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

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**FORM 10-Q**

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(Mark One)

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

For the Quarterly Period Ended April 30, 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

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**CASCADE CORPORATION**

(Exact name of registrant as specified in its charter)

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

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

**2201 N.E. 201st Ave.**  
**Fairview, Oregon**  
(Address of principal executive office)

**97024-9718**  
(Zip Code)

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

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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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (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 Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock as of May 17, 2010 was 10,928,049.

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**CASCADE CORPORATION**  
**FORM 10-Q**  
**Quarter Ended April 30, 2010**

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| <b><u>Part I – Financial Information:</u></b>  |             |
| <u>Item 1. Financial Statements (unaudited):</u>   |             |
| <u>Consolidated Statements of Operations</u>   | 4           |
| <u>Consolidated Balance Sheets</u>   | 5           |
| <u>Consolidated Statement of Changes in Shareholders' Equity</u>                                     | 6           |
| <u>Consolidated Statements of Cash Flows</u>   | 7           |
| <u>Notes to Consolidated Financial Statements</u>  | 8           |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 17          |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>                            | 25          |
| <u>Item 4. Controls and Procedures</u>   | 27          |
| <b><u>Part II – Other Information</u></b>  | 28          |
| <b><u>Signatures</u></b>   | 29          |
| <b><u>Exhibit Index</u></b>  | 30          |

## Forward-Looking Statements

This Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Item 2) 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;
- Risks and complexities associated with international operations;
- Impact of tax law changes;
- Foreign currency fluctuations;
- Assumptions relating to pension and other postretirement costs;
- Cost and availability of raw materials;
- Environmental matters;
- Fluctuations in interest rates;
- Ability to comply with debt covenants;
- Impact of acquisitions.

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.

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**CASCADE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited—in thousands, except per share amounts)**

|   | Three Months Ended |                   |
|---|--------------------|-------------------|
|   | April 30           |                   |
|   | 2010               | 2009              |
| Net sales                                       | \$94,392           | \$ 76,316         |
| Cost of goods sold                              | 66,678             | 61,847            |
| Gross profit                                    | 27,714             | 14,469            |
| Selling and administrative expenses             | 18,149             | 18,691            |
| European restructuring costs                    | 75                 | 4,777             |
| Operating income (loss)                         | 9,490              | (8,999)           |
| Interest expense                                | 579                | 426               |
| Interest income                                 | (46)               | (113)             |
| Foreign currency loss, net                      | 305                | —                 |
| Income (loss) before provision for income taxes | 8,652              | (9,312)           |
| Provision for income taxes                      | 2,986              | 2,761             |
| Net income (loss)                               | <u>\$ 5,666</u>    | <u>\$(12,073)</u> |
| Basic earnings (loss) per share                 | \$ 0.52            | \$ (1.12)         |
| Diluted earnings (loss) per share               | \$ 0.51            | \$ (1.12)         |
| Basic weighted average shares outstanding       | 10,831             | 10,801            |
| Diluted weighted average shares outstanding     | 11,049             | 10,801            |

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

**CASCADE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited—in thousands, except per share amounts)

|  | April 30<br>2010 | January 31<br>2010 |
|--|------------------|--------------------|
| <b>ASSETS</b>  |                  |                    |
| Current assets:  |                  |                    |
| Cash and cash equivalents  | \$ 21,321        | \$ 20,201          |
| Accounts receivable, less allowance for doubtful accounts of \$1,363 and \$1,328                         | 60,163           | 50,910             |
| Inventories  | 60,996           | 63,466             |
| Deferred income taxes  | 4,418            | 4,230              |
| Assets available for sale  | 8,748            | 9,125              |
| Prepaid expenses and other   | 13,198           | 12,334             |
| Total current assets   | <u>168,844</u>   | <u>160,266</u>     |
| Property, plant and equipment, net   | 71,148           | 73,408             |
| Goodwill   | 87,368           | 84,122             |
| Deferred income taxes  | 20,224           | 21,022             |
| Intangible assets, net   | 715              | 763                |
| Other assets   | 2,272            | 2,350              |
| Total assets   | <u>\$350,571</u> | <u>\$341,931</u>   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                  |                    |
| Current liabilities:   |                  |                    |
| Notes payable to banks   | \$ 2,567         | \$ 2,927           |
| Current portion of long-term debt  | 479              | 499                |
| Accounts payable   | 21,697           | 20,542             |
| Accrued payroll and payroll taxes  | 7,402            | 7,683              |
| Accrued restructuring costs  | 2,432            | 5,260              |
| Other accrued expenses   | 12,245           | 10,977             |
| Total current liabilities  | <u>46,822</u>    | <u>47,888</u>      |
| Long-term debt, net of current portion   | 56,234           | 55,990             |
| Accrued environmental expenses   | 3,843            | 4,161              |
| Deferred income taxes  | 4,731            | 4,839              |
| Employee benefit obligations   | 9,239            | 9,120              |
| Other liabilities  | 4,240            | 4,171              |
| Total liabilities  | <u>125,109</u>   | <u>126,169</u>     |
| Commitments and contingencies (Note 7)   |                  |                    |
| Shareholders' equity:  |                  |                    |
| Common stock, \$.50 par value, 40,000 authorized shares; 10,928 and 10,885 shares issued and outstanding | 5,464            | 5,443              |
| Additional paid-in capital   | 7,806            | 7,119              |
| Retained earnings  | 185,194          | 179,747            |
| Accumulated other comprehensive income   | 26,998           | 23,453             |
| Total shareholders' equity   | <u>225,462</u>   | <u>215,762</u>     |
| Total liabilities and shareholders' equity   | <u>\$350,571</u> | <u>\$341,931</u>   |

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

**CASCADE CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited—in thousands, except per share amounts)

|                                    | Common Stock  |                | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Shareholders'<br>Equity | Year-To-Date<br>Comprehensive<br>Income |
|------------------------------------|---------------|----------------|----------------------------------|----------------------|---|----------------------------------|---|
|                                    | Shares        | Amount         |                                  |                      |   |                                  |   |
| <b>Balance at January 31, 2010</b> | 10,885        | \$5,443        | \$ 7,119                         | \$179,747            | \$ 23,453                                       | \$ 215,762                       |   |
| Net income                         | —             | —              | —                                | 5,666                | —   | 5,666                            | \$ 5,666                                |
| Dividends (\$ 0.02 per share)      | —             | —              | —                                | (219)                | —   | (219)                            | —                                       |
| Common stock issued                | 43            | 21             | (7)                              | —                    | —   | 14                               | —                                       |
| Share-based compensation           | —             | —              | 694                              | —                    | —   | 694                              | —                                       |
| Currency translation adjustment    | —             | —              | —                                | —                    | 3,545   | 3,545                            | 3,545                                   |
| <b>Balance at April 30, 2010</b>   | <u>10,928</u> | <u>\$5,464</u> | <u>\$ 7,806</u>                  | <u>\$185,194</u>     | <u>\$ 26,998</u>                                | <u>\$ 225,462</u>                | <u>\$ 9,211</u>                         |

