

# cascade<sup>®</sup> corporation

## NOTICE OF ANNUAL MEETING

Fellow Shareholders:

Cascade Corporation's 2004 Annual Meeting will take place on Wednesday, May 26, 2004, at 10:00 a.m., Pacific Daylight Time, at Corporate Headquarters, 2201 N.E. 201<sup>st</sup> Avenue, Fairview, Oregon, 97204-9718, for the following purposes:

1. To elect two directors to serve three-year terms and one director to serve a two-year term.
2. To approve the Cascade Corporation Stock Appreciation Rights Plan.
3. To transact such other business as may properly come before the meeting or any postponement or adjournment of the meeting.

Shareholders of record at the close of business on March 31, 2004 will be entitled to vote at the meeting.

**IF YOU DO NOT EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE SO THAT YOUR SHARES WILL BE VOTED. THE ENVELOPE REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

James S. Osterman  
Chairman

Portland, Oregon  
April 13, 2004

## PROXY STATEMENT

This proxy statement, which is being mailed to shareholders on or about April 19, 2004, is furnished in connection with the solicitation of proxies by our Board of Directors to be used at the annual meeting of shareholders to be held at our corporate headquarters, 2201 N.E. 201<sup>st</sup> Avenue, Fairview, Oregon, 97204-9718, at 10:00 a.m., Pacific Daylight Time, on Wednesday, May 26, 2004.

We will bear the entire cost of proxy solicitation, which will be primarily by mail or electronically, but proxies may also be solicited personally and by telephone by our Directors and officers without additional compensation. We may make arrangements with brokerage houses and other custodians to send proxies and proxy-soliciting materials to their principals, and may reimburse them for their expenses.

The Board has fixed the close of business on March 31, 2004, as the record date for determining the holders of our common shares that are entitled to notice of and to vote at the annual meeting. At the close of business on the record date there were outstanding and entitled to vote 12,107,764 common shares. Each common share is entitled to one vote on all matters that properly come before the annual meeting. A quorum of shareholders will be established at the meeting if a majority of our outstanding common shares issued and entitled to vote are present in person or represented by proxy.

Unless directed otherwise, the accompanying proxy will be voted for the election of each of the nominees for Directors proposed by the Board or, if any of them is unable to serve, for another nominee designated by the Board, and for approval of the Cascade Corporation Stock Appreciation Rights Plan (the "SAR Plan"), except that shares held through a broker or other nominee who is a New York Stock Exchange member organization will only be voted in favor of the SAR Plan if the shareholder provides specific voting instructions to the broker or other nominee to vote the shares in favor of that proposal. Election of directors will be determined by a plurality of the votes cast. Approval of the SAR Plan requires the affirmative vote of a majority of the votes cast. Abstentions or broker non-votes will have no effect on the required vote on any matter. You may revoke your proxy at any time before it is voted at the meeting by providing written notice of the revocation to our corporate secretary or by attending the meeting and voting in person.

### ***PROPOSAL 1: ELECTION OF DIRECTORS***

Our Board currently consists of seven directors, which our Bylaws divide into three groups. The term of office of one group expires at each annual meeting. This year the terms of Nicholas R. Lardy, Ph.D., James S. Osterman, and Nancy A. Wilgenbusch, Ph.D., expire. Mr. Osterman is nominated to a term ending in 2006. Dr. Lardy and Dr. Wilgenbusch are each nominated to a term ending in 2007.

#### NOMINEES

NICHOLAS R. LARDY, Ph.D.                      Director since 1993    Age 58

Dr. Lardy became a Senior Fellow of the Institute for International Economics, a policy research institution in Washington, D.C., in 2003. He served as a Senior Fellow at The Brookings Institution, also in Washington, D.C., from 1995 to 2003.

JAMES S. OSTERMAN                              Director since 1994    Age 66

Mr. Osterman became President and Chief Executive Officer and Director of Blount International, Inc. in 2002. He served as President of Outdoor Products Group, Oregon Cutting Systems Division of Blount, Inc., a diversified international manufacturing company, from 1986 to 2002.

NANCY A. WILGENBUSCH, Ph.D. Director since 1997 Age 56

Dr. Wilgenbusch has served as President of Marylhurst University since 1984. She currently chairs the Oregon Regional Advisory Board for PacifiCorp, and serves on the Pacificorp Advisory Board for Scottish Power, an international energy company. She is past Chairman of the Portland Branch of the Federal Reserve Bank of San Francisco and currently serves as a Director of West Coast Bancorp.

**Term Expires 2006**

ROBERT C. WARREN, JR. Director since 1982 Age 55

Mr. Warren has served as our President and Chief Executive Officer since 1996. He was President and Chief Operating Officer until 1996, and was formerly Vice President—Marketing. He is a Director of ESCO Corporation, a manufacturer of high alloy steel products.

HENRY W. WESSINGER II Director since 1998 Age 50

Mr. Wessinger has been Senior Vice President, Ragen MacKenzie, a Division of Wells Fargo Investments, LLC since 1990. He serves as President of the Catlin Gabel School Foundation and Treasurer of Wessinger Foundation.

