolidated financial statements. The guidance on business combinations requires the acquiring entity in a business combination to recognize the assets acquired and liabilities assumed. Further, it also changes the accounting for acquired in-process research and development assets, contingent consideration, partial acquisitions and transaction costs. Under the guidance on noncontrolling interests, all entities are required to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. In addition, transactions between an entity and noncontrolling interests will be treated as equity transactions. We adopted this new guidance on February 1, 2009. The adoption of this guidance did not have any impact on our financial statements.

Disclosures about derivative instruments and hedging activities In March 2008, the FASB issued accounting guidance on disclosures about derivative instruments and hedging activities. This guidance expands disclosures for derivative instruments by requiring entities to disclose the fair value of derivative instruments and their gains or losses in tabular format. It also requires disclosure of information about credit risk-related

Table of Contents

Cascade Corporation

Notes to Consolidated Financial Statements (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

contingent features in derivative agreements, counterparty credit risk, and strategies and objectives for using derivative instruments. We adopted this new guidance on February 1, 2009. The adoption of this guidance did not have any impact on our financial statements.

Classification of share based payment instruments as participating securities In June 2008, the FASB issued accounting guidance which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The provisions of this guidance were adopted on February 1, 2009 and did not have a material impact on our financial statements.

Subsequent events In May 2009, the FASB issued accounting guidance on subsequent events that establishes standards of accounting for and disclosure of subsequent events. In addition, it requires disclosure of the date through which an entity has evaluated subsequent events and the nature of any nonrecognized subsequent events. This new guidance was adopted for our financial statements for the quarter ended July 31, 2009. The adoption of this guidance did not have an impact on our financial statements.

Accounting standards codification In June 2009, the FASB issued guidance on a single source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) to be applied by nongovernmental entities. While not intended to change U.S. GAAP, the codification significantly changed the way in which the accounting literature is referenced and organized. All existing accounting standards were superseded by the codification, and all other accounting guidance not included in the codification will be considered non-authoritative. We adopted this new guidance for our financial statements for the quarter ended October 31, 2009. The adoption of this guidance did not have an impact on our financial statements.

Note 3 Segment Information

Our operating units have several economic characteristics and attributes, including similar products, distribution patterns and classes of customers. As a result, we aggregate our operating units into four geographic operating segments related to the manufacturing, distribution and servicing of material handling load engagement products. We evaluate the performance of each of our operating segments based on income before interest, miscellaneous income/expense and income taxes. The accounting policies of the operating segments are the same as those described in the summary of accounting policies.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 3 Segment Information (Continued)**

Revenues and operating results are classified according to the country of origin. Transfers represent sales between our geographic operating segments. The costs of our corporate office are included in North America. Identifiable assets are attributed to the geographic location in which they are located. Net sales and transfers, operating results and identifiable assets by geographic operating segment were as follows (in thousands):

	Year Ended January 31					Consolidated
	North America	Europe	Asia Pacific	China	Eliminations	
2010						
Net sales	\$ 154,654	\$ 81,068	\$ 44,102	\$ 34,529		\$ 314,353
Transfers between areas	15,086	3,648	147	10,549	(29,430)	
Net sales and transfers	\$ 169,740	\$ 84,716	\$ 44,249	\$ 45,078	\$ (29,430)	\$ 314,353
Gross profit (loss)	\$ 48,807	\$ (5,305)	\$ 11,277	\$ 16,291		\$ 71,070
Selling and administrative	39,802	19,424	7,485	4,096		70,807
Environmental	1,255					1,255
Loss on disposition of assets, net	3	59	2	34		98
Amortization	191	212				403
European restructuring costs		30,001				30,001
Operating income (loss)	\$ 7,556	\$ (55,001)	\$ 3,790	\$ 12,161		\$ (31,494)
Total assets	\$ 174,419	\$ 83,515	\$ 36,040	\$ 47,957		\$ 341,931
Property, plant and equipment, net	\$ 30,714	\$ 14,583	\$ 9,631	\$ 18,480		\$ 73,408
Capital expenditures	\$ 1,878	\$ 2,678	\$ 581	\$ 797		\$ 5,934
Depreciation expense	\$ 5,630	\$ 3,745	\$ 564	\$ 1,954		\$ 11,893
2009						
Year Ended January 31						
	North America	Europe	Asia Pacific	China	Eliminations	Consolidated
Net sales	\$ 257,077	\$ 167,955	\$ 68,466	\$ 40,674		\$ 534,172
Transfers between areas	29,083	1,686	355	23,219	(54,343)	
Net sales and transfers	\$ 286,160	\$ 169,641	\$ 68,821	\$ 63,893	\$ (54,343)	\$ 534,172
Gross Profit	\$ 87,924	\$ 25,253	\$ 16,363	\$ 19,008		\$ 148,548
Selling and administrative	45,451	26,148	9,040	4,590		85,229
Loss on disposition of assets, net	178	108	47	70		403
Amortization	2,221	298				2,519
Asset impairment charge	46,376					46,376
European restructuring costs		2,544				2,544
Operating income (loss)	\$ (6,302)	\$ (3,845)	\$ 7,276	\$ 14,348		\$ 11,477

Edgar Filing: CASCADE CORP - Form 10-K

Total assets	\$ 180,782	\$ 117,199	\$ 41,698	\$ 57,904	\$ 397,583
Property, plant and equipment, net	\$ 33,614	\$ 31,530	\$ 9,033	\$ 19,649	\$ 93,826
Capital expenditures	\$ 6,646	\$ 4,415	\$ 2,796	\$ 2,852	\$ 16,709
Depreciation expense	\$ 6,388	\$ 5,107	\$ 481	\$ 1,825	\$ 13,801

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 3 Segment Information (Continued)**

	Year Ended January 31					Consolidated
	North America	Europe	Asia Pacific	China	Eliminations	
2008						
Net sales	\$ 286,832	\$ 171,435	\$ 59,776	\$ 40,030		\$ 558,073
Transfers between areas	33,118	1,497	179	17,410	(52,204)	
Net sales and transfers	\$ 319,950	\$ 172,932	\$ 59,955	\$ 57,440	\$ (52,204)	\$ 558,073
Gross Profit	\$ 109,832	\$ 27,644	\$ 15,063	\$ 18,635		\$ 171,174
Selling and administrative	51,020	26,201	8,297	3,927		89,445
Loss (gain) on disposition of assets, net	(1,135)		(34)	48		(1,121)
Amortization	2,482	732				3,214
Insurance litigation recovery, net	(15,977)					(15,977)
Operating income	\$ 73,442	\$ 711	\$ 6,800	\$ 14,660		\$ 95,613
Total assets	\$ 236,022	\$ 135,171	\$ 43,471	\$ 47,836		\$ 462,500
Property, plant and equipment, net	\$ 35,026	\$ 38,815	\$ 6,745	\$ 17,764		\$ 98,350
Capital expenditures	\$ 7,986	\$ 4,439	\$ 5,302	\$ 5,081		\$ 22,808
Depreciation expense	\$ 7,066	\$ 5,091	\$ 385	\$ 1,356		\$ 13,898

The following table represents sales by place of destination:

	Year Ended January 31		
	2010	2009	2008
	(In thousands)		
United States	\$ 133,249	\$ 221,363	\$ 256,149
Europe, excluding United Kingdom	62,248	132,141	128,017
China	32,621	38,733	36,471
Japan	16,490	28,613	23,437
United Kingdom	15,474	27,894	32,819
Australia/New Zealand	18,113	25,220	21,710
Canada	14,236	23,660	24,941
Other countries (less than 5% of total sales individually)	21,922	36,548	34,529
	\$ 314,353	\$ 534,172	\$ 558,073

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 3 Segment Information (Continued)**

The following table represents the value of long-lived assets including property, plant and equipment (net), goodwill, intangible assets (net) and other long-term assets by the country in which they are located:

	Year Ended January 31		
	2010	2009	2008
	(In thousands)		
United States	\$ 30,853	\$ 33,771	\$ 82,308
Canada	74,468	65,434	80,475
China	18,481	19,651	17,766
Italy	13,497	10,187	11,930
Japan	8,473	8,575	5,991
The Netherlands	401	14,191	17,730
Other countries (less than 5% of total long-lived assets individually)	14,470	19,553	23,863
	\$ 160,643	\$ 171,362	\$ 240,063

Note 4 Inventories

During fiscal 2010, inventories decreased due to reduced inventory purchases and lower levels of finished goods needed to meet lower customer demand. Inventories stated at the lower of average cost or market are presented below by major class:

	January 31	
	2010	2009
	(In thousands)	
Finished goods	\$ 24,573	\$ 31,997
Raw materials and components	38,893	58,809
	\$ 63,466	\$ 90,806

Note 5 Property, Plant and Equipment

During fiscal 2010, property, plant and equipment decreased primarily due to fixed asset write downs and reclassifications to assets currently available for sale as a result of our European restructuring activities.