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

**CASCADE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited—in thousands)

|  | Three Months Ended |                  |
|--|--------------------|------------------|
|  | April 30           |                  |
|  | 2010               | 2009             |
| <b>Cash flows from operating activities:</b>   |                    |                  |
| Net income (loss)  | \$ 5,666           | \$(12,073)       |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                    |                  |
| Fixed asset write off due to restructuring   | 13                 | 912              |
| Depreciation   | 2,533              | 3,034            |
| Amortization   | 48                 | 114              |
| Share-based compensation   | 694                | 1,149            |
| Deferred income taxes  | 292                | (227)            |
| Loss (gain) on disposition of assets, net  | (9)                | 21               |
| Changes in operating assets and liabilities:   |                    |                  |
| Accounts receivable  | (9,475)            | 12,383           |
| Inventories  | 1,919              | 11,127           |
| Prepaid expenses and other   | (2,068)            | 1,817            |
| Accounts payable and accrued expenses  | (308)              | (2,878)          |
| Income taxes payable and receivable  | 899                | 55               |
| Other assets and liabilities   | 28                 | (363)            |
| Net cash provided by operating activities  | <u>232</u>         | <u>15,071</u>    |
| <b>Cash flows from investing activities:</b>   |                    |                  |
| Capital expenditures   | (755)              | (784)            |
| Proceeds from disposition of assets  | 20                 | 36               |
| Net cash used in investing activities  | <u>(735)</u>       | <u>(748)</u>     |
| <b>Cash flows from financing activities:</b>   |                    |                  |
| Payments on long-term debt   | (10,123)           | (23,117)         |
| Proceeds from long-term debt   | 10,500             | 2,000            |
| Notes payable to banks, net  | (316)              | (884)            |
| Common stock issued under share-based compensation plans                                 | 14                 | —                |
| Net cash provided by (used in) financing activities                                      | <u>75</u>          | <u>(22,001)</u>  |
| Effect of exchange rate changes  | 1,548              | (1,499)          |
| Change in cash and cash equivalents  | 1,120              | (9,177)          |
| Cash and cash equivalents at beginning of period   | 20,201             | 31,185           |
| Cash and cash equivalents at end of period   | <u>\$ 21,321</u>   | <u>\$ 22,008</u> |
| <b>Supplemental disclosure of cash flow information:</b>                                 |                    |                  |
| See Note 9 to the consolidated financial statements                                      |                    |                  |

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

**CASCADE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**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 fork lift trucks and, to a lesser extent, construction, mining and agricultural vehicles. Accordingly, our sales are largely dependent on sales of lift trucks and 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—Interim Financial Information**

The accompanying consolidated financial statements for the interim periods ended April 30, 2010 and 2009 are unaudited. In the opinion of management, the accompanying consolidated financial statements reflect normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for those interim periods. Results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year, and these financial statements do not contain the detail or footnote disclosures concerning accounting policies and other matters that would be included in full fiscal year financial statements. Therefore, these statements should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2010.

**Note 3—Segment Information**

Our operating units have several similar economic characteristics and attributes, including 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 or loss before interest, foreign currency gains or losses and income taxes. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies contained in Note 2 of our consolidated financial statements included in our Form 10-K for the fiscal year ended January 31, 2010.

Revenues and operating results are classified according to the country of origin. Transfers between areas 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):

### Segment Information

(In thousands)

| <u>2010</u>                        | <u>Three Months Ended April 30</u> |               |                     |              |                     |                     |
|------------------------------------|------------------------------------|---------------|---------------------|--------------|---------------------|---------------------|
|                                    | <u>North America</u>               | <u>Europe</u> | <u>Asia Pacific</u> | <u>China</u> | <u>Eliminations</u> | <u>Consolidated</u> |
| Net sales                          | \$ 45,293                          | \$ 22,370     | \$ 13,810           | \$ 12,919    |                     | \$ 94,392           |
| Transfers between areas            | 6,402                              | 102           | 49                  | 4,835        | (11,388)            | —                   |
| Net sales and transfers            | \$ 51,695                          | \$ 22,472     | \$ 13,859           | \$ 17,754    | \$ (11,388)         | \$ 94,392           |
| Gross profit                       | \$ 15,567                          | \$ 2,003      | \$ 3,767            | \$ 6,377     |                     | \$ 27,714           |
| Selling and administrative         | 10,310                             | 4,464         | 2,328               | 1,047        |                     | 18,149              |
| European restructuring costs       | —                                  | 75            | —                   | —            |                     | 75                  |
| Operating income (loss)            | \$ 5,257                           | \$ (2,536)    | \$ 1,439            | \$ 5,330     |                     | \$ 9,490            |
| Total assets                       | \$ 177,294                         | \$ 81,026     | \$ 39,887           | \$ 52,364    |                     | \$ 350,571          |
| Property, plant and equipment, net | \$ 30,027                          | \$ 13,659     | \$ 9,401            | \$ 18,061    |                     | \$ 71,148           |
| Capital expenditures               | \$ 394                             | \$ 203        | \$ 56               | \$ 102       |                     | \$ 755              |
| Depreciation expense               | \$ 1,317                           | \$ 544        | \$ 157              | \$ 515       |                     | \$ 2,533            |

| <u>2009</u>                        | <u>Three Months Ended April 30</u> |               |                     |              |                     |                     |
|------------------------------------|------------------------------------|---------------|---------------------|--------------|---------------------|---------------------|
|                                    | <u>North America</u>               | <u>Europe</u> | <u>Asia Pacific</u> | <u>China</u> | <u>Eliminations</u> | <u>Consolidated</u> |
| Net sales                          | \$ 37,882                          | \$ 20,877     | \$ 10,720           | \$ 6,837     |                     | \$ 76,316           |
| Transfers between areas            | 2,317                              | 504           | 1                   | 2,311        | (5,133)             | —                   |
| Net sales and transfers            | \$ 40,199                          | \$ 21,381     | \$ 10,721           | \$ 9,148     | \$ (5,133)          | \$ 76,316           |
| Gross profit (loss)                | \$ 10,846                          | \$ (2,028)    | \$ 2,590            | \$ 3,061     |                     | \$ 14,469           |
| Selling and administrative         | 10,777                             | 5,273         | 1,621               | 1,020        |                     | 18,691              |
| European restructuring costs       | —                                  | 4,777         | —                   | —            |                     | 4,777               |
| Operating income (loss)            | \$ 69                              | \$ (12,078)   | \$ 969              | \$ 2,041     |                     | \$ (8,999)          |
| Total assets                       | \$ 172,012                         | \$ 105,644    | \$ 37,110           | \$ 50,848    |                     | \$ 365,614          |
| Property, plant and equipment, net | \$ 32,832                          | \$ 30,623     | \$ 8,576            | \$ 19,348    |                     | \$ 91,379           |
| Capital expenditures               | \$ 518                             | \$ 70         | \$ 43               | \$ 153       |                     | \$ 784              |
| Depreciation expense               | \$ 1,398                           | \$ 1,027      | \$ 124              | \$ 485       |                     | \$ 3,034            |

#### Note 4—Inventories

During the three months ended April 30, 2010, inventories decreased due to reduced inventory purchases and fluctuations in foreign currencies. Inventories stated at the lower of average cost or market are presented below by major class (in thousands):

|                              | <u>April 30<br/>2010</u> | <u>January 31<br/>2010</u> |
|------------------------------|--------------------------|----------------------------|
| Finished goods               | \$23,713                 | \$ 24,573                  |
| Raw materials and components | 37,283                   | 38,893                     |
|                              | <u>\$60,996</u>          | <u>\$ 63,466</u>           |

#### Note 5—Goodwill

During the three months ended April 30, 2010, goodwill increased due to fluctuations in foreign currencies. We have no goodwill recorded in China. The following table provides a breakdown of goodwill by geographic region (in thousands):

|               | <u>April 30<br/>2010</u> | <u>January 31<br/>2010</u> |
|---------------|--------------------------|----------------------------|
| North America | \$73,950                 | \$ 70,259                  |
| Europe        | 10,457                   | 10,892                     |
| Asia Pacific  | 2,961                    | 2,971                      |
|               | <u>\$87,368</u>          | <u>\$ 84,122</u>           |

#### Note 6—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 granted to officers vest ratably over a period of three years. Restricted shares granted to directors prior to June 1, 2010, vest ratably over a period of four years and grants after May 31, 2010 vest after one year. 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 April 30, 2010, a total of 282,000 shares of common stock have been issued under the SARS plan, which includes 96,000 shares of restricted stock. An additional 102,000 shares of common stock would be issued if all outstanding SARS at April 30, 2010 were exercised, based on the end of day share price of \$34.86 on April 30, 2010.

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 April 30, 2010, a total of 1,130,000 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.