**Term Expires 2007**

C. CALVERT KNUDSEN Director since 1974 Age 80

Mr. Knudsen retired as Chairman and Chief Executive Officer of MacMillan Bloedel, Ltd in 1983 and as Vice Chairman in 1990. He is a director of West Fraser Timber Co., Ltd., Vice Chairman of the Washington Research Foundation, a Director and Secretary of The Ostrom Company, Chairman of the Board of Argyle Winery, and Chairman of the Board of Callison's, Inc.

DUANE C. McDOUGALL Director since 2002 Age 52

Mr. McDougall served as President and Chief Executive officer of Willamette Industries, Inc., an international forest products company, from 1998 to 2002. Prior to becoming President and Chief Executive Officer, he served as Chief Operating Officer and also Chief Accounting Officer during his 21 year tenure with Willamette Industries, Inc. He also serves as a Director of The Greenbrier Companies, Inc., InFocus Corporation, and West Coast Bancorp.

**CORPORATE GOVERNANCE AND OTHER BOARD MATTERS**

We are committed to conducting our operations in accordance with accepted principles of good corporate governance and to applying the highest standards of ethical and legal conduct in our business dealings. Our Corporate Governance Guidelines and our Code of Ethics & Business Responsibilities for Directors, Officers and Employees are available on our website at [www.cascorp.com](http://www.cascorp.com).

***Board Independence***

Our Corporate Governance Guidelines provide that a majority of the Board must meet the criteria for independence established by applicable law and the requirements of the New York Stock Exchange (“NYSE”). The Board has determined that all of the current directors other than Mr. Warren, our President and Chief Executive Officer, are independent in accordance with applicable law and NYSE requirements. In making its determination, the Board applied the following director independence standards, which reflect the NYSE director independence standards currently in effect:

- No director qualifies as “independent” unless the Board affirmatively determines that the director has no material relationship with Cascade or any of its subsidiaries (either directly or as

a partner, shareholder or officer of an organization that has a relationship with Cascade or any of its subsidiaries);

- A director who is an employee, or whose immediate family member is an executive officer of Cascade or any of its subsidiaries is not independent. Such director will become independent three years after the end of such employment relationship;
- A director who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from Cascade or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent. Such director will become independent three years after he or she ceases to receive more than \$100,000 per year in such compensation;
- A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of Cascade or any of its subsidiaries is not independent. Such director will become independent three years after the end of the affiliation or the employment or auditing relationship;
- A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of Cascade's or any of its subsidiaries' present executives serve on that company's compensation committee is not independent. Such director will become independent three years after the end of such service or the employment relationship; and
- A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, Cascade or any of its subsidiaries for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, is not independent until three years after such payments cease to exceed such threshold.

The Board has also determined that those Directors who serve on the Audit, Compensation, and Nominating and Governance Committees of the Board are independent in accordance with applicable law and NYSE requirements.

***Board Committees and Meetings***

The Board currently has standing Audit, Compensation, and Nominating and Governance Committees. During the year ended January 31, 2004, each director attended at least 75% in aggregate of the meetings of the Board and committees on which he or she served. The members of the committees and the number of meetings held during the year are identified in the following table.

<u>Director</u>	<u>Board</u>	<u>Audit</u>	<u>Nominating and Governance</u>	<u>Compensation</u>
C. Calvert Knudsen . . . . .	X	X		X
Nicholas R. Lardy . . . . .	X		X	X (Chair)
Duane C. McDougall . . . . .	X	X (Chair)	X	
James S. Osterman . . . . .	X (Chair)	X		X
Robert C. Warren, Jr. . . . .	X			
Henry W. Wessinger II . . . . .	X	X	X (Chair)	X
Nancy A. Wilgenbusch . . . . .	X	X	X	
Number of meetings . . . . .	4	5	1	6

Directors are encouraged to attend the annual meeting of shareholders, absent unavoidable circumstances which do not permit attendance. All Directors attended the 2003 annual meeting of shareholders.

### ***Audit Committee***

The Audit Committee assists the Board with oversight of the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of our internal audit function and independent auditors, and our compliance with legal and regulatory requirements. The Audit Committee is also charged with the responsibility for satisfying itself that our system of internal controls is reasonably adequate and is operating effectively; that our systems, procedures and policies provide reasonable assurance that financial information is fairly presented; that overall annual audit coverage is satisfactory and is designed to provide reasonable assurance that our financial statements fairly reflect our financial condition and the results of our operations, and that appropriate standards of business conduct are established and observed. The report of the Audit Committee is included in this proxy statement on page 12. The charter of the Audit Committee is available at [www.cascorp.com](http://www.cascorp.com) and is also included as Appendix A to this proxy statement.

Each member of the Audit Committee is independent in accordance with applicable Securities and Exchange Commission rules and NYSE requirements. The Board has determined that Mr. McDougall qualifies as an "audit committee financial expert" as defined in the rules of the Securities and Exchange Commission.

### ***Compensation Committee***

The Compensation Committee provides assistance to the Board in fulfilling its responsibilities related to the compensation of the directors and key management personnel of the Company. Each member of the Compensation Committee is independent in accordance with the requirements of the NYSE. Specific responsibilities of the Compensation Committee include issuing an annual report on executive compensation for inclusion in our proxy statement, annually reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer ("CEO"), evaluating the CEO's performance and making recommendations regarding the CEO's compensation level based on the evaluation for approval by the independent members of the Board, reviewing and making recommendations to the Board with respect to the compensation of our key management personnel and Directors, reviewing and making recommendations to the Board with respect to our incentive and equity based compensation plans, conducting an annual evaluation of the Compensation Committee's performance in fulfilling its duties and responsibilities, and making regular reports to the Board. The report of the Compensation Committee is included in this proxy statement on page 10. The charter of the Compensation Committee is available at [www.cascorp.com](http://www.cascorp.com).