	January 31	
	2010	2009
	(In thousands)	
Land	\$ 7,360	\$ 8,870
Buildings	39,869	54,668
Machinery and equipment	161,493	177,179

Edgar Filing: CASCADE CORP - Form 10-K

	208,722	240,717
Accumulated depreciation	(135,314)	(146,891)
	\$ 73,408	\$ 93,826

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 6 Goodwill and Intangible Assets****Goodwill**

The following table provides a breakdown of goodwill activity by reporting unit for the two years ended January 31, 2010:

	North America	Construction	Europe	Asia Pacific	Total
Balance at January 31, 2008	\$ 74,808	\$ 29,157	\$ 11,893	\$ 2,968	\$ 118,826
Impairment charge		(29,157)			(29,157)
Foreign exchange impact	(13,492)		(1,853)	63	(15,282)
Balance at January 31, 2009	61,316		10,040	3,031	74,387
Foreign exchange impact	8,943		852	(60)	9,735
Balance at January 31, 2010	\$ 70,259	\$	\$ 10,892	\$ 2,971	\$ 84,122

After completing our fiscal 2009 annual goodwill impairment test, it was determined that the fair value of our construction attachment business in North America was below the carrying value. The goodwill impairment was a result of increasing losses in our construction business due to a deterioration of the North American construction industry. The goodwill impairment charge was \$29.2 million for fiscal 2009.

Intangible Assets

The following table provides detail of intangible assets as of January 31, 2010 and 2009. Assets that are completely written off during the year are not included in the table.

	January 31	
	2010	2009
	(In thousands)	
Customer relationships	\$ 17,200	\$ 18,763
Intellectual property	2,200	2,200
Other	419	476
	19,819	21,439
Accumulated amortization	(4,124)	(5,356)
Impairment write down	(14,932)	(14,932)
	\$ 763	\$ 1,151

Our fiscal 2009 impairment test included an evaluation of long-lived assets used in our construction reporting unit. These assets included customer relationships, patents, trade names, non-compete agreements and property, plant and equipment. These assets were acquired during fiscal 2007 and 2008 during the purchases of Pacific Services and Manufacturing, Inc and American Compaction Equipment, Inc. The carrying value of the assets was compared to the fair value and an impairment recorded where the carrying value exceeded fair value. The impairment charge recorded in fiscal 2009 related to long-lived assets was \$17.2 million, comprised of customer relationships (\$13.3 million) and

intellectual property (\$3.9 million).

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 6 Goodwill and Intangible Assets (Continued)**

The following table represents future intangible amortization expense as of January 31, 2010 (in thousands):

Year ended January 31	
2011	\$ 158
2012	139
2013	89
2014	81
2015	82
Thereafter	183
	\$ 732

Note 7 Warranty Obligations

Our warranty obligations, which are recorded in other accrued expenses on the consolidated balance sheet, are as follows:

	January 31	
	2010	2009
	(In thousands)	
Beginning obligation	\$ 1,312	\$ 1,900
Accruals for warranties issued during the period	1,981	1,896
Accruals for pre-existing warranties	682	
Settlements during the year	(2,709)	(2,239)
Foreign currency changes	82	(245)
Ending obligation	\$ 1,348	\$ 1,312

Note 8 Debt

	January 31	
	2010	2009
	(In thousands)	
Revolving line of credit, variable interest payable of 2.8% and 1.8% at January 31, 2010 and 2009, respectively, principal payable in December 2011	\$ 52,500	\$ 96,000
Note payable, interest at 2.4% at January 31, 2010 and 2009; principal payable monthly through fiscal 2018; collateralized by land and a building	3,989	4,508
	56,489	100,508
Less current portion	(499)	(501)
Long-term debt	\$ 55,990	\$ 100,007

Edgar Filing: CASCADE CORP - Form 10-K

Borrowing arrangements currently in place with commercial banks provide available lines of credit totaling \$115 million, of which \$54 million was being used at January 31, 2010 through outstanding debt and the issuance of letters of credit. The maximum amount that may be borrowed under this line of credit at January 31, 2010, based on our leverage ratio was \$79 million, thus resulting in available borrowings of \$25 million. Amounts under the line of credit bear interest at LIBOR plus a margin between 1.5% and 3.0%, based on our consolidated leverage ratio. As of January 31, 2010, the interest rate was LIBOR plus a margin of 2.5% and commitment fees on unused amounts are 0.4%.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 8 Debt (Continued)**

During fiscal 2010, we entered into an amendment of our loan agreement with Bank of America and Union Bank. The loan amendment, which in addition to modifying the debt covenant ratios themselves, allowed us to exclude cash restructuring costs and lowered the amount of capital asset expenditures deducted when calculating the ratios, provided us with flexibility to pursue our European restructuring activities without violating our loan covenants. The amendment also granted the lenders an interest in substantially all of our assets as collateral. We were in compliance with our debt covenants at January 31, 2010.

The following are details on the two debt covenant ratios, which are calculated quarterly, based on actual results from the previous twelve months:

Fixed charge coverage ratio requires earnings before interest, taxes, depreciation, amortization and other non-cash charges (EBITDA), reduced for cash taxes paid, \$8 million of maintenance capital expenditures and cash dividends, to be 1.15 times interest charges paid in cash plus required principal payments for the rolling four fiscal quarters through January 31, 2010, be 1.25 times from January 31, 2010 to July 30, 2010 and 1.5 times from July 30, 2010 onward.

Leverage ratio requires outstanding debt and letters of credit to be less than 4.0 times EBITDA through April 29, 2010, less than 3.5 times EBITDA from April 30, 2010 through July 30, 2010 and less than 3.0 times EBITDA from July 31, 2010 onward.

Future maturities of long-term debt are as follows (in thousands):

Year ended January 31	
2011	\$ 499
2012	52,999
2013	499
2014	499
2015	499
Thereafter	1,494
	\$ 56,489

Borrowings under notes payable to banks, which includes bank overdrafts and short-term lines of credit, were \$2.9 million and \$2.3 million at January 31, 2010 and 2009, respectively. The average interest rate on these notes was 5.7% and 2.6% at January 31, 2010 and 2009, respectively.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 9 Income Taxes**

	2010	Year Ended January 31 2009 (In thousands)	2008
Provision (benefit) for income taxes consisted of:			
Current:			
Federal	\$ 602	\$ 6,603	\$ 14,225
State	75	578	1,861
Foreign	2,941	11,180	12,070
	3,618	18,361	28,156
Deferred:			
Federal	1,137	(13,973)	2,433
State	35	(1,118)	(4)
Foreign	361	(146)	106
	1,533	(15,237)	2,535
Total provision for income taxes	\$ 5,151	\$ 3,124	\$ 30,691
Income (loss) before provision for income taxes was as follows:			
United States	\$ (216)	\$ (22,770)	\$ 52,462
Foreign	(33,282)	27,161	38,376
	\$ (33,498)	\$ 4,391	\$ 90,838
A reconciliation of the provision (benefit) for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes is as follows:			
Federal statutory rate	\$ (11,724)	\$ 1,537	\$ 31,793
State income taxes, net of federal tax benefit	753	(790)	1,205
Tax on foreign earnings	4,619	(2,288)	(3,047)
Net change in valuation allowance	10,803	2,618	1,749
International financing			(168)
Stock options	209	280	70
U.S. manufacturing deduction		(260)	(453)
Research and development credit	(136)	(118)	
Uncertain tax positions	(231)	288	
Other	479	86	(458)
Prior year foreign tax credit	379	(676)	
Impairment of goodwill and intangibles assets		2,447	
	\$ 5,151	\$ 3,124	\$ 30,691
Effective tax rate	-15.4%	71.1%	33.8%