A summary of the plans' status at April 30, 2010 together with changes during the three months then ended is presented in the following tables (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, 2010 | 279                | \$ 13.26                                  | 828                       | \$ 34.33                                  |
| Granted                     | —                  | —   | —                         | —   |
| Exercised                   | (58)               | 10.27                                     | (15)                      | 32.54                                     |
| Forfeited                   | —                  | —   | (4)                       | 45.21                                     |
| Balance at April 30, 2010   | <u>221</u>         | <u>\$ 14.04</u>                           | <u>809</u>                | <u>\$ 34.31</u>                           |

|   | Restricted Stock Awards |  |
|---|-------------------------|--|
|   | Number of Shares        | Weighted Average Grant Date Fair Value Per Share |
| Unvested restricted stock at January 31, 2010 | 60                      | \$ 40.73   |
| Granted                                       | —                       | —  |
| Vested  | —                       | —  |
| Forfeited                                     | —                       | —  |
| Unvested restricted stock at April 30, 2010   | <u>60</u>               | <u>\$ 40.73</u>                                  |

We calculate share-based compensation cost for stock options and SARs using the Black-Scholes option pricing model.

We calculate share-based compensation cost for restricted stock by multiplying the fair market value of our common shares on the grant date by the number of restricted shares expected to vest. Share-based compensation is expensed ratably over the applicable vesting period. Additional information regarding the assumptions used to calculate fair value of our share-based compensation plans is presented in Note 2 to our consolidated financial statements included in our Form 10-K for the year ended January 31, 2010.

As of April 30, 2010, there was \$2.5 million of total unrecognized compensation cost related to nonvested share-based compensation awards granted under the plans. The following table represents as of April 30, 2010 the share-based compensation costs to be recognized in future periods (in thousands) for awards granted to date:

| <u>Fiscal Year</u> | <u>Amount</u>  |
|--------------------|----------------|
| 2011*              | 1,165          |
| 2012               | 876            |
| 2013               | 373            |
| 2014               | 85             |
|                    | <u>\$2,499</u> |

\* Represents last nine months of fiscal 2011.

## **Note 7—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 operating results. 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 operating results if asserted. We cannot predict when the additional expense will be necessary or the amount of any additional loss or range of loss that may reasonably be possible.

Our specific environmental matters consist of the following:

#### Fairview, Oregon

In 1996, the Oregon Department of Environmental Quality issued two Records of Decision affecting 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 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 ongoing remediation activities at our Fairview facility was \$2.9 million and \$3.2 million at April 30, 2010 and January 31, 2010, 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 at April 30, 2010 and January 31, 2010.

## 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 be material to our consolidated financial position, results of operations, or cash flows.

## Note 8—Earnings Per Share

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

|   | Three Months Ended April 30 |             |
|---|-----------------------------|-------------|
|   | 2010                        | 2009        |
| <b>Basic earnings (loss) per share:</b>                     |                             |             |
| Net income (loss)   | \$ 5,666                    | \$ (12,073) |
| Weighted average shares of common stock outstanding         | 10,831                      | 10,801      |
|   | \$ 0.52                     | \$ (1.12)   |
| <b>Diluted earnings (loss) per share:</b>                   |                             |             |
| Net income (loss)   | \$ 5,666                    | \$ (12,073) |
| Weighted average shares of common stock outstanding         | 10,831                      | 10,801      |
| Dilutive effect of stock awards                             | 218                         | —           |
| Diluted weighted average shares of common stock outstanding | 11,049                      | 10,801      |
|   | \$ 0.51                     | \$ (1.12)   |

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. Unexercised SARs totaling 594,000 awards were excluded from the calculation of diluted earnings per share for the quarter ended April 30, 2010 because they were antidilutive. The assumed exercise of stock awards and vesting of restricted stock was not included in the calculation for the quarter ended April 30, 2009 as the impact would have been antidilutive.

**Note 9—Supplemental Cash Flow Information**

The following table presents information that supplements the consolidated statements of cash flow (in thousands):

|   | <u>For the Three Months Ended April 30</u> |             |
|---|--|-------------|
|   | <u>2010</u>                                | <u>2009</u> |
| Cash paid during the period for:                          |  |             |
| Interest  | \$ 590                                     | \$ 522      |
| Income taxes  | \$ 2,635                                   | \$ 2,691    |
| Supplemental disclosure of non-cash investing activities: |  |             |
| Dividends declared  | \$ 219                                     | \$ 543      |

**Note 10—Benefit Plans**

The following table represents the net periodic cost related to our defined benefit plans in England and France and our postretirement health benefit plan in the United States (in thousands):

|                                | <u>Defined Benefit</u>             |              | <u>Postretirement Benefit</u>      |               |
|--------------------------------|------------------------------------|--------------|------------------------------------|---------------|
|                                | <u>Three Months Ended April 30</u> |              | <u>Three Months Ended April 30</u> |               |
|                                | <u>2010</u>                        | <u>2009</u>  | <u>2010</u>                        | <u>2009</u>   |
| Net periodic benefit cost:     |                                    |              |                                    |               |
| Service cost                   | \$ 5                               | \$ 5         | \$ 31                              | \$ 27         |
| Interest cost                  | 114                                | 105          | 110                                | 113           |
| Expected return on plan assets | (106)                              | (85)         | —                                  | —             |
| Recognized prior service cost  | —                                  | —            | (19)                               | (19)          |
| Recognized net actuarial loss  | 29                                 | 11           | —                                  | —             |
|                                | <u>\$ 42</u>                       | <u>\$ 36</u> | <u>\$ 122</u>                      | <u>\$ 121</u> |

**Note 11—Recent Accounting Pronouncements**

**Subsequent events** - In February 2010, the FASB issued new accounting guidance that amended the May 2009 subsequent events guidance described above to (1) eliminate the requirement for an SEC filer to disclose the date through which it has evaluated subsequent events, (2) clarify the period through which conduit bond obligors must evaluate subsequent events, and (3) refine the scope of the disclosure requirements for reissued financial statements. We adopted this new accounting guidance for our financial statements for the quarter ended April 30, 2010. The adoption of this guidance did not have an impact on our financial statements.

**Note 12—Warranty Obligations**

We record a liability on our consolidated balance sheet for costs related to warranties 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. Our warranty obligations, which are recorded in other accrued expenses on the consolidated balance sheets, were as follows (in thousands):

|  | <u>2010</u>    | <u>2009</u>    |
|--|----------------|----------------|
| Balance at January 31                            | \$1,348        | \$1,312        |
| Accruals for warranties issued during the period | 460            | 557            |
| Accruals for pre-existing warranties             | 150            | 578            |
| Settlements during the period                    | (698)          | (896)          |
| Foreign currency changes                         | (5)            | 23             |
| Balance at April 30                              | <u>\$1,255</u> | <u>\$1,574</u> |

**Note 13—Accumulated Other Comprehensive Income**

During the three months ended April 30, 2010, accumulated other comprehensive income increased due to fluctuations in foreign currencies, primarily the Canadian Dollar and Australian Dollar. The following table presents the changes in and the components of accumulated other comprehensive income (in thousands):

|                                 | Accumulated Other Comprehensive Income (Loss) |                                      |                 |
|---------------------------------|---|--------------------------------------|-----------------|
|                                 | Translation Adjustment                        | Minimum Pension Liability Adjustment | Total           |
| Balance at January 31, 2010     | \$ 25,412                                     | \$ (1,959)                           | \$23,453        |
| Currency translation adjustment | 3,516   | 29                                   | 3,545           |
| Balance at April 30, 2010       | <u>\$ 28,928</u>                              | <u>\$ (1,930)</u>                    | <u>\$26,998</u> |

**Note 14—Income Taxes**

The provision for income taxes in the first quarter of fiscal 2011 includes tax expense of \$555,000 as a result of changes in the tax treatment of Medicare Part D subsidy receipts under the Patient Protection and Affordable Care Act of 2010. In the past, Medicare Part D subsidy receipts have been non-taxable, however payments received after 2012 will be subject to federal income taxes.

The provision for income taxes in the first quarter of fiscal 2010 was primarily a result of taxes due in countries where we generated income. We were unable to realize a tax benefit in several European countries where we incurred losses.