### ***Nominating and Governance Committee***

The Nominating and Governance Committee provides oversight on issues surrounding the composition and operation of the Board, including identifying individuals qualified to serve on the Board, recommending to the Board director nominees for election at our annual meeting of shareholders or for appointment by the Board to fill existing or newly created vacancies on the Board, identifying members of the Board to serve on and to chair each Board committee, developing and revising as appropriate our Corporate Governance Guidelines, and recommending such guidelines or revisions to the Board. Other responsibilities of the Nominating and Governance Committee include reviewing the charters of each Board committee and, when necessary or appropriate, recommending changes in such charters to the Board, overseeing the annual evaluation by the Board of itself and its members, overseeing the Board's evaluation of management, conducting an annual evaluation of its performance in fulfilling its duties and responsibilities and making regular reports to the Board, monitoring the development of best practices regarding corporate governance and taking a leadership role in shaping the corporate governance of Cascade. Each member of the Nominating and Governance Committee is independent in accordance with the requirements of the NYSE. The charter of the Nominating and Governance Committee is available at [www.cascorp.com](http://www.cascorp.com).

The policy of the Nominating and Governance Committee is to consider recommendations for Director nominees submitted by shareholders. Shareholders desiring that the Nominating and Governance Committee consider their recommendations for nominees should submit their recommendations, together with appropriate biographical information and qualifications, in writing to the Nominating and Governance Committee. Nominee recommendations should be addressed to:

Corporate Secretary  
Cascade Corporation  
2201 N.E. 201<sup>st</sup> Avenue  
Fairview, Oregon 97204-9718

Our Corporate Governance Guidelines contain Board membership criteria that apply to nominees recommended by the Nominating and Governance Committee. Under these criteria, nominees should possess the highest personal and professional ethics, a background and expertise that is useful to Cascade and complementary to and different from the background of the other directors, and a willingness to devote the required time to the duties and responsibilities of Board membership. In fulfilling its responsibility to identify individuals qualified to serve on the Board and recommending to the Board nominees for election at our annual meeting of shareholders or for appointment by the Board to fill an existing or newly created vacancy on the Board, the Nominating and Governance Committee evaluates the Board's effectiveness and composition, including considering matters such as the business and professional backgrounds of directors, their age, current employment, community service and other board service, as well as the racial, ethnic, and gender diversity of the Board.

When nominating a candidate to fill a vacancy created by the expiration of the term of a member of the Board, the Nominating and Governance Committee determines whether the incumbent director is willing to stand for re-election. If so, the Committee evaluates his or her performance in office to determine suitability for continued service, taking into consideration the value of continuity and familiarity with the company's business, the Director's history of attendance at board and committee meetings, and the Director's preparation for and participation in such meetings. When nominating a candidate to fill a vacancy where the Committee has determined that an incumbent director should not or is not willing to stand for re-election or where the need to add a new board member has been identified, the Committee initiates a candidate search by seeking input from members of the Board and senior management, considering recommendations submitted by shareholders, and hiring a search firm, if necessary.

The nominating process begins by identifying a candidate or group of candidates, including any candidates who may be submitted by shareholders, who will satisfy specific criteria and otherwise qualify for membership on the Board. These candidates are then presented to the Nominating and Governance Committee, which ranks the candidates. The Chairman, the CEO, and at least one member of the Nominating and Committee interview the prospective candidate or candidates. Other Board members are offered the opportunity to interview candidates. The Nominating and Governance Committee then meets to consider and approve the final candidate or candidates and to recommend and seek the endorsement of the full Board.

### *Executive Sessions*

Non-management Directors meet in executive session without management in conjunction with each Board meeting and may also meet at other times.

### ***Contacting the Board***

Individuals may contact the Board as a group or an individual director at the following mailing address:

Board of Directors  
Attention: Corporate Secretary  
Cascade Corporation  
2201 N.E. 201<sup>st</sup> Avenue  
Fairview, OR 97204-9718

The name of the individual Director or group of Directors to whom the communication is directed should be clearly specified. Communications will be promptly forwarded by the Corporate Secretary to the specified Director addressees or to Mr. Osterman if the communication is addressed to the full Board. Shareholders wishing to submit proposals for inclusion in the proxy statement relating to the 2005 annual meeting of shareholders should follow the procedures specified under “Shareholder Proposals” below. Shareholders wishing to recommend nominees for the Board should follow the procedures specified under “Corporate Governance and Other Board Matters—Nominating and Governance Committee.”

### ***Director Compensation***

During the fiscal year ended January 31, 2004, non-employee Directors, excluding the Chairman, received a quarterly retainer of \$6,000. Mr. Osterman received a \$75,000 annual retainer as Chairman. Non-employee Directors also received \$1,000 for each Board meeting and \$700 for each committee meeting attended. Directors are reimbursed for travel and other expenses attendant to Board membership. In addition, upon initial election to the Board by the shareholders of Cascade, each director is granted an option to purchase 5,000 shares of Cascade common stock at an exercise price equal to the fair market value of the stock on the date of grant.