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 9 Income Taxes (Continued)**

The components of deferred income tax assets and liabilities recorded on the consolidated balance sheet are as follows (in thousands):

	January 31	
	2010	2009
Deferred tax assets:		
Accruals	\$ 4,421	\$ 4,191
Environmental	1,909	1,704
Employee benefits	7,814	7,385
Tax credits	4,439	4,799
Foreign net operating losses	22,011	12,493
Goodwill and intangible assets	10,018	11,921
Other	574	58
	51,186	42,551
Less: Valuation allowance	(22,011)	(12,444)
	29,175	30,107
Deferred tax liabilities:		
Depreciation	(5,021)	(4,624)
Cumulative translation adjustment	(3,533)	(1,056)
Other	(208)	(705)
	(8,762)	(6,385)
Total net deferred tax asset	\$ 20,413	\$ 23,722

The net deferred tax asset is presented in our consolidated balance sheets as follows (in thousands):

	January 31	
	2010	2009
Deferred income taxes current asset	\$ 4,230	\$ 4,712
Deferred income taxes long-term asset	21,022	21,347
Deferred income taxes long-term liability	(4,839)	(2,337)
	\$ 20,413	\$ 23,722

In assessing the realizability of our existing deferred tax assets, we consider on a jurisdiction by jurisdiction basis whether it is, more-likely-than-not, that some or all of the deferred tax assets will be realized. As part of this evaluation, we consider all available positive evidence including projected future taxable income, scheduled reversals of existing deferred tax liabilities, taxable income in prior carryback years to the extent permitted under the tax law and available tax planning strategies. Based on all available positive evidence, we believe we will

Edgar Filing: CASCADE CORP - Form 10-K

be able to generate sufficient taxable income to realize our existing deferred tax assets, net of valuation allowances related primarily to foreign net operating losses. Changes in our operations due to market conditions could require the recording of additional valuation allowances in the future. It is reasonably possible that a change to the valuation allowance in the next year could be material.

As of January 31, 2010 and January 31, 2009, we have recorded valuation allowances of approximately \$22.0 million and \$12.5 million, respectively. The increase in the valuation allowance in fiscal 2010 is due to losses incurred in Europe as a result of restructuring activities. The change in the valuation allowance for each year is as follows (in thousands):

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 9 Income Taxes (Continued)**

	Year Ended January 31	
	2010	2009
Additional valuation allowance	\$ 10,803	\$ 2,618
Foreign currency changes	(1,236)	(1,846)
Total increase in valuation allowance	\$ 9,567	\$ 772

As of January 31, 2010, we provide for a full valuation allowance on all net operating losses generated in the following jurisdictions as management has determined that it is not, more-likely-than-not, we would realize these deferred tax assets in the foreseeable future (in thousands):

	Net Operating Losses	Expiration
The Netherlands	\$ 45,588	2012-2018
Germany	36,135	None
France	11,789	None
Sweden	2,708	None
India	63	None
	\$ 96,283	

As of January 31, 2010, we have foreign tax credit carryforwards of approximately \$4.3 million attributed to repatriated foreign earnings. Realization of these deferred tax assets is dependent on generating sufficient foreign sourced taxable income in the United States over a ten year carry forward period ending in fiscal 2020. Our primary source of foreign taxable income includes dividends and royalties from foreign subsidiaries.

As of January 31, 2010, we have not provided for a deferred tax liability on the excess book basis in the shares of certain foreign subsidiaries in the amount of approximately \$11.6 million, representing approximately \$62.2 million of undistributed earnings. As of January 31, 2010, it is management's intent for such earnings to be permanently reinvested by these subsidiaries. In the future, should this position change we have available tax planning strategies to mitigate any negative tax consequences of such change.

As of January 31, 2010, our liability for uncertain tax positions is approximately \$1.3 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties is as follows (in thousands):

	Year Ended January 31	
	2010	2009
Beginning of year unrecognized tax benefit	\$ 1,037	\$ 234
Gross increases for tax positions related to the current year	29	172
Gross increases for tax positions related to the prior years	5	631
End of year unrecognized tax benefit	\$ 1,071	\$ 1,037

Edgar Filing: CASCADE CORP - Form 10-K

We recognize interest and penalties related to uncertain tax positions in income tax expense. As of January 31, 2010, we had approximately \$225,000 of cumulative accrued interest and penalties related to uncertain tax positions of which a reduction of approximately \$15,000 was recognized during the year.

We are subject to taxation primarily in the United States of America (USA), Canada, China and various European countries, as well as other various state and foreign jurisdictions. The Internal Revenue Service (IRS)

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 9 Income Taxes (Continued)**

recently completed its review of our USA income tax returns for the fiscal years 2004-2007. The IRS proposed adjustments include benefits to the Company in which we have agreed to and are consistent with previously recorded tax refunds. In addition, we are in the process of appealing IRS proposed adjustments of approximately \$5.0 million related to interest deductions reported on tax returns for the 2004 and 2005 tax years. If sustained by the IRS, these adjustments would result in an additional federal and state tax liability of approximately \$1.8 million. As of January 31, 2010, we have determined that it is, more-likely-than-not, that we will prevail on this issue. As such, no amount has been recorded in our financial statements as of January 31, 2010 related to this matter. As of January 31, 2010, we remain subject to examination in various state and foreign jurisdictions for the 2004-2009 tax years.

Note 10 Restructuring Activities

During fiscal 2010 and 2009 we incurred costs related to our European restructuring activities. The following table outlines the type of restructuring costs incurred during these periods (in thousands):

	For the Year Ended January 31	
	2010	2009
Employee wages and benefits	\$ 17,276	\$ 1,882
Fixed asset write downs	9,004	205
Facility closures	2,588	
Professional fees	651	457
Other restructuring	482	
Total costs	\$ 30,001	\$ 2,544

The following table outlines the location of restructuring costs incurred during these periods (in thousands):

	For the Year January 31	
	2010	2009
The Netherlands	\$ 13,205	\$ 800
Germany	10,878	1,744
France	5,293	
England	625	
Total costs	\$ 30,001	\$ 2,544

As of January 31, 2010 and 2009, a total of \$5.3 million and \$700,000 of accrued restructuring costs are included on the consolidated balance sheet primarily related to employee wages and benefits. We anticipate paying all accrued restructuring costs by the end of fiscal 2011.

As of January 31, 2010, our consolidated balance sheet includes a total of \$9.1 million of assets available for sale as a result of our European restructuring. These assets include land and buildings at four locations in Germany, France and the Netherlands.

Edgar Filing: CASCADE CORP - Form 10-K

During fiscal 2010, we recorded \$9 million of fixed asset write downs primarily related to land and building in The Netherlands and manufacturing equipment in Germany. Fixed asset write downs are recorded as a reduction of the carrying value of property, plant and equipment.

Table of Contents

Cascade Corporation

Notes to Consolidated Financial Statements (Continued)

Note 11 Commitments and Contingencies

Environmental Matters

We are subject to environmental laws and regulations, which include obligations to remove or mitigate environmental effects of past disposal and release of certain wastes and substances at various sites. We record liabilities for affected sites when environmental assessments indicate probable cleanup and the costs can be reasonably estimated. Other than for costs of assessments themselves, the timing and amount of these liabilities is determined based on the estimated costs of remediation activities and our commitment to a formal plan of action, such as an approved remediation plan. The reliability and precision of the loss estimates are affected by numerous factors, such as different stages of site evaluation and reevaluation of the degree of remediation required. We adjust our liabilities as new remediation requirements are defined, as information becomes available permitting reasonable estimates to be made and to reflect new and changing facts.

It is reasonably possible that changes in estimates will occur in the near term and the related adjustments to environmental liabilities may have a material impact on our net income. Unasserted claims are not currently reflected in our environmental remediation liabilities. It is also reasonably possible that these claims may also have a material impact on our net income if asserted. We cannot estimate at this time the amount of any additional loss or range of loss that is reasonably possible.