As of April 30, 2010 our liability for uncertain tax positions was \$1.3 million which included an accrual for interest and penalties of \$225,000. There were no material changes in uncertain tax positions during the current period.

We are subject to taxation primarily in the U.S., Canada and China, as well as various state and other foreign jurisdictions. The Internal Revenue Service (IRS) recently completed its review of our U.S. income tax returns for fiscal years 2004 - 2007. The IRS proposed adjustments of approximately \$5 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. We are in the process of appealing this issue with the IRS and 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 April 30, 2010 related to this matter. As of April 30, 2010, we remain subject to examination in various state and foreign jurisdictions for the 2004 - 2009 tax years.

**Note 15—Restructuring Activities**

During the first three months of fiscal 2011 and 2010 we incurred costs related to our European restructuring activities. The following table outlines the restructuring costs incurred during those periods (in thousands):

|                             | <u>For the Three Months Ended April 30</u> |                 |
|-----------------------------|--|-----------------|
|                             | <u>2010</u>                                | <u>2009</u>     |
| Facility closures           | \$ 220                                     | \$ 79           |
| Fixed asset write downs     | 13   | 912             |
| Employee wages and benefits | (158)                                      | 3,333           |
| Other restructuring         | —  | 342             |
| Professional fees           | —  | 111             |
| Total costs                 | <u>\$ 75</u>                               | <u>\$ 4,777</u> |

As of April 30, 2010, \$2.4 million of accrued restructuring costs are included on the consolidated balance sheet. We anticipate paying these costs by the end of fiscal 2011.

European restructuring costs by facility location are as follows (in thousands):

|                 | <u>For the Three Months Ended April 30</u> |                 |
|-----------------|--|-----------------|
|                 | <u>2010</u>                                | <u>2009</u>     |
| Germany         | \$ 345                                     | \$ —            |
| France          | 13   | 4,434           |
| England         | (283)                                      | —               |
| The Netherlands | —  | 343             |
| Total costs     | <u>\$ 75</u>                               | <u>\$ 4,777</u> |

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

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 in four geographic segments: North America, Europe, Asia Pacific and China. All references to fiscal periods are defined as the period ended April 30, 2009 (fiscal 2010) and the period ended April 30, 2010 (fiscal 2011).

### **RECENT TRENDS AND DEVELOPMENTS AFFECTING OUR RESULTS**

#### **Global Economic & Lift Truck Market 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 that continued through the end of fiscal 2010. We believe we are beginning to see economic recovery with increased sales in all regions during the first quarter of fiscal 2011. In addition, the lift truck market appears to be recovering based on order and shipment rates. However, due to market volatility experienced over the last few years, it is difficult to predict with certainty how quickly and to what extent the markets will recover. Based on the current conditions, we believe the following:

- North America has begun to recover and will increase at a rate between 5-10% for the remainder of the year.
- Europe has begun to recover at a slow pace. However, it is uncertain how the current debt crisis existing for several European Union countries will impact European economies or the lift truck market.
- The Asia Pacific market will experience growth during the remainder of fiscal 2011 at a rate between 10-15%.
- The market in China will continue to be strong but down from the shipment levels in the first quarter.

Additional information on lift truck industry trends can be found at [www.cascorp.com/investor/industrytrends](http://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-Q and is not incorporated by reference.

#### **Europe Restructuring**

Beginning in fiscal 2009, we took 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 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.

During the first quarter of fiscal 2011, we have seen progress as a result of our restructuring efforts, as we experienced our highest gross profit margin percentage since fiscal 2009. However, our results still fell short of our expectations due to the write down of obsolete inventory, high freight costs, competitive pricing of certain products and costs to transfer the warehousing and delivery of our forks in France and Germany to a third party provider.

We are continuing to look for further opportunities to improve our European operations and believe that over the long-term our objective of sustained profitability in Europe will be met.

## COMPARISON OF FIRST QUARTER OF FISCAL 2011 AND FISCAL 2010

### Executive Summary

|                                   | <u>Three Months Ended April 30</u>      |             | <u>Change</u> | <u>Change %</u> |
|-----------------------------------|---|-------------|---------------|-----------------|
|                                   | <u>2010</u>                             | <u>2009</u> |               |                 |
|                                   | (In thousands except per share amounts) |             |               |                 |
| Net sales                         | \$ 94,392                               | \$ 76,316   | \$18,076      | 24%             |
| Operating income (loss)           | \$ 9,490                                | \$ (8,999)  | \$18,489      | —               |
| Income (loss) before taxes        | \$ 8,652                                | \$ (9,312)  | \$17,964      | —               |
| Provision for income taxes        | \$ 2,986                                | \$ 2,761    | \$ 225        | 8%              |
| Effective tax rate                | 35%                                     | (30)%       | —             | —               |
| Net income (loss)                 | \$ 5,666                                | \$ (12,073) | \$17,739      | —               |
| Diluted earnings (loss) per share | \$ 0.51                                 | \$ (1.12)   | \$ 1.63       | —               |

The following is an overview for the first quarter of fiscal 2011. All percentage comparisons to the prior year exclude the impact of foreign currencies:

- Consolidated net sales increased 19% due to higher sales volumes as a result of improving economic conditions and a strong lift truck market. Global lift truck shipments increased 17% compared to the prior year. We have found that while lift truck industry shipments provide an indication of the long-term direction of our business activity, changes in our quarterly net sales do not correspond directly to the quarterly percentage changes in lift truck shipments or orders.
- Our consolidated gross profit percentage increased from 19% to 29% during fiscal 2011, primarily as a result of improved absorption of fixed and variable costs due to increased sales volumes in all regions and the benefit of cost cutting measures implemented during fiscal 2010.
- We incurred restructuring costs of \$4.8 million during fiscal 2010, primarily as a result of the closure of our fork facility in France.
- The income tax expense during fiscal 2010 was a result of taxes due in countries where we generated income. We were unable to realize a tax benefit in several European countries where we incurred losses.

### North America

|                            | <u>Three Months Ended April 30</u> |          |              |          | <u>Change</u>   | <u>Change %</u> |
|----------------------------|------------------------------------|----------|--------------|----------|-----------------|-----------------|
|                            | <u>2010</u>                        | <u>%</u> | <u>2009</u>  | <u>%</u> |                 |                 |
|                            | (In thousands)                     |          |              |          |                 |                 |
| Net sales                  | \$45,293                           | 88%      | \$37,882     | 94%      | \$ 7,411        | 20%             |
| Transfers between areas    | 6,402                              | 12%      | 2,317        | 6%       | 4,085           | 176%            |
| Net sales and transfers    | 51,695                             | 100%     | 40,199       | 100%     | 11,496          | 29%             |
| Cost of goods sold         | 36,128                             | 70%      | 29,353       | 73%      | 6,775           | 23%             |
| Gross profit               | 15,567                             | 30%      | 10,846       | 27%      | 4,721           | 44%             |
| Selling and administrative | 10,310                             | 20%      | 10,777       | 27%      | (467)           | (4)%            |
| Operating income           | <u>\$ 5,257</u>                    | 10%      | <u>\$ 69</u> | 0%       | <u>\$ 5,188</u> | —               |

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

|                         | <u>Amount</u>         | <u>Change %</u>   |
|-------------------------|-----------------------|-------------------|
| Net sales change        | \$6,692               | 18%               |
| Foreign currency change | 719                   | 2%                |
| <b>Total</b>            | <b><u>\$7,411</u></b> | <b><u>20%</u></b> |

The following summarizes financial results for North America for the first quarter of fiscal 2011. All percentage comparisons to the prior year exclude the impact of foreign currencies:

- Net sales increased 18% primarily due to higher sales volumes as a result of improving economic conditions. In contrast, lift truck industry shipments decreased by 26% compared to the prior year.
- Transfers to other Cascade locations increased 176% due to increased demand in China and Europe.
- Our gross profit percentage increased due to improved absorption of fixed and variable costs as a result of higher sales volumes during the current year and a reduction of overhead costs as a result of headcount reductions and other cost cutting measures implemented in the prior year.
- Selling and administrative costs decreased by 7% primarily due to higher product warranty claims in the prior year.