### ***PROPOSAL 2: APPROVAL OF THE CASCADE CORPORATION STOCK APPRECIATION RIGHTS PLAN***

This proposal asks that the shareholders approve the Stock Appreciation Rights Plan (“SAR Plan”), which the Board voted to present to the shareholders for approval on March 1, 2004. A copy of the SAR Plan is attached to this proxy statement as Appendix B. The SAR Plan provides for the award of stock appreciation rights to key executive employees as determined by the Compensation Committee. A holder exercising a stock appreciation right would be entitled to receive an amount, payable in our common shares, equal to the excess of the market value of a common share on the date of exercise over the base price established by the Compensation Committee at the time the right was granted. The base price cannot be less than the fair market value of a common share on the date of grant.

The Board recommends that you vote to approve the SAR plan for the following reasons:

- The availability of a long-term incentive plan is a critical element of our executive compensation program and is necessary to attract and retain key executive employees. Because the SAR Plan relates benefits to the price of our shares, it ties long-term executive compensation directly to increases in shareholder value.
- Our current long-term incentive plan, the Cascade Corporation 1995 Senior Managers Stock Option Plan (“Stock Option Plan”), will expire by its terms in 2005 and will not be renewed or extended. The 208,483 shares remaining for grants under the Stock Option Plan are not

sufficient to meet our long-term incentive needs. We anticipate that adoption of the SAR Plan will enable us to provide necessary incentive grants over the next several years.

#### *Description of the SAR Plan*

The following description of the SAR Plan is a summary and not a complete description. The complete SAR Plan is attached to this proxy statement as Appendix B.

#### *Purpose*

The purpose of the SAR Plan is to recognize the contribution of our executives to our success, to provide them with incentives to enhance our business prospects, and to recognize their role and that of the Board in increasing our value over the long term.

#### *Term*

The SAR Plan will become effective on the date it is approved by the shareholders and will continue in effect until all stock appreciation rights granted under the SAR Plan have been exercised or expired. However, no stock appreciation rights may be granted under the SAR Plan after May 31, 2013.

#### *Administration*

The SAR Plan will be administered by the Compensation Committee. Subject to the provisions of the SAR Plan, the Compensation Committee may designate employee participants, determine the amount and other terms and conditions of awards of stock appreciation rights to employees (with such determinations subject to Board approval in the case of awards to officers), adopt and amend rules and regulations relating to administration of the SAR Plan, advance the lapse of any waiting period, accelerate any exercise date, and make all other determinations in the judgment of the Compensation Committee necessary or desirable for the administration of the SAR Plan.

#### *Eligibility*

Awards of stock appreciation rights under the SAR Plan may be granted to key executive employees that the Compensation Committee deems eligible. Approximately 12 employees will be initially eligible for awards under the SAR Plan. Each non-employee Director, will also be awarded 5,000 stock appreciation rights upon the later of the approval of the SAR Plan by the shareholders or the Director's election to the Board by the shareholders and an additional 1,000 stock appreciation rights following each subsequent annual meeting of shareholders. We currently have six non-employee Directors.

#### *Number and Terms of Stock Appreciation Rights*

Up to 750,000 stock appreciation rights may be awarded under the SAR Plan. Stock appreciation rights that expire or cease to be exercisable without being exercised are available for grant under the SAR Plan. The price of each stock appreciation right will be established by the Compensation Committee and may not be less than the fair market value of a share of our common stock on the date the stock appreciation right is granted. The fair market value of a share of our common stock will be equal to the closing price of the stock as quoted on the NYSE or if not so quoted, as otherwise determined under the terms of the SAR Plan. Stock appreciation rights may be exercised during the period determined by the Compensation Committee, but no stock appreciation right will be exercisable after 10 years from the date of grant.

### *Non-Transferability*

During a participant's lifetime, stock appreciation rights granted to a participant are exercisable only by the participant, the participant's payee pursuant to a valid domestic relations court order, or by a legally designated guardian or conservator. With the prior consent of the Compensation Committee, stock appreciation rights may be transferred to a trust for the participant's benefit established for estate planning purposes.

### *Changes in Capital Structure and Similar Transactions*

In general, if the outstanding shares of our common stock are increased, decreased or changed into or exchanged for a different number or kind of shares by reason of any recapitalization, reclassification, stock split, combination of shares or dividend payable in shares, the Compensation Committee will make appropriate adjustments in the price and number of outstanding stock appreciation rights then unexercised so that the participant's proportionate interest before and after the occurrence of the event is maintained. Except where our shareholders receive capital stock of another corporation ("Exchange Stock") in exchange for their Cascade common shares in any transaction involving a merger, consolidation, reorganization, or plan of exchange (an "Exchange Transaction"), in the event of a merger, consolidation, reorganization, plan of exchange, or liquidation involving Cascade as a result of which our shareholders receive cash, stock, or other property in exchange for or in connection with their common shares (an "Accelerating Event"), any stock appreciation right granted under the SAR Plan will terminate, but the participant will have the right during the 30-day period immediately prior to any such Accelerating Event to elect to exercise stock appreciation rights awarded him or her, in whole or in part, without any limitation on exercisability; provided, however, that such exercise will be deemed to occur immediately prior to such Accelerating Event and will be contingent upon the occurrence of such Accelerating Event. If our shareholders receive Exchange Stock in an Exchange Transaction, all stock appreciation rights granted under the SAR Plan will be converted into stock appreciation rights and awards measured by the Exchange Stock, unless the Compensation Committee determines that any or all such stock appreciation rights will not be converted but will instead terminate in accordance with the provisions of the SAR Plan. The amount and price of converted stock appreciation rights will be determined by adjusting the amount and price of awards granted under the SAR Plan to take into account the relative values of the Exchange Stock and our common shares in the transaction.