Our specific environmental matters consist of the following:

Fairview, Oregon

In 1996, the Oregon Department of Environmental Quality issued two Records of Decision impacting our Fairview, Oregon manufacturing facility. The records of decision required us to initiate remedial activities related to the cleanup of groundwater contamination at and near the facility. Remediation activities have been conducted at or near the facility since 1996 and current estimates provide for some level of activity to continue through 2019. Costs of certain remediation activities at the facility are shared with The Boeing Company, with Cascade paying 70% of these costs. The recorded liability for the ongoing remediation activities at our Fairview facility was \$3.2 million and \$3.7 million at January 31, 2010 and 2009, respectively.

Springfield, Ohio

In March 2010 we signed a Facility Lead Corrective Action Agreement (Action Agreement) with the Ohio Environmental Protection Agency (EPA), which outlines a more comprehensive remediation plan at our Springfield, Ohio facility. We had previously been performing our remediation activities under a consent order signed in 1994, which had required the installation of remediation systems for the cleanup of groundwater contamination. The Action Agreement specifies an action plan that would allow us to be more proactive in our environmental cleanup efforts. During the fourth quarter of fiscal 2010 we accrued an additional \$1.1 million of costs related to remediation activities related to the Action Agreement. The current estimate is that the remediation activities will continue through 2019. The recorded liability for ongoing remediation activities in Springfield was \$1.9 million and \$900,000 at January 31, 2010 and 2009, respectively.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 11 Commitments and Contingencies (Continued)**

Presented below is a roll forward of our environmental liabilities and expenses for the three years ended January 31, 2010 (in thousands):

	Fairview	Springfield	Total
Balance at January 31, 2007	\$ 5,875	\$ 987	\$ 6,862
Accrued	(75)	75	
Cash payments	(952)	(173)	(1,125)
Balance at January 31, 2008	4,848	889	5,737
Accrued	(157)	157	
Cash payments	(1,031)	(131)	(1,162)
Balance at January 31, 2009	3,660	915	4,575
Accrued	111	1,144	1,255
Cash payments	(585)	(119)	(704)
Balance at January 31, 2010	\$ 3,186	\$ 1,940	\$ 5,126

Lease Commitments

We lease certain facilities and equipment under noncancelable operating leases. Rent expense for the years ended January 31, 2010, 2009, and 2008 totaled \$3.1 million, \$3.6 million and \$3.4 million, respectively. Future minimum rental commitments under these leases as of January 31, 2010 are as follows (in thousands):

2011	\$ 2,655
2012	1,657
2013	667
2014	573
2015	542
	\$ 6,094

Legal Proceedings

We are subject to legal proceedings, claims and litigation, in addition to the environmental matters previously discussed, arising in the ordinary course of business. While the outcome of these matters is currently not determinable, management does not expect the ultimate costs to resolve these matters will have a material adverse effect on our consolidated financial position, result of operations, or cash flows.

Insurance Litigation

Edgar Filing: CASCADE CORP - Form 10-K

On April 9, 2007, we entered into a settlement agreement with Employers Reinsurance Corporation with respect to litigation to recover various expenses incurred in connection with environmental and related proceedings. The recovery from the settlement, recorded during the first quarter of fiscal 2008, was \$16 million, net of expenses. In connection with the settlement, we released all rights we might have under insurance policies issued by Employers Reinsurance Corporation and certain related entities. This concluded all litigation against our insurance companies with regard to environmental matters.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 12 Supplemental Cash Flow Information**

	Year Ended January 31		
	2010	2009	2008
	(In thousands)		
Cash paid during period for:			
Interest	\$ 1,975	\$ 4,281	\$ 3,970
Income taxes	\$ 3,768	\$ 18,442	\$ 27,786
Business acquisitions:			
Accounts receivable and other assets	\$	\$	\$ 935
Inventories			818
Property, plant and equipment			296
Goodwill			6,423
Intangible asset-customer relationships			5,400
Intangible asset-intellectual property and other			1,900
Accounts payable and other liabilities assumed			(708)
Notes payable assumed			(931)
Deferred income tax			(2,604)
Net cash paid for acquisitions	\$	\$	\$ 11,529
Supplemental disclosure of noncash information:			
Minimum pension liability adjustment, net of tax	\$ 1,284	\$ (1,144)	\$ (562)
Liability for common stock repurchase	\$	\$	\$ 2,310

Note 13 Share-Based Compensation Plans

We have granted three types of share-based awards, stock appreciation rights (SARS), restricted stock and stock options under our share-based compensation plans to officers, key managers and directors. The grant prices are established by our Board of Directors Compensation Committee at the time the awards are granted. We issue new common shares upon the exercise of all awards.

SARS provide the holder the right to receive an amount, payable in our common shares, equal to the excess of the market value of our common shares on the date of exercise (intrinsic value) over the base price at the time the right was granted. The base price may not be less than the market price of our common shares on the date of grant. All SARS vest ratably over a four year period and have a term of ten years.

Our SARS plan also permits the issuance of restricted shares of common stock. Upon the granting of restricted stock, common shares are issued to the recipient, but the shares may not be sold, assigned, transferred, pledged, or disposed of by the recipient until vested. Regardless of vesting, restricted shares have full voting rights and any dividends declared will be paid to the restricted stock recipient. Restricted shares vest ratably over a period of three years for officers and four years for directors. The number of restricted shares issued to directors is based on the market value of our shares on the date of grant.

The SARS plan provides for the issuance of a maximum of 750,000 shares of common stock upon the exercise of SARS or issuance of restricted stock. As of January 31, 2010, a total of 279,000 shares of common stock have been issued under the SARS plan, which includes 96,000 shares of restricted stock. An additional 68,000 shares of common stock would be issued if all outstanding SARS at January 31, 2010 were exercised, based on the end of year share price of \$28.95.

Stock options provide the holder the right to receive our common shares at an established price. We have reserved 1,400,000 shares of common stock under our stock option plan. As of January 31, 2010, a total of

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 13 Share-Based Compensation Plans (Continued)**

1,090,000 shares have been issued upon the exercise of stock options. No additional stock options can be granted under the terms of the plan. All outstanding stock options are fully vested and have a term of ten years.

We calculate share-based compensation cost using the Black-Scholes option pricing model. The range of assumptions used to compute share-based compensation is as follows:

	Year Ended January 31		
	2010	2009	2008
Risk-free interest rate	3.4%	3.5%	5.1%
Expected volatility	48%	40%	41%
Expected dividend yield	0.8%	1.8%	1.0%
Expected life (in years)	6	6.5	7
Weighted average fair value at date of grant	\$ 11.75	\$ 16.71	\$ 33.31

Expected volatility is based on the historical volatility of the price of our common shares over the past six years. We use historical information to estimate award exercise and forfeitures within the valuation model. The expected term of awards is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

A summary of award grants under the plans at January 31, 2010, 2009, and 2008, excluding restricted stock, together with changes during the periods then ended are presented in the following table (in thousands, except per share amounts):

	Stock Options		Stock Appreciation Rights	
	Outstanding Awards	Weighted Average Exercise Price Per Share	Outstanding Awards	Weighted Average Exercise Price Per Share
Balance at January 31, 2007	570	\$ 13.79	1,031	\$ 31.56
Granted			66	73.73
Exercised	(276)	14.02	(195)	30.60
Forfeited	(8)	20.14	(87)	35.00
Balance at January 31, 2008	286	13.39	815	34.84
Granted			47	44.24
Exercised	(7)	18.60		
Forfeited			(56)	41.16
Balance at January 31, 2009	279	13.26	806	34.95
Granted			61	24.50
Exercised			(12)	21.15
Forfeited			(27)	36.38
Balance at January 31, 2010	279	\$ 13.26	828	\$ 34.84

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 13 Share-Based Compensation Plans (Continued)**

A summary of restricted stock awards activity for the three years ended January 31, 2010 is presented in the following table (in thousands, except per share amounts):

Restricted Stock Awards	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested restricted stock at January 31, 2007		\$
Granted	42	73.73
Vested		
Forfeited		
Unvested restricted stock at January 31, 2008	42	73.73
Granted	23	44.24
Vested	(14)	73.73
Forfeited		
Unvested restricted stock at January 31, 2009	51	60.51
Granted	31	24.50
Vested	(22)	64.40
Forfeited		
Unvested restricted stock at January 31, 2010	60	\$ 40.73

A summary of award activity under the Plans as of January 31, 2010, is presented below:

	Awards (In thousands)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (In thousands)	Weighted Average Contractual Life
Outstanding at January 31, 2010	1,108	\$ 29	\$ 6,268	5
Outstanding at January 31, 2010 and expected to vest	141	\$ 40	\$ 241	9
Exercisable at January 31, 2010	943	\$ 27	\$ 6,000	4

Aggregate intrinsic value excludes 550,000 SARs with an exercise price in excess of the market value of our common stock as of January 31, 2010.