## Europe

|                              | <u>Three Months Ended April 30</u> |          |                   |          | <u>Change</u>   | <u>Change %</u> |
|------------------------------|------------------------------------|----------|-------------------|----------|-----------------|-----------------|
|                              | <u>2010</u>                        | <u>%</u> | <u>2009</u>       | <u>%</u> |                 |                 |
|                              | (In thousands)                     |          |                   |          |                 |                 |
| Net sales                    | \$22,370                           | 100%     | \$ 20,877         | 98%      | \$ 1,493        | 7%              |
| Transfers between areas      | 102                                | —        | 504               | 2%       | (402)           | (80)%           |
| Net sales and transfers      | 22,472                             | 100%     | 21,381            | 100%     | 1,091           | 5%              |
| Cost of goods sold           | 20,469                             | 91%      | 23,409            | 109%     | (2,940)         | (13)%           |
| Gross profit (loss)          | 2,003                              | 9%       | (2,028)           | (9)%     | 4,031           | 199%            |
| Selling and administrative   | 4,464                              | 20%      | 5,273             | 25%      | (809)           | (15)%           |
| European restructuring costs | 75                                 | —        | 4,777             | 22%      | (4,702)         | (98)%           |
| Operating loss               | <u>\$(2,536)</u>                   | (11)%    | <u>\$(12,078)</u> | (56)%    | <u>\$ 9,542</u> | 79%             |

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

|                         | <u>Amount</u>         | <u>Change %</u>  |
|-------------------------|-----------------------|------------------|
| Net sales change        | \$ 487                | 2%               |
| Foreign currency change | 1,006                 | 5%               |
| <b>Total</b>            | <b><u>\$1,493</u></b> | <b><u>7%</u></b> |

The following summarizes financial results for Europe for the first quarter of fiscal 2011. All percentage comparisons to the prior year exclude the impact of foreign currencies:

- Net sales increased 2% primarily due to higher sales volumes as a result of a slight improvement in economic conditions. Lift truck industry shipments for the quarter decreased 16% when compared with the prior year.

- During the first quarter of fiscal 2011 we experienced the highest gross profit margin in Europe since fiscal 2009 as a result of our recent restructuring efforts, which included closing production facilities in Germany, The Netherlands and France, changes in management personnel, other workforce reductions within Europe and the movement of certain production activities to Italy.
- Selling and administrative costs decreased by 18% due to lower personnel, selling and other general costs as a result of our restructuring efforts.
- Restructuring costs in the prior year were primarily a result of the closure of our fork manufacturing facility in France. These costs included employee wage and benefit costs of \$3.3 million, fixed asset write downs of \$912,000 and legal and other restructuring costs of \$532,000.

## Asia Pacific

|                            | Three Months Ended April 30 |      |          |      | Change  | Change % |
|----------------------------|-----------------------------|------|----------|------|---------|----------|
|                            | 2010                        | %    | 2009     | %    |         |          |
|                            | (In thousands)              |      |          |      |         |          |
| Net sales                  | \$13,810                    | 100% | \$10,720 | 100% | \$3,090 | 29%      |
| Transfers between areas    | 49                          | —    | 1        | —    | 48      | —        |
| Net sales and transfers    | 13,859                      | 100% | 10,721   | 100% | 3,138   | 29%      |
| Cost of goods sold         | 10,092                      | 73%  | 8,131    | 76%  | 1,961   | 24%      |
| Gross profit               | 3,767                       | 27%  | 2,590    | 24%  | 1,177   | 45%      |
| Selling and administrative | 2,328                       | 17%  | 1,621    | 15%  | 707     | 44%      |
| Operating income           | \$ 1,439                    | 10%  | \$ 969   | 9%   | \$ 470  | 49%      |

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

|                         | Amount  | Change % |
|-------------------------|---------|----------|
| Net sales change        | \$ 900  | 8%       |
| Foreign currency change | 2,190   | 21%      |
| Total                   | \$3,090 | 29%      |

The following summarizes financial results for Asia Pacific for the first quarter of fiscal 2011. All percentage comparisons to the prior year exclude the impact of foreign currencies:

- Net sales increased 8% primarily due to higher sales volumes as a result of an improvement in economic conditions and a strong lift truck market. Lift truck industry shipments for the quarter increased 19% when compared with the prior year.
- Our gross profit percentage increased due to the benefit of fixed and variable cost absorption as a result of higher sales volumes and fluctuations in foreign currency rates.
- Selling and administrative costs are 21% higher due to personnel, warranty and other general costs. Personnel costs in the prior year were abnormally low as a result of a payroll accrual adjustment.

## China

|                            | Three Months Ended April 30 |      |                |      | Change         | Change % |
|----------------------------|-----------------------------|------|----------------|------|----------------|----------|
|                            | 2010                        | %    | 2009           | %    |                |          |
|                            | (In thousands)              |      |                |      |                |          |
| Net sales                  | \$12,919                    | 73%  | \$6,837        | 75%  | \$6,082        | 89%      |
| Transfers between areas    | 4,835                       | 27%  | 2,311          | 25%  | 2,524          | 109%     |
| Net sales and transfers    | 17,754                      | 100% | 9,148          | 100% | 8,606          | 94%      |
| Cost of goods sold         | 11,377                      | 64%  | 6,087          | 67%  | 5,290          | 87%      |
| Gross profit               | 6,377                       | 36%  | 3,061          | 33%  | 3,316          | 108%     |
| Selling and administrative | 1,047                       | 6%   | 1,020          | 11%  | 27             | 3%       |
| Operating income           | <u>\$ 5,330</u>             | 30%  | <u>\$2,041</u> | 22%  | <u>\$3,289</u> | 161%     |

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

|                         | Amount         | Change %   |
|-------------------------|----------------|------------|
| Net sales change        | \$6,071        | 89%        |
| Foreign currency change | 11             | 0%         |
| Total                   | <u>\$6,082</u> | <u>89%</u> |

The following summarizes financial results for China for the first quarter of fiscal 2011. All percentage comparisons to the prior year exclude the impact of foreign currencies:

- Net sales increased 89% primarily due to higher sales volumes as a result of the recovery of the Chinese economy and lift truck market. Lift truck industry shipments within China for the quarter increased 103% when compared with the prior year.
- Transfers to other Cascade locations increased due to higher customer demand in Europe and Asia Pacific.
- Our gross profit percentage increased due to improved absorption of fixed and variable costs as a result of higher sales volumes in the current year.
- Sales and administrative costs increased 3% due to higher selling, engineering and other general costs.

## Non-Operating Items

The following are financial highlights for non-operating items during the first quarter of fiscal 2011:

- Interest expense increased \$153,000 during fiscal 2011 primarily due to higher interest rates in the current year.
- The effective tax rate for fiscal 2011 is 35% compared to a (30%) tax rate in the prior year. The provision for income taxes in the first quarter of fiscal 2011 includes tax expense of \$555,000 as a result of changes in the tax treatment of Medicare Part D subsidy receipts under the Patient Protection and Affordable Care Act of 2010. In the past, Medicare Part D subsidy receipts have been non-taxable, however payments received after 2012 will be subject to federal income taxes. The provision for income taxes in the first quarter of fiscal 2010 was primarily a result of taxes due in countries where we generated income. We were unable to realize a tax benefit in several European countries where we incurred losses.

## 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 the 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 this measure 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. This measure 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:

|                                     | <u>Three Months Ended April 30</u> |                  |
|-------------------------------------|------------------------------------|------------------|
|                                     | <u>2010</u>                        | <u>2009</u>      |
|                                     | <u>(In thousands)</u>              |                  |
| Cash flow from operating activities | \$ 232                             | \$ 15,071        |
| Capital expenditures                | (755)                              | (784)            |
| Free cash flow                      | <u>\$ (523)</u>                    | <u>\$ 14,287</u> |

The decrease in free cash flow during fiscal 2011 is primarily a result of higher levels of accounts receivable due to increased sales volumes and the need to maintain inventory balances at current levels to meet customer needs.