### *Amendment*

The Board may modify or amend the SAR Plan as it deems advisable because of changes in the law while the SAR Plan is in effect or for any other reason. However, no change in an award already granted can be made without the written consent of the holder of such award. The maximum number of rights that may be issued under the SAR Plan may be increased and the provisions of the SAR Plan with respect to stock appreciation rights issued to Directors may be modified only upon approval of our shareholders.

### *Other Information*

A new plan benefits table, as described in the proxy rules of the Securities and Exchange Commission, is not provided because benefits under the SAR Plan will depend on the Compensation Committee's actions and the fair market value of our common stock at future dates. It is therefore not possible to determine the benefits that will be received by Directors, executive officers, and other employees if the SAR Plan is approved by our shareholders. The closing price of our common stock, as reported on the NYSE on April 7, 2004, was \$20.44 per share.

## U.S. Federal Income Tax Consequences

A participant will not recognize taxable income upon the grant of a stock appreciation right. Upon the exercise of a stock appreciation right, a participant will recognize taxable ordinary income equal to the difference between the fair market value of the underlying shares on the date of exercise and the grant price of the stock appreciation right. Cascade will be entitled to a deduction in the same amount and at the time a participant recognizes ordinary income.

### EQUITY COMPENSATION PLAN INFORMATION

The following table gives information about equity awards under the Cascade Corporation 1995 Senior Managers Stock Incentive Plan, our only equity compensation plan in effect as of January 31, 2004, the end of our last fiscal year.

Plan Category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders . . .	1,191,517	\$13.16	208,483
Equity compensation plans not approved by security holders . . .	—	—	—
Total . . . . .	<u>1,191,517</u>		<u>208,483</u>

### COMPENSATION COMMITTEE'S REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee recommends executive salary levels and compensation programs to the Board for approval. Compensation for key executives consists of three major elements: base salary, annual incentive, and long term incentive. The Compensation Committee has adopted a compensation philosophy which provides that (i) base salary should approximate the mean or median for executives with like responsibilities in comparable companies and industries and (ii) the total of base salary, annual incentive, and long-term incentive, when compared to executives with like responsibilities in comparable companies and industries, should be in the 50<sup>th</sup> to 75<sup>th</sup> percentile when Cascade's performance is judged to be good, and above the 75<sup>th</sup> percentile when performance is judged to be excellent. The Committee believes executive compensation should include substantial performance incentives.

The Compensation Committee's recommended base salary levels and annual incentives are based on an analysis by outside compensation consultants of peer group compensation and broader market compensation data for executives with like responsibilities in similar industries.

For the year ended January 31, 2004, annual executive incentive payments were intended to encourage the building of shareholder value through maximization of pretax income. Incentive payments were triggered when Cascade's pretax income before incentive and certain other expenses reached a threshold amount set by the Compensation Committee. Once the threshold was achieved, minimum, target, and maximum incentive award levels applied, depending upon actual pretax income. Limits on total incentive pay were established for each executive. Actual incentive payments to all executive officers, excluding the Chief Executive Officer, ranged from 93% to 95% of the maximum participants could have received.

The Compensation Committee and the Board also provided long-term incentives through option grants under Cascade's Senior Managers' Incentive Stock Option Plan. The options were granted with

an exercise price equal to the fair market value of Cascade's common stock on the date of grant, have a term of 10 years, and become exercisable on an annual basis ratably over four years.

The Compensation Committee and the Board established the CEO's base salary according to the criteria outlined above. For the year ended January 31, 2004, Mr. Warren's annual incentive compensation range was from 30% to 150% of his base salary, and the \$464,415 actual incentive payment was 95% of the maximum which he could have earned. In May 2003, Mr. Warren was also granted options to purchase 76,900 shares of Cascade's common stock on the terms described above.

COMPENSATION COMMITTEE

Nicholas R. Lardy, Chair

C. Calvert Knudsen

James S. Osterman

Henry W. Wessinger II

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee consists of Messrs. Osterman, Knudsen, Lardy, and Wessinger, all independent directors. During the fiscal year ended January 31, 2004, none of Cascade's executive officers served on the board of directors of any entities whose directors or officers serve on Cascade's Compensation Committee.

## AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is established pursuant to Cascade's Bylaws and its activities are governed by a written charter that is attached as Appendix A to this proxy statement and is also available on Cascade's corporate website, *www.cascorp.com*. The current members of the Audit Committee are Mr. McDougall, Mr. Knudsen, Mr. Osterman, Dr. Wilgenbusch, and Mr. Wessinger. Mr. McDougall succeeded Dr. Wilgenbusch as chair of the Audit Committee in December 2003. Each member of the audit committee is independent as defined under the applicable rules of the New York Stock Exchange and the Securities and Exchange Commission. The Board of Directors has determined that Mr. McDougall qualifies as an "audit committee financial expert" as defined in the rules of the Securities and Exchange Commission.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities for general oversight of the integrity of Cascade's financial statements, the independent auditor's qualifications and independence, the performance of Cascade's internal audit function and independent auditors, and Cascade's compliance with legal and regulatory requirements. The Audit Committee is also charged with the responsibility for satisfying itself that Cascade's system of internal controls is reasonably adequate and is operating effectively, that Cascade's systems, procedures, and policies provide reasonable assurance that financial information is fairly presented, overall annual audit coverage is satisfactory and is designed to provide reasonable assurance that Cascade's financial statements fairly reflect its financial condition and the results of its operations, and that appropriate standards of business conduct are established and observed.