The total intrinsic value of options exercised during the years ended January 31, 2009 and 2008 was \$189,000 and \$15.4 million, respectively. No stock options were exercised during fiscal 2010. The total intrinsic value of SARS exercised during the years ended January 31, 2010 and 2008 was \$58,000, and \$8.7 million, respectively. No SARs were exercised during fiscal 2009.

Edgar Filing: CASCADE CORP - Form 10-K

The tax benefit recognized from share-based awards exercised during the year ended January 31, 2008 was \$3.1 million. No tax benefit was recognized during the years ended January 31, 2010 and 2009.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 13 Share-Based Compensation Plans (Continued)**

A summary of the status of the Plans' nonvested awards as of January 31, 2010 is presented below (in thousands, except per share amounts):

	Stock Options		Stock Appreciation Rights	
		Weighted Average Grant-Date Fair Value Per Award		Weighted Average Grant-Date Fair Value Per Award
	Nonvested Awards		Nonvested Awards	
Nonvested at January 31, 2007	115	\$ 5.53	823	\$ 13.87
Granted			66	33.31
Vested	(89)	4.99	(280)	13.00
Forfeited	(7)	6.98	(88)	15.04
Nonvested at January 31, 2008	19	7.45	521	16.60
Granted			47	16.71
Vested	(19)	7.45	(251)	14.07
Forfeited			(51)	18.00
Nonvested at January 31, 2009			266	18.73
Granted			61	11.75
Vested			(160)	17.50
Forfeited			(2)	14.93
Nonvested at January 31, 2010		\$	165	\$ 17.40

As of January 31, 2010, there was \$3.2 million of total unrecognized compensation cost related to nonvested share-based compensation awards granted under the Plans. That cost is expected to be recognized over a weighted average period of 2 years. The following table represents as of January 31, 2010 the share-based compensation costs to be recognized in future periods for awards granted to date (in thousands):

Fiscal Year	Amount
2011	\$ 1,878
2012	878
2013	373
2014	85
	\$ 3,214

Note 14 Employee Benefit Plans

We sponsor various defined benefit pension and postretirement benefit plans. The following table presents the changes in benefit obligations, changes in plan assets and funded status of these plans. Benefit obligation balances presented in the table reflect the projected benefit obligation

Edgar Filing: CASCADE CORP - Form 10-K

(PBO) for our defined benefit pension plans and accumulated postretirement benefit obligations (APBO) for the postretirement benefit plan. Both the PBO and APBO include the estimated present value of future benefits that will be paid to plan participants, based on expected future salary growth and employee services rendered through the measurement date. We use a measurement date of January 31 for all defined benefit pension plans and the postretirement plan.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 14 Employee Benefit Plans (Continued)**

	Year Ended January 31 Defined Benefit			Year ended January 31 Postretirement Benefit		
	2010	2009	2008	2010	2009	2008
(In thousands)						
Change in benefit obligation						
Benefit obligation at beginning of year	\$ 6,154	\$ 10,285	\$ 9,899	\$ 7,117	\$ 7,087	\$ 7,513
Service cost	3	21	34	107	104	121
Interest cost	441	533	524	450	432	421
Participant contributions				309	338	324
Adjustment due to measurement date					45	
Benefits paid	(220)	(279)	(313)	(432)	(546)	(505)
Actuarial gain	1,676	(2,016)	(116)	320	(343)	(787)
Settlements			83			
Exchange rate changes	656	(2,390)	174			
Benefit obligation at end of year	8,710	6,154	10,285	7,871	7,117	7,087
Change in plan assets						
Fair value of plan assets at beginning of year	5,164	7,942	7,693			
Actual return on plan assets	858	(926)	(26)			
Employer contributions	327	363	496	123	208	181
Participant contributions				309	338	324
Benefits paid	(220)	(218)	(313)	(432)	(546)	(505)
Exchange rate changes	545	(1,997)	92			
Fair value of plan assets at end of year	6,674	5,164	7,942			
Amounts recognized in the balance sheet consist of						
Current liability	(351)	(321)	(270)	(436)	(373)	(336)
Non-current liability	(1,685)	(669)	(2,073)	(7,435)	(6,744)	(6,751)
Net amount recognized at year-end	\$ (2,036)	\$ (990)	\$ (2,343)	\$ (7,871)	\$ (7,117)	\$ (7,087)
Amounts recognized in accumulated other comprehensive income (pre-tax) consist of						
Net actuarial loss	\$ 2,176	\$ 931	\$ 2,124	\$ 712	\$ 393	\$ 735
Prior service cost credit				(437)	(514)	(591)
Total	\$ 2,176	\$ 931	\$ 2,124	\$ 275	\$ (121)	\$ 144
Components of net periodic benefit cost						
Service cost	\$ 3	\$ 21	\$ 34	\$ 107	\$ 104	\$ 121
Interest cost	441	533	524	450	432	421
Expected return on plan assets	(368)	(475)	(516)			
Settlement loss			82			
Amortization of prior service credit				(77)	(77)	(77)
Recognized net actuarial loss	61	82	102		6	193

Edgar Filing: CASCADE CORP - Form 10-K

Net periodic benefit cost	\$ 137	\$ 161	\$ 226	\$ 480	\$ 465	\$ 658
Weighted-average assumptions						
Discount rate for benefit obligation	5.5%	6.9%	5.8%	5.8%	6.5%	6.3%
Discount rate for net periodic benefit cost	6.9%	5.8%	5.2%	6.5%	6.3%	5.8%
Expected long-term rate of return on plan assets	6.5%	6.5%	6.5%			
Varying rates of increase in compensation levels based on age	3.4%	3.4%	3.3%			

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 14 Employee Benefit Plans (Continued)**

The following table reflects the estimated pension benefits and postretirement gross benefit payments to be paid and medicare subsidy payments and retiree contributions to be received over the next ten years (in thousands):

	Defined Benefit	Gross Benefit Payments	Postretirement Benefit		Net Benefit Payments
			Medicare Subsidy	Retiree Contributions	
2011	\$ 318	\$ 1,024	\$ 92	\$ 498	\$ 434
2012	230	1,125	103	567	455
2013	246	1,242	113	637	492
2014	253	1,377	122	726	529
2015	264	1,462	131	753	578
2016 - 2020	1,417	8,005	792	4,054	3,159

Our expected contribution in fiscal 2011 to the defined benefit pension plans is \$352,000.

The amount in accumulated other comprehensive income expected to be recognized as components of net periodic benefit costs in fiscal 2011 include an actuarial loss of \$129,000 for our defined benefit plans and a prior service credit of \$77,000 for our postretirement plan.

Defined Benefit Pension Plans

We sponsor defined benefit pension plans covering certain current and former employees in France and England. Benefits under the defined benefit pension plans are based on years of service and average earnings over a specified period of time. The net periodic cost of our defined benefit pension plans is determined using the projected unit credit method. Several actuarial assumptions are used to determine the defined benefit pension obligations and net periodic pension cost, the most significant of which are the discount rate, the long-term rate of asset return and changes in compensation levels. Our funding policy for defined benefit pension plans is to generally make annual contributions based on actuarially determined funding requirements.

We determine the discount rate for the defined benefit pension plans each year as of the measurement date, based on a review of interest rates associated with long-term high quality corporate bonds in the geographic region where the plan is maintained.