### Statements of Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the three months ended April 30, 2010 and April 30, 2009 by classifying transactions into three major categories of activities: operating, investing and financing.

The following table presents a summary of our cash flows:

|                                 | <u>For the Three Months Ended April 30</u> |                   |
|---------------------------------|--|-------------------|
|                                 | <u>2010</u>                                | <u>2009</u>       |
|                                 | <u>(In thousands)</u>                      |                   |
| Operating activities            | \$ 232                                     | \$ 15,071         |
| Investing activities            | (735)                                      | (748)             |
| Financing activities            | 75   | (22,001)          |
| Effect of exchange rate changes | 1,548                                      | (1,499)           |
| Net change in cash              | <u>\$ 1,120</u>                            | <u>\$ (9,177)</u> |

### Operating Activities

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.

Net cash provided by operating activities decreased from \$15.1 million in fiscal 2010 to \$232,000 in fiscal 2011 due to the following:

- The net loss in fiscal 2010 was a result of significantly lower sales volumes, lower gross margins and significant restructuring charges.
- Inventories decreased \$1.9 million during the current year compared to a decrease of \$11.1 million in fiscal 2010. We have maintained our levels of inventory in the current year. During fiscal 2010, we focused on lowering inventory quantities by limiting purchases of materials and lowering levels of finished goods needed to meet lower customer demand.
- During fiscal 2011, accounts receivable increased \$9.5 million compared to a decrease of \$12.4 million in fiscal 2010. The increase in the current year is primarily a result of higher sales.

### Investing Activities

Our primary investing activity is capital expenditures, which 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):

|               | <u>Three Months Ended April 30</u> |               |
|---------------|------------------------------------|---------------|
|               | <u>2010</u>                        | <u>2009</u>   |
| North America | \$ 394                             | \$ 518        |
| Europe        | 203                                | 70            |
| Asia Pacific  | 56                                 | 43            |
| China         | 102                                | 153           |
|               | <u>\$ 755</u>                      | <u>\$ 784</u> |

The following are investing activity highlights:

- Capital expenditures during fiscal 2011 and 2010 are below historical levels as we have limited spending to only critical projects. We expect this to continue through the end of fiscal 2011.
- We expect capital expenditures for the remainder of fiscal 2011 to be approximately \$7 million.

### Financing Activities

The following are major financing activities:

- Net borrowings made against our long-term debt and notes payable were \$61,000 during the first three months of fiscal 2011 compared to net payments of \$22 million during the first three months of fiscal 2010. In the prior year, we focused on paying down our debt with available cash.
- We declared dividends totaling \$219,000 (\$0.02 per share) and \$543,000 (\$0.05 per share) during the first three months of fiscal 2011 and 2010, respectively.

## FINANCIAL CONDITION AND LIQUIDITY

The following are highlights regarding our financial condition and liquidity for the first three months of fiscal 2011:

- Our working capital, defined as current assets less current liabilities, increased from \$112.4 million at January 31, 2010 to \$122.0 million at April 30, 2010. Our current ratio increased from 3.3 to 1 at January 31, 2010 to 3.6 to 1 at April 30, 2010.
- Total outstanding debt, including notes payable to banks, decreased slightly from \$59.4 million at January 31, 2010 to \$59.3 million at April 30, 2010.

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), adjusted for cash taxes paid, an established level of capital expenditures and cash dividends, to be 1.25 times required debt service payments, principal and interest on outstanding debt through July 30, 2010 and 1.5 times from July 31, 2010 onward. The actual fixed charge coverage ratio at April 30, 2010 was 6.6.

Leverage ratio – requires outstanding debt and letters of credit to be less than 3.5 times EBITDA through July 30, 2010 and less than 3.0 times EBITDA from July 31, 2010 onward. The actual leverage ratio at April 20, 2010 was 2.1.

We were in compliance with our debt covenants at April 30, 2010. 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 months.

As of April 30, 2010, outstanding borrowings under this line of credit totaled \$53 million and an additional \$1.6 million was used to issue letters of credit. No principal payments are required until December 2011. The interest rate on the line of credit, which was based on LIBOR plus a margin of 2.5% at April 30, 2010 was 2.82%.

## OTHER MATTERS

The following table represents the three-month percentage change from January 31, 2010 to April 30, 2010 in the end of month foreign currency rates compared to the U.S. dollar used by our significant operations. As a result of these changes, foreign currency translation adjustments increased shareholders' equity by \$3.5 million during the quarter ended April 30, 2010.

| <u>Currency</u>   | <u>Change for<br/>Three Months<br/>Ended April 30, 2010</u> |
|-------------------|---|
| Australian Dollar | 5%  |
| Canadian Dollar   | 5%  |
| Korean Won        | 5%  |
| British Pound     | (4)%  |
| Euro              | (4)%  |

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of 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 historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A description of our critical accounting policies and related judgments and estimates that affect the preparation of our consolidated financial statements is set forth in our Annual Report on Form 10-K for the year ended January 31, 2010.

## OFF BALANCE SHEET ARRANGEMENTS

At April 30, 2010, 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 materially exposed to any financing, liquidity market or credit risk that could arise if we had engaged in such relationships.

## RECENT ACCOUNTING PRONOUNCEMENTS

**Subsequent events** - In February 2010, the FASB issued new accounting guidance that amended the May 2009 subsequent events guidance described above to (1) eliminate the requirement for an SEC filer to disclose the date through which it has evaluated subsequent events, (2) clarify the period through which conduit bond obligors must evaluate subsequent events, and (3) refine the scope of the disclosure requirements for reissued financial statements. We adopted this new accounting guidance for our financial statements for the quarter ended April 30, 2010. The adoption of this guidance did not have an impact on our financial statements.

### Item 3. 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 and expenses are denominated in foreign currencies. 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 U.S. dollar.

The table below illustrates the hypothetical increase in net sales for the first quarter of fiscal 2011 resulting from a 10% weaker U.S. dollar against foreign currencies which impact our operations (in millions):

|  |        |
|--|--------|
| Euro   | \$ 1.9 |
| Chinese yuan   | 1.3    |
| Japanese yen   | 0.5    |
| Australian dollar  | 0.4    |
| Canadian dollar  | 0.4    |
| British pound  | 0.3    |
| Other currencies (representing 5% of consolidated net sales) | 0.4    |

A 10% weaker U.S. dollar during the quarter, measured against foreign currencies that affect our operations, would have increased our operating income by \$723,000.

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, Chinese Yuan, Korean Won, Swedish Krona and British Pounds. Our foreign currency forward exchange contracts have terms lasting up to three months, but generally less than one month. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

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 operations for the three months ended April 30, 2010, a 1.0% increase in steel prices would have decreased consolidated gross profit by approximately \$333,000.

The majority of our debt as of April 30, 2010 had a variable interest rate, which was 2.82% at April 30, 2010 and was based on LIBOR plus a margin of 2.5%. Based on the April 30, 2010 outstanding balance of our variable rate debt of \$53 million, a 1% increase in our interest rate would result in a \$530,000 increase in annual interest expense.

#### **Item 4. 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.

##### 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 April 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings**

None

**Item 1A. Risk Factors**

There are no material changes from risk factors previously disclosed in our Form 10-K for the year ended January 31, 2010.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults Upon Senior Securities**

None

**Item 5. Other Information**

None

**Item 6. Exhibits**

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

SIGNATURES

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

June 8, 2010

CASCADE CORPORATION

/s/ JOSEPH G. POINTER

Joseph G. Pointer  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

## **EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 10.1               | Amended and Restated Cascade Corporation Stock Appreciation Rights and Restricted Stock Plan (as amended effective March 30, 2010). |
| 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.                            |

**AMENDED AND RESTATED  
CASCADE CORPORATION  
STOCK APPRECIATION RIGHTS AND RESTRICTED STOCK PLAN**

(As amended March 30, 2010)

**1. Purposes.**

This Plan is intended to enable Cascade Corporation (the "Corporation") to recognize the contribution of executives of the Corporation and its subsidiaries to the Corporation's success, to provide them incentives to enhance the Corporation's business prospects and to recognize their role and that of the Board of Directors (the "Board") in increasing value over the long term.