Management is responsible for internal controls and financial reporting. PricewaterhouseCoopers LLP is responsible for auditing Cascade's annual consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report on those financial statements.

In this context, we report that in discharging our responsibilities and in addition to other work, we:

- Reviewed and discussed with management and the independent auditors prior to release Cascade's annual and quarterly consolidated financial statements for the fiscal year ended January 31, 2004, and the related press releases.
- Reviewed the independent auditor's audit plan for the fiscal year ended January 31, 2004.
- Discussed with the independent auditors the matters that Statement on Auditing Standards No. 61 (Communications with Audit Committees) requires them to discuss with us.
- Received written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 relating to their independence from Cascade, and we have discussed with the independent auditors their independence from Cascade.
- Considered whether the independent auditor's nonaudit services were compatible with maintaining their independence from Cascade.

Based on the review and discussion referred to above, we recommended to the Board, and the Board approved, that the audited annual consolidated financial statements for the fiscal year 2004 be

included in Cascade's Form 10-K for the fiscal year ended January 31, 2004 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Duane C. McDougall, Chair

C. Calvert Knudsen

James S. Osterman

Henry W. Wessinger II

Nancy A. Wilgenbusch

**VOTING SECURITIES—STOCK OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding beneficial ownership of our common shares as of March 31, 2004, by (i) each person or entity who is known by us to own beneficially more than 5% of our common shares, (ii) each of our directors, (iii) each of the named executive officers listed in the Summary Compensation Table on page 16, and (iv) all our directors and executive officers as a group.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership(1)</u>	<u>Percent of Class(2)</u>
<i>FMR Corp.</i> The total shown reflects a Schedule 13G filed with the Securities and Exchange Commission on February 17, 2004. 82 Devonshire Street Boston, Massachusetts 02109 . . . . .	1,147,300	9.5%
<i>The Robert C. and Nani S. Warren Revocable Trust</i> , of which Nani S. Warren, Robert C. Warren, Jr., and C. Calvert Knudsen are Trustees and share investment powers. Mr. Warren has sole voting power. Mr. Knudsen disclaims beneficial ownership in Trust shares. c/o P.O. Box 20187 Portland, Oregon 97294-0187 . . . . .	827,896	6.8%
<i>Nani S. Warren Revocable Trust</i> , of which Nani S. Warren is Trustee and has sole investment power. c/o P.O. Box 20187 Portland, Oregon 97294-0187 . . . . .	800,096	6.6%
<i>Barclays Global Investors, N.A.</i> The total shown reflects a Schedule 13G filed with the Securities and Exchange Commission on February 17, 2004. 45 Fremont Street San Francisco, California 94105 . . . . .	869,901	7.2%
<i>Royce &amp; Associates, LLC</i> The total shown reflects a Schedule 13G filed with the Securities and Exchange Commission on January 29, 2004. 1414 Avenue of the Americas New York, New York 10019 . . . . .	754,000	6.2%
<i>Robert J. Davis Family</i> The total shown reflects a Schedule 13D filed with the Securities Exchange Commission on September 12, 2000. Shares are voted as directed by Mr. Robert J. Davis. 17530 Little River Dr. Bend, Oregon 97707 . . . . .	682,100	5.6%
<i>Robert C. Warren, Jr.</i> . . . . .	327,280(3)(4)	2.7%
<i>C. Calvert Knudsen</i> . . . . .	13,187	*
<i>James S. Osterman</i> . . . . .	10,687	*
<i>Nicholas R. Lardy</i> . . . . .	10,387(6)	*
<i>Duane C. McDougall</i> . . . . .	2,250	*
<i>Henry W. Wessinger II</i> . . . . .	5,500	*

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership(1)</u>	<u>Percent of Class(2)</u>
<i>Nancy A. Wilgenbusch</i> .....	5,187	*
<i>Richard S. Anderson</i> .....	76,675(3)	*
<i>Gregory S. Anderson</i> .....	65,411(3)	*
<i>Terry H. Cathey</i> .....	77,636	*
<i>Joseph G. Pointer</i> .....	21,603	*
16 Officers and Directors as a Group .....	1,536,108(5)	12.1%

\* Less than 1% of outstanding shares.