The expected long-term rate of return on defined benefit pension plan assets assumption is derived based on the historical returns achieved by the pension trust and anticipated future long-term performance of individual assets classes. Consideration is also given to the appropriate investment strategy and anticipated future distribution of plan assets between asset classes. While this analysis gives appropriate consideration to recent trust performance and historical returns, the assumption represents a long-term prospective return.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 14 Employee Benefit Plans (Continued)**

Our principal objective is to ensure that plan assets are sufficient to enable all future pension liabilities to be paid when due. Plan assets are allocated with a goal to achieve diversification between and within various asset classes to meet long-term objectives of return, while mitigating against downside risks and considering expected cash flows. The asset allocations for the pension assets at January 31, 2010 and 2009 are as follows:

Asset Category	Percentage of Plan Assets At January 31		Target allocation
	2010	2009	
Equity	48%	44%	48%
Debt	44%	44%	44%
Real estate	5%	3%	5%
Cash	3%	9%	3%

The fair value of plan assets at January 31, 2010 and 2009 are as follows:

Type of Asset	Total	January 31, 2010		
		Level 1	Level 2	Level 3
		(In thousands)		
Balanced fund	\$ 4,005	\$	\$ 4,005	\$
UK long dated gilt fund	2,635		2,635	
Cash	34	34		
Total fair value of plan assets	\$ 6,674	\$ 34	\$ 6,640	\$

Type of Asset	Total	January 31, 2009		
		Level 1	Level 2	Level 3
		(In thousands)		
Balanced fund	\$ 2,988	\$	\$ 2,988	\$
UK long dated gilt fund	2,157		2,157	
Cash	19	19		
Total fair value of plan assets	\$ 5,164	\$ 19	\$ 5,145	\$

As specified in ASC 820, the framework for measuring fair value is based on independent observable inputs of market data and follows the following hierarchy:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Significant observable inputs based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations for which all significant assumptions are observable.

Edgar Filing: CASCADE CORP - Form 10-K

Level 3 Significant unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities.

When developing fair value measurements, it is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of valuation methodologies used for assets measured at fair value.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 14 Employee Benefit Plans (Continued)**

The Balanced Fund is comprised primarily of Aberdeen managed funds, with a focus on domestic and international equity securities such as common, preferred or other capital stock. The other fund assets include bonds, property and cash. The fund can hold cash balances up to a maximum of 20% of the Fund's value. The fair value of this fund is based on information provided by Aberdeen, which represents the net asset value of underlying investments which is redeemable on a daily price.

The UK long dated gilt fund is comprised primarily of investments in long dated sterling denominated investment grade UK government securities and other domestic and international debt related securities. The fair value of this fund is based on information provided by Aberdeen, which represents the net asset value of underlying investments which is redeemable on a daily price.

The cash balance represents amounts held in bank accounts.

The accumulated benefit obligation is the actuarial present value of benefits attributed to employee services rendered to date, excluding assumptions about future compensation levels. The accumulated benefit obligation for all defined benefit pension plans was \$8.7 million at January 31, 2010 and \$6.2 million at January 31, 2009. The net underfunded pension liability was \$2 million and \$1 million as of January 31, 2010 and 2009, respectively. The increase in the liability in fiscal 2010 is primarily the result of a decrease in the discount rate.

Postretirement Benefit Plan

We also provide a postretirement benefit plan, consisting of health care coverage to eligible retirees and qualifying dependents in the United States. Benefits under this postretirement benefit plan are generally based on age at retirement and years of service. The net periodic cost of the postretirement plan is determined using the projected unit credit method. Other significant actuarial assumptions include the discount rate, health care cost trend rates (rate of growth for medical costs) and rates of retirement and life expectancy of plan participants. We determine our discount rate using a yield curve expected benefit payment methodology based on interest rates associated with long-term high quality corporate bonds. This methodology uses individual curve rates to discount each future years' expected plan benefit payments. We are accruing the estimated future costs of providing postretirement benefits to eligible active employees during the active service period. Our postretirement plan is not funded and we have no current plans to provide funding other than annual contributions, which represent the benefits paid for the year.

Assumed health care cost trend rates have a significant effect on the amounts reported for our postretirement benefit plan. The assumed health care cost trend rates used in measuring the APBO were as follows at January 31:

	January 31	
	2010	2009
Health care cost trend rate assumed next year	8.0%	8.5%
Ultimate trend rate	4.5%	4.5%
Year ultimate trend rate is reached	2017	2017

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 14 Employee Benefit Plans (Continued)**

The following presents the effect of a 1% change in health care cost trend rates at January 31, 2010 (in thousands):

	1% Increase	1% Decrease
Change in health care cost trend rate:		
Effect on service and interest costs	\$ 73	\$ (62)
Effect on postretirement benefit obligation	944	(803)

The fiscal 2011 postretirement benefit costs will be based on a 5.75% discount rate.

Defined Contribution Retirement Plans

We sponsor a number of defined contribution retirement plans. We match employee contributions in varying degrees and also make contributions to certain plans based on a percentage of employee wages. Our expense under these plans was \$5.7 million, \$5.2 million and \$5.4 million, for the years ended January 31, 2010, 2009 and 2008, respectively.

Note 15 Earnings Per Share

The following table presents the calculation of basic and diluted earnings (loss) per share (in thousands, except per share amounts):

	Year Ended January 31		
	2010	2009	2008
Basic earnings (loss) per share:			
Net income (loss)	\$ (38,649)	\$ 1,267	\$ 60,147
Weighted average shares of common stock outstanding	10,816	10,794	11,841
	\$ (3.57)	\$ 0.12	\$ 5.08
Diluted earnings (loss) per share:			
Net income (loss)	\$ (38,649)	\$ 1,267	\$ 60,147
Weighted average shares of common stock outstanding	10,816	10,794	11,841
Dilutive effect of stock options		283	492
Diluted weighted average shares of common stock outstanding	10,816	11,077	12,333
	\$ (3.57)	\$ 0.11	\$ 4.88

Basic earnings per share is based on the weighted average number of common shares outstanding for the period. Diluted weighted average common shares includes the incremental shares that would be issued upon the assumed exercise of stock options and stock appreciation rights and the amount of unvested restricted stock. All of the unexercised SARs and unvested restricted stock were not included in the fiscal 2010 calculation as the impact would be antidilutive. Unexercised SARS totaling 104,000 awards and unvested restricted stock totaling 26,000 shares were excluded from the fiscal 2009 calculation of diluted earnings per share because the impact would be antidilutive.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 16 Accumulated Other Comprehensive Income (Loss)**

	Accumulated Other Comprehensive Income (Loss)		
	Translation Adjustment	Minimum Pension Liability Adjustment (In thousands)	Total
Balance at January 31, 2007	\$ 14,675	\$ (2,381)	\$ 12,294
Translation adjustment	22,817		22,817
Minimum pension/postretirement liability adjustment, net of tax effect of (\$304)		562	562
Balance at January 31, 2008	37,492	(1,819)	35,673
Translation adjustment	(28,550)		(28,550)
Minimum pension/postretirement liability adjustment, net of tax effect of (\$319)		1,144	1,144
Balance at January 31, 2009	8,942	(675)	8,267
Translation adjustment	16,470		16,470
Minimum pension/postretirement liability adjustment, net of tax effect of \$359		(1,284)	(1,284)
Balance at January 31, 2010	\$ 25,412	\$ (1,959)	\$ 23,453

Note 17 Fair Value of Financial Assets and Liabilities

The fair value of our financial instruments represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The carrying amount of our cash and cash equivalents, trade receivables and payables and notes payable to banks approximates fair value due to the short maturity of these instruments. The carrying value of long-term debt approximates fair market value due to the variable interest rate on the debt.

Note 18 Derivative Instruments and Hedging Activities

We have operations and sell products to dealers and original equipment manufacturers throughout the world. Our activities expose us to a variety of market risks, including the effects of changes in foreign currency exchange rates. These financial exposures are monitored and managed within our foreign exchange management policy as approved by the Board of Directors. Our policy prohibits any activity construed as speculating on the changes in the value of any foreign currency. Our risk-management program focuses on the unpredictability of financial markets and seeks to reduce the effects that the volatility of these markets may have on our operating results.