**2. Effective Date and Duration of Plan.**

(a) Effective Date. This amended and restated Plan shall become effective upon approval by the shareholders of the Corporation.

(b) Duration. No stock appreciation rights ("Rights") or restricted shares of Cascade Corporation common stock ("Restricted Shares") may be granted under the Plan after May 31, 2013. However, the Plan shall continue in effect until all rights issued under the Plan have been exercised or have expired. The Board may suspend or terminate the Plan at any time, except with respect to outstanding Rights and Restricted Shares. Termination shall not affect any outstanding Rights or Restricted Shares, or the forfeitability of Rights or Restricted Shares granted under the Plan.

**3. Administration.**

The Plan shall be administered by the Compensation Committee of the Board (the "Committee"). The Committee shall have full power and authority, subject to the provisions of the Plan, to:

(a) Designate employee participants;

(b) Determine the amount and other terms and conditions of Rights to employees, such determinations to be subject to Board approval in the case of grants to officers of the Corporation.

(c) Determine the amount, conditions and restrictions for grants of Restricted Shares, which may be based upon continuous service with the Company or the attainment of certain performance goals, such determinations to be subject to Board approval in the case of grants to officers of the Corporation, and those terms and conditions of Restricted Share grants to non-employee members of the Board of Directors which are not stated in Section 11 of the Plan.

(d) Adopt and amend rules and regulations relating to administration of the Plan, advance the lapse of any waiting period, accelerate any exercise date, and make all other determinations in the judgment of the Committee necessary or desirable for the administration of the Plan.

Decisions of the Committee as to interpretation of, any Rights or Restricted Shares granted pursuant to, the Plan and any related agreement shall be final. The Committee in its sole discretion may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement.

#### **4. Eligibility.**

The Committee may from time to time grant Rights (“Rights”) or Restricted Shares to such key executive employees of the Corporation (“Participants”) or of any subsidiary as the Committee may deem eligible.

#### **5. Rights/Share Limitation**

(a) A Right is a right granted under the Plan which enables the holder to receive at the time of exercise an amount, payable solely in the form of Cascade Corporation common shares valued at Fair Market Value, equal to the difference between the Fair Market Value of a single common share of Cascade Corporation stock and the Base Price of a single common share of Cascade Corporation stock.

(b) In no event shall more than 750,000 Cascade Corporation common shares, as adjusted by the Committee to reflect proportionately any recapitalization, reclassification, stock split, combination of shares, or dividend payable in shares in connection with Cascade Corporation common shares be issued pursuant to the Plan.

(c) In no event shall more than 100,000 Cascade Corporation shares, as adjusted by the Committee to reflect proportionately any recapitalization, reclassification, stock split, combination of shares, or dividend payable in shares in connection with Cascade Corporation common shares, be issued to any one individual pursuant to the exercise of Rights granted to such individual under the Plan in a single fiscal year.

#### **6. Required Terms and Conditions of Rights.**

The Committee may grant Rights under the Plan, subject to such rules, terms, and conditions as the Committee prescribes in accordance with the provisions of the Plan, including the following:

(a) Base Price. The Base Price of each Right shall be established by the Committee and may not be less than the Fair Market Value of a common share of Cascade Corporation common stock on the date the grant is made.

(b) Fair Market Value. The Fair Market Value of a common share of Cascade Corporation common stock means the closing price quoted on the New York Stock Exchange, or if the shares did not trade that date, on the last prior date on which the shares were traded.

(c) Maximum Term of Right. A Right shall be exercisable during such period of time as the Committee may specify, provided that no Right shall be exercisable after the expiration of 10 years from the date on which it is granted.

(d) Installment Exercise Limitations. Each grant of Rights shall generally become exercisable in equal cumulative annual installments over such period as the Committee may establish, except to the extent that other terms of exercise are specifically provided by other terms of the Plan. The Committee shall have discretion to establish vesting periods and limitations on amounts to be realized upon exercise in connection with grants it may make.

(e) Termination of Employment.

(i) *Death*. If a Participant dies while entitled to exercise Rights granted under this Plan, such Rights may be exercised for a period of one year after the Participant's death. Rights not exercisable at the time of death, and Rights not exercised during the period provided by this subparagraph, will expire. In the event of a Participant's death, Rights exercisable as of the date of the Participant's death may be exercised by such beneficiary as the Participant may have designated in writing in a manner determined by the Committee. In the absence of such a designation, the Participant's estate shall have the right to exercise such Rights.

(ii) *Retirement*. If a Participant terminates employment after age 62 under circumstances which the Committee in its sole discretion deems equivalent to retirement, any Rights the Participant was entitled to exercise at the date of retirement may be exercised for a period of one year following retirement. Rights not exercisable at the time of retirement, and Rights not exercised during the period provided by this subparagraph, will expire. The provisions of this subparagraph (ii) shall apply also to retirements due to physical or mental disability which the Committee determines is of such a nature as to prevent further performance of job duties. Should a retired Participant die while entitled to exercise Rights, the provisions of subparagraph (i) above shall apply to the exercise of such Rights, which may be exercised for a period of one year following the Participant's death.

(iii) *Other Termination of Employment – Not For Cause*. Should a Participant cease to be employed by the Corporation or its subsidiaries for reasons other than Death or Retirement, any Rights the Participant was entitled to exercise at the date of termination may be exercised for a period of 90 days following termination or, if longer, until 30 days have elapsed following the public dissemination of the Corporation's financial results for the first fiscal period ending after the termination of the Participant's employment. Rights not exercisable at the time of termination, and Rights not exercised during such 90-day or extended period, shall expire. Should a terminated Participant die while entitled to exercise Rights, the provisions of subparagraph (i) above shall apply to the exercise of such Rights, which may be exercised for a period of one year following the Participant's death. The rights granted by this subparagraph (iii) shall not apply to a Participant who is terminated for Cause, or whom the Committee determines in its sole discretion has entered into competition with the Corporation.

(iv) *Termination for Cause*. Participants whose employment is terminated for (A) willful failure to perform reasonable directives of the Corporation's management; (B) use of alcohol or illegal drugs which interferes with the Participant's performance of duties in the judgment of the Corporation's management; (C) dishonesty affecting the Corporation or any related entity or conviction of a felony or any crime involving fraud or misrepresentation; (D) gross negligence or willful misconduct resulting in substantial loss to the Corporation, damage to the Corporation's reputation, or theft, embezzlement or similar loss to the Corporation; or (E) other conduct which the Committee in its sole discretion determines sufficiently harmful to the interests of the Corporation to constitute cause for termination shall forfeit all outstanding Rights awarded under this Plan.

(f) *Acceleration of Vesting*. The Committee shall have discretion to provide in an individual Participant's grant agreement for the exercise of all or a portion of Rights granted to the Participant which would not otherwise be exercisable, in the event of the Participant's Death or Retirement.

(g) *Exercise*.

(i) Subject to subparagraph (v) of this paragraph (g), the Committee shall establish the time or times for exercise of Rights.

(ii) Each Right shall entitle the holder, upon exercise, to receive from the Corporation an amount equal in value to the excess of the Fair Market Value on the date of exercise of one Right over its Base Price. Such amount shall be payable solely in the form of Cascade Corporation common shares valued at Fair Market Value. No Right shall be exercisable at a time that the amount determined under this Subsection is negative. No fractional shares shall be issued as payment hereunder.

(iii) The Corporation shall make no payment hereunder prior to taking steps necessary to assure that it will receive from a participant who has exercised a Right amounts necessary to satisfy any applicable federal, state or local tax withholding requirements, including social security and other normal withholdings.

(iv) Rights may be exercised only during the 30-day period following the third business day after public dissemination of the Corporation's financial results for any fiscal quarter or for its fiscal year.

(h) *Non-Transferability*. During a Participant's lifetime, Rights shall be exercisable only by the Participant, the Participant's payee pursuant to a valid order by a domestic relations court with jurisdiction, or by a legally designated guardian or conservator. With the Committee's prior consent, a Participant may transfer Rights to a trust for his or her benefit established for estate planning purposes.