We maintain a foreign currency risk-management strategy that uses derivative instruments to protect our interests from unanticipated fluctuations in earnings caused by volatility in foreign currency exchange rates. Various amounts of our payables, receivables and subsidiary royalties are denominated in foreign currencies, thereby creating exposures to changes in exchange rates.

We purchase foreign currency forward exchange contracts with contract terms lasting up to six months, but generally less than one month, to protect against the adverse effects that exchange rate fluctuations may have on foreign currency denominated receivables and payables. We only purchase these contracts for actual exposures. These derivatives do not qualify for hedge accounting. The gains and losses on both the derivatives and the foreign currency denominated receivables and payables are recorded as transaction adjustments in current earnings thereby minimizing the effect on current earnings of exchange-rate fluctuations.

Table of Contents**Cascade Corporation****Notes to Consolidated Financial Statements (Continued)****Note 18 Derivative Instruments and Hedging Activities (Continued)**

By using derivative financial instruments to hedge exposures to changes in exchange rates, we expose ourselves to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivatives contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates repayment risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, it does not possess repayment risk. We minimize the credit or repayment risk in derivative instruments by entering into transactions with counterparties whose credit ratings are AA or higher, monitoring the amount of exposure to each counterparty and monitoring the financial condition of our counterparties.

Market risk is the adverse effect on the value of a foreign exchange contract that results from a change in the underlying exchange rates. The market risk associated with these foreign exchange risks is managed by only hedging actual exposures. Any change in value of the foreign exchange contract due to exchange rate change is offset by the change in value of the underlying asset being hedged due to exchange rate change.

At January 31, 2010 and 2009, we had approximately \$101.2 million and \$115.7 million, respectively, of nominal value contracts in place to buy or sell foreign currency. The difference between the nominal and fair value is recorded in the consolidated financial statements as an unrealized foreign currency gain or loss. The principal currencies hedged are denominated in Canadian Dollars, Euros, British Pounds, Swedish Krona, Korean Won, Chinese Yuan and Japanese Yen.

Note 19 Acquisitions

We completed the following acquisitions during the three years ended January 31, 2010:

During fiscal 2008, we purchased American Compaction Equipment, Inc., a manufacturer of construction attachments located in San Juan Capistrano, California. The total purchase price was approximately \$11.5 million, net of assumed liabilities.

Note 20 Supplementary Quarterly Financial Information (unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter(1)
	(In thousands, except per share amounts)			
Year ended January 31, 2010				
Net sales	\$ 76,316	\$ 76,643	\$ 80,822	\$ 80,572
Gross profit	\$ 14,469	\$ 18,533	\$ 19,675	\$ 18,393
Operating income (loss)	\$ (8,999)	\$ (10,638)	\$ 1,017	\$ (12,874)
Net income (loss)	\$ (12,073)	\$ (12,303)	\$ 157	\$ (14,430)
Net income (loss) per share:				
Basic	\$ (1.12)	\$ (1.14)	\$ 0.01	\$ (1.33)
Diluted	\$ (1.12)	\$ (1.14)	\$ 0.01	\$ (1.33)
Year ended January 31, 2009				
Net sales	\$ 149,867	\$ 150,103	\$ 139,134	\$ 95,068
Gross profit	\$ 42,348	\$ 42,717	\$ 40,537	\$ 22,946
Operating income (loss)	\$ 17,752	\$ 18,514	\$ 17,815	\$ (42,604)
Net income (loss)	\$ 10,858	\$ 10,495	\$ 10,415	\$ (30,501)
Net income (loss) per share:				
Basic	\$ 1.01	\$ 0.97	\$ 0.96	\$ (2.82)
Diluted	\$ 0.98	\$ 0.94	\$ 0.94	\$ (2.82)

- (1) Amounts include a \$46,376 (\$31,576 after tax) asset impairment charge during the fourth quarter ended January 31, 2009.

Table of Contents**Schedule II****Cascade Corporation****Valuation and Qualifying Accounts****(In thousands)**

Description	Column A	Column B Balance at Beginning of Period	Column C Charged to Costs and Expenses	Column D Deductions	Column E Foreign Currency Impact/Acquisitions	Column F Balance at End of Period
Years ended January 31:						
2010						
Allowance for doubtful accounts receivable		\$ 1,441	\$ 210	\$ (449)	\$ 126	\$ 1,328
Valuation allowances-deferred tax assets		\$ 12,444	\$ 10,803	\$	\$ (1,236)	\$ 22,011
Obsolete inventory reserve		\$ 1,975	\$ 952	\$ (1,515)	\$ 193	\$ 1,605
2009						
Allowance for doubtful accounts receivable		\$ 1,623	\$ 422	\$ (394)	\$ (210)	\$ 1,441
Valuation allowances-deferred tax assets		\$ 11,672	\$ 3,211	\$ (593)	\$ (1,846)	\$ 12,444
Obsolete inventory reserve		\$ 1,775	\$ 634	\$ (176)	\$ (258)	\$ 1,975
2008						
Allowance for doubtful accounts receivable		\$ 1,515	\$ 45	\$ (123)	\$ 186	\$ 1,623
Valuation allowances-deferred tax assets		\$ 8,752	\$ 1,798	\$ (49)	\$ 1,171	\$ 11,672
Obsolete inventory reserve		\$ 2,280	\$ 497	\$ (1,182)	\$ 180	\$ 1,775

Table of Contents

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure 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.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2010. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework. Based on our evaluation, our management concluded that, as of January 31, 2010, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of January 31, 2010, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Changes in Internal Control Over Financial Reporting

There has been no change in the internal control over financial reporting that occurred during the three months ended January 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

CEO and CFO Certifications

The certifications of our Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act have been filed as Exhibits 31.1 and 31.2 to this report. Additionally, on June 26, 2009 our Chief Executive Officer certified to the New York Stock Exchange that he was not aware of any violation by us of the New York Stock Exchange's corporate governance listing standards.

Item 9B. Other Information

None.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our directors is set forth under the heading "Proposal 1: Election of Directors" in the Company's Proxy Statement for its 2010 Annual Meeting to be filed within 120 days after our fiscal year end of January 31, 2010, ("Proxy Statement") and is incorporated into this report by reference. Information regarding our executive officers is set forth in Part I of this report under "Officers of the Registrant."

Audit Committee

We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Mr. Duane C. McDougall (Chair), Dr. Nicholas R. Lardy, Mr. James S. Osterman, Dr. Nancy A. Wilgenbusch, Mr. Peter D. Nickerson and Mr. Henry W. Wessinger II, each of whom is independent as independence for Audit Committee members is defined under New York Stock Exchange listing standards applicable to us.

Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Duane C. McDougall, Chair of the Audit Committee, is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K of the Exchange Act and is independent as independence for Audit Committee members is defined under New York Stock Exchange listing standards applicable to us.

Code of Ethics

We have adopted a code of ethics and business responsibilities ("Code") for directors, officers (including the CEO, CFO, principal accounting officer, and persons performing similar functions) and employees, which is Exhibit 14 of this report. A copy of the Code is available on our website at www.cascorp.com/investor. Shareholders may also request a free copy of the Code from:

Cascade Corporation

Attention: Secretary

Post Office Box 20187

Portland, Oregon 97294-0187

503-669-6300

We will post on our website any required amendments to or waivers granted under the Code pursuant to Securities and Exchange Commission or New York Stock Exchange disclosure rules.

Item 11. Executive Compensation

Information regarding compensation of our named executive officers, directors and certain matters regarding the Compensation Committee of our Board of Directors is set forth under the headings "Executive Compensation," "Corporate Governance and Other Board Matters" "Director Compensation" and "Compensation Committee Interlocks and Insider Participation," in the Proxy Statement and is incorporated into this report by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stock Holder Matters

Information concerning the security ownership of certain beneficial owners, directors, and executive officers of Cascade is set forth under the heading "Voting Securities-Stock Ownership Of Certain Beneficial Owners And Management" in the Proxy Statement and is incorporated into this report by reference.

Table of Contents

Information regarding our equity compensation plans is set forth under the heading "Equity Compensation Plan Information" in the Proxy Statement and is incorporated into this report by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information concerning certain relationships and related transactions is included under "Certain Relationships and Related Transactions" in the Proxy Statement and is incorporated into this report by reference. Information concerning the independence of our directors is set forth under the heading "Corporate Governance and Other Board Matters Board Independence" in the Proxy Statement and is incorporated into this report by reference.

Item 14. Principal Accounting Fees and Services

Information concerning fees paid to our principal accountants is set forth under the heading "Fees Paid to Independent Registered Public Accounting Firm" in the Proxy Statement and is incorporated into this report by reference.

Table of Contents**PART IV****Item 15. Exhibits and Financial Statement Schedules**

(a) Index to Financial Statements

1. <i>Consolidated Financial Statements</i>	
<u>Report of Independent Registered Public Accounting Firm</u>	39
Consolidated Financial Statements:	
<u>Statements of Operations for each of the three years in the period ended January 31, 2010</u>	40
<u>Balance Sheets at January 31, 2010 and 2009</u>	41
<u>Statements of Changes in Shareholders' Equity for each of the three years in the period ended January 31, 2010</u>	42
<u>Statements of Cash Flows for each of the three years in the period ended January 31, 2010</u>	43
<u>Notes to Consolidated Financial Statements</u>	44
2. <i>Financial Statement Schedule for each of the three years ended January 31, 2010, 2009 and 2008.</i>	
<u>Valuation and Qualifying Accounts</u>	73

The individual financial statements of the registrant and its subsidiaries have been omitted since Cascade is primarily an operating company and all subsidiaries included in the consolidated financial statements, in the aggregate, do not have minority equity interests and/or indebtedness to any person other than the registrant or its consolidated subsidiaries in amounts which together exceed 5% of the total consolidated assets at January 31, 2010, except indebtedness incurred in the ordinary course of business which is not overdue and which matures within one year from the year of its origination.

3. *Exhibits*

A list of exhibits filed or furnished with this report on Form 10-K (or incorporated by reference to exhibits previously filed or furnished by Cascade) is provided in the accompanying Exhibit Index.

Table of Contents**SIGNATURES**

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

CASCADE CORPORATION

By: /s/ JOSEPH G. POINTER
Joseph G. Pointer
Chief Financial Officer

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

/s/ ROBERT C. WARREN, JR.	President and Chief Executive Officer, and Director (Principal Executive Officer)	April 5, 2010
Robert C. Warren, Jr.		Date
/s/ JOSEPH G. POINTER	Chief Financial Officer (Principal Financial and Accounting Officer)	April 5, 2010
Joseph G. Pointer		Date
/s/ JAMES S. OSTERMAN	Director	April 5, 2010
James S. Osterman		Date
/s/ NICHOLAS R. LARDY	Director	April 5, 2010
Nicholas R. Lardy		Date
/s/ DUANE C. MCDOUGALL	Director	April 5, 2010
Duane C. McDougall		Date
/s/ PETER D. NICKERSON	Director	April 5, 2010
Peter D. Nickerson		Date
/s/ HENRY W. WESSINGER II	Director	April 5, 2010
Henry W. Wessinger II		Date
/s/ NANCY A. WILGENBUSCH	Director	April 5, 2010

Table of Contents**EXHIBIT INDEX**

Exhibit No.	Description
3.1	Restated Articles of Incorporation, filed as Exhibit 3.1 to Form 10-Q filed with the Commission on September 5, 2008.(1)
3.2	Bylaws, as amended April 6, 2007 filed as Exhibit 3.2 to Form 10-K filed with the Commission on April 16, 2007.(1)
10.1	Severance Agreement dated May 25, 2000, with Richard S. Anderson, filed as Exhibit 3 to Form 10-K filed with the Commission on May 1, 2001.(1)(2)
10.2	Severance Agreement dated May 25, 2000, with Robert C. Warren, Jr., filed as Exhibit 1 to Form 10-K filed with the Commission on May 1, 2001.(1)(2)
10.3	1999 Amendment and Restatement of the Cascade Corporation 1995 Senior Managers Incentive Stock Option Plan filed as Exhibit 4.3 to the Registration Statement on Form S-8 (Registration No. 333-103581) filed with the Commission on March 4, 2003.(1)(2)
10.4	Form of Stock Option Agreement for 1999 Amendment and Restatement of the Cascade Corporation 1995 Senior Managers Incentive Stock Option Plan filed as Exhibit 10.5 to Form 10-K filed with the Commission on April 18, 2005.(1)(2)
10.5	Cascade Corporation Stock Appreciation Rights and Restricted Stock Plan, filed as Exhibit 10.1 to Form 10-Q filed with the Commission on September 10, 2007.(1)(2)
10.6	Form of Stock Appreciation Rights Agreement for Cascade Corporation Stock Appreciation Rights Plan filed as Exhibit 10.7 to Form 10-K filed with the Commission on April 18, 2005.(1)(2)
10.7	Form of Restricted Stock Agreement (Employee) for Cascade Corporation Stock appreciation Rights and Restricted Stock Plan filed as Exhibit 10.2 to Form 10-Q filed with the Commission on September 10, 2007.(1)(2)
10.8	Form of Restricted Stock Agreement (Director) for Cascade Corporation Stock Appreciation Rights and Restricted Stock Plan filed as Exhibit 10.3 to Form 10-Q filed with the Commission on September 10, 2007.(1)(2)
10.9	Summary of Non-Employee Director and Named Executive Officer Compensation Arrangements.(2)
10.10	Loan Agreement dated February 28, 2003, among Cascade Corporation, Bank of America, N.A., Union Bank of California, N.A., and Bank of America, N.A. as agent, filed as Exhibit 10.1 to Form 8-K filed with the Commission on December 18, 2006.(1)
10.11	Amendment to Credit Agreement dated June 29, 2005, among Cascade Corporation, Bank of America, N.A., Union Bank of California, N.A., and Bank of America, N.A. as agent, filed as Exhibit 10.2 to Form 8-K filed with the Commission on December 18, 2006.(1)
10.12	Second Amendment to Credit Agreement dated February 24, 2006, among Cascade Corporation, Bank of America, N.A., Union Bank of California, N.A., and Bank of America, N.A. as agent, filed as Exhibit 10.3 to Form 8-K filed with the Commission on December 18, 2006.(1)
10.13	Third Amendment to Loan Agreement dated December 12, 2006, among Cascade Corporation, Bank of America, N.A., Union Bank of California, N.A., and Bank of America, N.A. as agent, filed as Exhibit 10.4 to Form 8-K filed with the Commission on December 18, 2006.(1)
10.14	Fourth Amendment to Loan Agreement dated October 3, 2007 among Cascade Corporation, Bank of America, N.A., Union Bank of California, N.A., and Bank of America, N.A. as agent, filed as Exhibit 10.16 to Form 10-K filed with the Commission on April 8, 2008.(1)

Table of Contents

Exhibit No.	Description
10.15	Fifth Amendment to Loan Agreement dated December 21, 2007 among Cascade Corporation, Bank of America, N.A., Union Bank of California, N.A. and Bank of America, N.A. as agent, filed as Exhibit 10.17 to Form 10-K filed with the Commission on April 8, 2008.(1)
10.16	Sixth Amendment to Loan Agreement dated July 29, 2009 among Cascade Corporation, Bank of America, N.A., Union Bank of California, N.A., and Bank of America, N.A. as agent, filed as Exhibit 10.1 to Form 8-K filed with the Commission on August 3, 2009.(1)
10.17	Security Agreement dated July 29, 2009 between Cascade Corporation and Bank of America, N.A. as agent, filed as Exhibit 10.2 to Form 8-K filed with the Commission on August 3, 2009.(1)
14	Code of Ethics and Business Responsibilities for Directors, Officers, and Employees, filed as Exhibit 14 to Form 10-K filed with the Commission on April 8, 2008.(1)
21	Subsidiaries of the registrant.
23	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350

(1) Incorporated by reference.

(2) Indicates management contract or compensatory plan or arrangement.