## 7. Required Terms and Conditions of Restricted Stock Awards

The Committee may award shares of Cascade common stock to Participants, which shares shall be subject to such terms and conditions as the Committee may prescribe, including the following:

(a) Employment Requirement. A recipient of a grant of Restricted Shares must remain in the employment of the Corporation during a period designated by the Committee ("Restriction Period") in order to retain the shares under the Grant. If the recipient ceases to be employed by the Corporation during the Restriction Period, the Restricted Share grant shall terminate and the shares of Common Stock shall be immediately returned to the Corporation; however, the Committee may, at the time of grant, provide for the employment restriction to lapse with respect to a portion or portions of the Grant of Restricted Shares at different times during the Restriction Period. The Committee shall have discretion to provide for such exceptions to, or waivers of, the employment restriction as it may deem appropriate.

(b) Lapse of Restrictions. All restrictions imposed under the Restricted Share grant shall lapse when the restriction period expires if the employment requirement above and any other restrictions or performance goals have been met. The recipient shall then be entitled to certificates representing shares as to which the restriction has expired, with restrictive legends placed pursuant to this Plan removed.

(c) Dividends. Any dividends declared on the Restricted Shares during the Restriction Period shall be paid to the recipient.

## 8. Changes in Capital Structure, Mergers, Etc.

(a) Change in Capital Structure. If the outstanding shares of Common Stock of the Corporation are hereafter increased, decreased or changed into or exchanged for a different number or kind of shares of the Corporation or of another corporation by reason of any recapitalization, reclassification, stock split, combination of shares or dividend payable in shares, the Committee shall make appropriate adjustments in the price and number of outstanding Rights or portions thereof then unexercised, so that the participant's proportionate interest before and after the occurrence of the event is maintained; provided, however, that this Section 8 (a) shall not apply with respect to transactions referred to in Section 8(b). Any such adjustment made by the Committee shall be conclusive.

(b) Reorganization or Liquidation.

(i) *Cash, Stock or Other Property for Stock*. Except as provided in Section 8(b)(ii), upon a merger, consolidation, reorganization, plan of exchange or liquidation involving the Corporation, as a result of which the shareholders of the Corporation receive cash, stock or other property in exchange for or in

connection with their Common Stock (any such transaction to be referred to in this Section 8 as an “Accelerating Event”), any Right granted hereunder shall terminate, except as specified in the first sentence of Section 8(b)(ii), but the employee shall have the right during the 30-day period immediately prior to any such Accelerating Event to elect to exercise Rights awarded him or her, in whole or in part, without any limitation on exercisability; provided, however, that such exercise shall be deemed to occur immediately prior to such Accelerating Event and shall be contingent upon the occurrence of such Accelerating Event.

(ii) *Stock for Stock*. If the shareholders of the Corporation receive capital stock of another Corporation (“Exchange Stock”) in exchange for their Common Stock in any transaction involving a merger, consolidation, reorganization, or plan of exchange, all Rights granted hereunder shall be converted into stock appreciation rights and awards measured by the Exchange Stock, unless the Committee, in its sole discretion, determines that any or all such Rights shall not be converted, but instead shall terminate in accordance with the provisions of Section 8(b)(i). The amount and price of converted Rights shall be determined by adjusting the amount and price of the Rights or other awards granted hereunder to take into account the relative values of the Exchange Stock and Corporation’s common shares in the transaction.

(iii) *Mergers, Acquisitions, Etc.* The Committee may also grant Rights with terms, conditions and provisions that vary from those specified in the Plan if such awards are granted in substitution for, or in connection with the assumption of, stock appreciation rights awarded by another Corporation and assumed or otherwise agreed to be provided for by the Corporation pursuant to or by reason of a transaction involving a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation to which the Corporation or a parent or subsidiary Corporation of the Corporation is a party.

#### **9. Amendment of Plan.**

The Board may modify or amend the Plan in such respects as it deems advisable but no such amendment may (a) increase the number of shares available under the Plan (other than an increase solely to reflect a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation or any other change in corporate structure of the Corporation affecting the Common Stock, or any distribution to shareholders other than a cash dividend); (b) change the types of awards available under the Plan; (c) extend the term of the Plan; or (d) constitute a “material revision” to the Plan or other modification requiring stockholder approval pursuant to the New York Stock Exchange Corporate Governance Listing Standards. No change in an award already granted shall be made without the written consent of the holder of such award.

#### **10. Employment and Service Rights.**

Nothing in the Plan or any award pursuant to the Plan shall (a) confer upon any employee any right to be continued in the employment of the Corporation or any parent or subsidiary Corporation of the Corporation or interfere in any way with the right of the Corporation or any subsidiary of the Corporation by whom such employee is employed to terminate such employee's employment at any time, for any reason, with or without cause, or increase or decrease such employee's compensation or benefits; or (b) confer upon any person engaged by the Corporation or any parent or subsidiary Corporation of the Corporation any right to be retained or employed by the Corporation or any parent or subsidiary Corporation of the Corporation or to the continuation, extension, renewal, or modification of any compensation, contract, or arrangement with or by the Corporation or any subsidiary of the Corporation.

#### **11. Participation by Directors**

Commencing June 5, 2007, after every annual meeting of the shareholders, each non-employee director of the Corporation shall be awarded a number of Restricted Shares which most nearly totals \$60,000 in value, based upon the closing price of the Corporation's common shares quoted on the New York Stock Exchange on the business day following the next quarterly announcement of the Corporation's earnings (the "Valuation Date"). No fractional shares shall be issued. Restricted Share Grants to directors shall be issued as of the Valuation Date. Restricted Share Grants issued prior to June 1, 2010, shall vest and become free of all restrictions 25% after one year and 25% following each year of director service thereafter. Restricted Share Grants issued on or after June 1, 2010, shall vest 100% after one year of director service following such grant. Such awards shall be subject to the provisions of this Plan in all other respects. All Rights which may have been granted to a director prior to the effective date of this Plan as amended and restated shall be exercisable whether or not they would otherwise be subject to exercise, and all restrictions applicable to grants of restricted shares shall lapse, upon the director's death or reaching of the mandatory retirement age established for directors.

#### **12. Rights as a Shareholder.**

(a) Recipients of Rights. The recipient of any award of Rights under the Plan shall have no rights as a shareholder with respect to any Right, and except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights issued to shareholders. Shares issued pursuant to the exercise of Rights may bear such restrictions on sale or other transfer as counsel to the Corporation may determine are required under securities or other applicable laws.

(b) Recipients of Restricted Shares. Recipients of awards of Restricted Stock shall be entitled to vote such shares on any issue presented to the shareholders for a vote. Recipients of awards of Restricted Stock shall not be entitled to sell or otherwise transfer such shares except as permitted by the agreement evidencing the award. Restricted Shares may bear such restrictions on sale or other transfer as counsel to the Corporation may determine are required under securities or other applicable laws.

#### **13. Governing Law.**

The provisions of this Plan shall be governed by and interpreted in accordance with the laws of the State of Oregon.

**Certification of Chief Executive Officer of Cascade Corporation**

I, Robert C. Warren, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cascade Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2010

/s/ ROBERT C. WARREN, JR.

Robert C. Warren, Jr.

*President and*

*Chief Executive Officer*

**Certification of Chief Financial Officer of Cascade Corporation**

I, Joseph G. Pointer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cascade Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2010

/s/ JOSEPH G. POINTER

Joseph G. Pointer

*Chief Financial Officer*

**Certification of Chief Executive Officer  
and Chief Financial Officer  
pursuant to 18 U.S.C. Section 1350**

In connection with the quarterly report of Cascade Corporation (the "Company") on Form 10-Q for the period ended April 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT C. WARREN, JR.

Robert C. Warren, Jr.  
*Chief Executive Officer*

June 8, 2010

/s/ JOSEPH G. POINTER

Joseph G. Pointer  
*Chief Financial Officer*

June 8, 2010