- (1) Includes shares issuable upon exercise of currently vested stock options or options that will vest within 60 days of March 31, 2004, as follows: R.C. Warren, Jr., 205,842, T.H. Cathey, 71,136, R.S. Anderson, 67,815, G.S. Anderson, 55,903, J.G. Pointer, 21,603, C.C. Knudsen, N.R. Lardy, J.S. Osterman, H.W. Wessinger and N.A. Wilgenbusch, 5,000 each, D.C. McDougall, 1,250, and all officers and directors as a group, 539,760.
- (2) No officer or director owns more than 1% of Cascade's outstanding shares, except for the following who may be considered to own beneficially the percentages indicated: R.C. Warren, Jr., 9.4%; C.C. Knudsen, 6.9%. These percentages in each case include shares held as trustee for The Robert C. and Nani S. Warren Revocable Trust and should not be combined to determine the total percentage voting power of the persons listed.
- (3) Includes shares held for the benefit of these officers by a 401(k) plan as follows: R.C. Warren, Jr., 33,016, R.S. Anderson, 3,835, G.S. Anderson, 4,008.
- (4) Includes shared voting and investment powers as to 27,080 shares and sole voting and investment powers as to 9,592 shares, all held as fiduciary for the benefit of various family members, and 1,200 shares owned by Mr. Warren's spouse, as to all which Mr. Warren disclaims beneficial ownership.
- (5) Includes an aggregate of 864,568 shares held by officers and directors in fiduciary capacities.
- (6) Includes 1,000 shares held in a trust for the benefit of certain relatives of Dr. Lardy. Dr. Lardy, who is a co-trustee of the trust, disclaims beneficial ownership of such shares.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires directors, executive officers and holders of more than 10% of any class of our shares to file reports regarding their stock ownership and any changes in that ownership with the Securities and Exchange Commission. We believe our executive officers, Directors and 10% shareholders complied with all Section 16(a) filing requirements during the year ended January 31, 2004, except that upon becoming Vice President of MHP Marketing and Sales, Michael E. Kern inadvertently filed his initial statement of beneficial ownership of securities after the date the statement was due.

## EXECUTIVE OFFICER COMPENSATION

### *Summary Compensation Table*

The following table provides information concerning compensation of our CEO and each of our four other most highly compensated officers for the fiscal year ended January 31, 2004, and for each of the prior two fiscal years.

<u>Name and Principal Position</u>	<u>Annual Compensation</u>			<u>Long-Term Compensation Awards</u>	<u>All Other Compensation(1)(2)</u>
	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Number of Shares Underlying Options</u>	
Robert C. Warren, Jr. . . . .	2004	\$344,000	\$464,415	76,900	\$15,000
President and Chief Executive	2003	325,000	256,750	57,000	14,000
Officer	2002	325,000	20,000(3)	67,513	12,050
Terry H. Cathey . . . . .	2004	210,000	256,976	31,000	15,000
Sr. Vice President and Chief	2003	200,000	169,625	20,000	13,867
Operating Officer	2002	170,000	10,000(3)	17,955	12,050
Richard S. Anderson . . . . .	2004	210,000	256,976	31,000	15,000
Sr. Vice President and Chief	2003	190,000	169,625	20,000	13,467
Financial Officer	2002	168,000	10,000(3)	17,955	11,983
Gregory S. Anderson . . . . .	2004	150,000	139,325	20,500	12,000
Sr. Vice President-Human	2003	147,500	93,200	15,000	11,733
Resources	2002	140,000	10,000(3)	17,955	10,850
Joseph G. Pointer . . . . .	2004	150,000	139,325	20,500	11,737
Vice President-Finance	2003	145,000	93,200	15,000	11,206
	2002	130,000	10,000(3)	17,955	6,934

- (1) The amounts shown primarily relate to Cascade contributions to a 401(k) plan for the benefit of the named executives.
- (2) The named executives did not receive perquisites and personal benefits in excess of reporting requirements. The totals do not include the following tax reimbursements related to the use of company automobiles during fiscal 2004, 2003 and 2002, respectively: R.C. Warren, \$13,048, \$2,738, and \$2,588, T.H. Cathey, \$15,272, \$1,442, and \$1,362, R.S. Anderson, \$9,510, \$3,833, and \$3,622, G.S. Anderson, \$15,273, \$3,650, and \$3,450, J.G. Pointer, \$10,275, \$4,563, and \$4,313.
- (3) In May of 2002, the Board approved incentive payments of \$20,000 for the CEO and \$10,000 for other executive officers. The payments were for services rendered during the year ended January 31, 2002.

### *Option Grants*

The following table shows all options to acquire shares of our common stock granted to the named executive officers during the fiscal year ended January 31, 2004.

### Option Grants in Last Fiscal Year

Name	Number of Shares Underlying Options Granted in Fiscal 2004	% of Total Options Granted To Employees in Fiscal 2004	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)	
					5%	10%
Robert C. Warren, Jr. . . . .	76,900	23.2%	\$14.12	May 2013	\$682,871	\$1,730,530
Terry H. Cathey . . . . .	31,000	9.3	14.12	May 2013	275,280	697,613
Richard S. Anderson . . . . .	31,000	9.3	14.12	May 2013	275,280	697,613
Gregory S. Anderson . . . . .	20,500	6.2	14.12	May 2013	182,040	461,325
Joseph G. Pointer . . . . .	20,500	6.2	14.12	May 2013	182,040	461,325

(1) Potential Realizable Value calculation assumes appreciation of our common stock at the rate shown beginning on the date of grant through the option expiration date. There can be no assurance that our common stock will appreciate any particular rate or at all.

#### Option Exercises and Fiscal Year End Option Values

The following table sets forth certain information regarding option exercises during the fiscal year ended January 31, 2004, by the named executive officers and the fiscal year end value of unexercised options held by such officers as of the end of fiscal 2004.

#### Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise	Value Realized(1)	Number of Securities Underlying Unexercised Options at January 31, 2004		Potential Value of Unexercised In-the-Money Options at January 31, 2004(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert C. Warren, Jr. . . . .	—	—	158,117	167,656	\$1,112,591	\$1,325,364
Terry H. Cathey . . . . .	—	—	54,636	58,727	414,269	464,330
Richard S. Anderson . . . . .	—	—	51,315	58,727	396,409	464,330
Gregory S. Anderson . . . . .	4,353	\$32,530	43,278	44,477	348,129	364,318
Joseph G. Pointer . . . . .	—	—	12,728	40,727	125,870	322,383

(1) The value realized equals the difference between the option exercise price and the closing price of our common stock on September 16, 2003, the date of exercise of the option.

(2) The value of unexercised in-the-money options equals the difference between the option exercise price and the closing price of Cascade's common stock on January 31, 2004, multiplied by the number of shares underlying the options. The closing price of our common stock as reported on the New York Stock Exchange was \$21.12 on January 30, 2004, the last trading day of the fiscal year.

#### Severance Agreements

We have entered into severance agreements with Messrs. Warren, R.S. Anderson, and Cathey. Under the agreements, each would be entitled to certain benefits if his employment is involuntarily terminated (other than for cause) within 12 months following a change in control of Cascade. In addition to discharge, involuntary termination includes resignation following a change which materially reduces an individual's level of responsibility, a 20% reduction in level of compensation, or a relocation of place of employment by more than 50 miles.

The agreements define a change in control of Cascade as (a) a change in the composition of the Board over a period of 24 months or less as a result of contested elections which results in a majority of Board members who were not Board members at the beginning of the period or were not subsequently nominated or elected by the Board; (b) sale, transfer or other disposition of substantially all of Cascade's assets; (c) a merger or consolidation in which securities with more than 50% of the voting power of all outstanding Cascade securities are transferred to persons different from the holding of such securities prior to the transaction; or (d) the successful acquisition of securities possessing more than 35% of the voting power of all outstanding Cascade securities pursuant to a transaction or series of related transactions that the Board does not recommend for shareholder acceptance or approval.

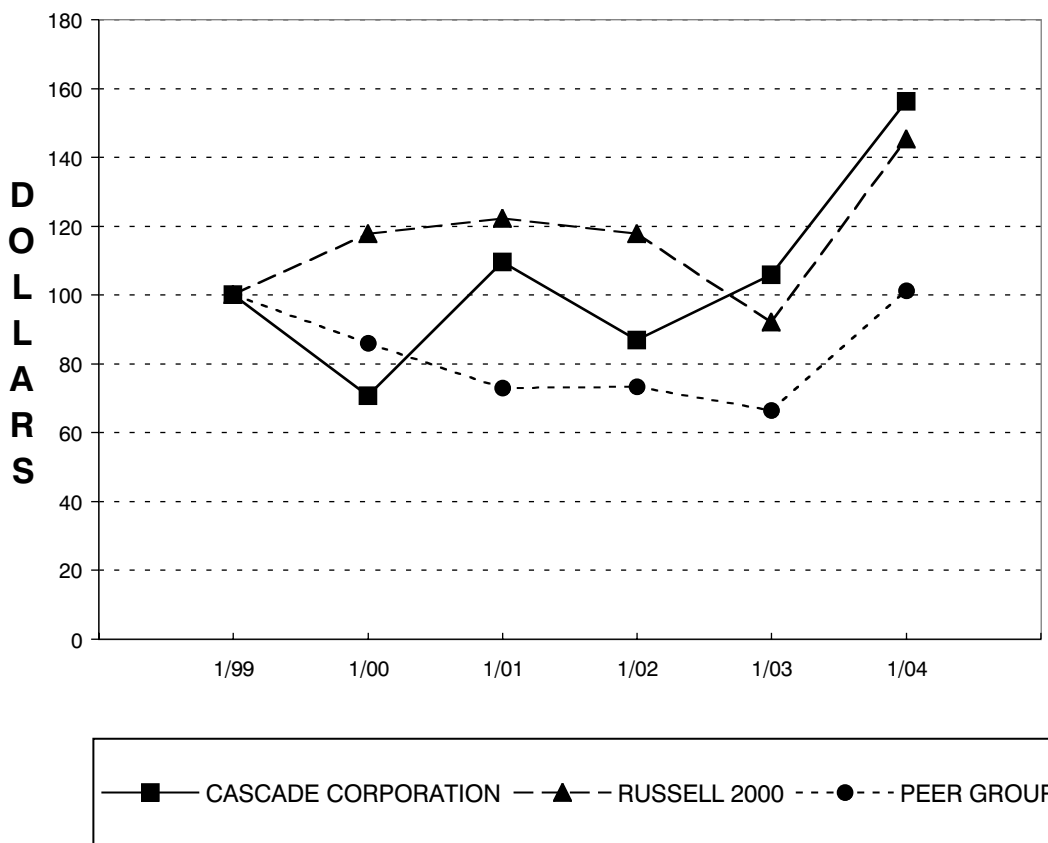
An officer whose employment is involuntarily terminated following a change in control would receive the following severance benefits: (a) a lump sum payment equal to 2.99 times the officer's average annual compensation of the prior three years as reported on Form W-2; (b) accelerated vesting of all outstanding stock options; and (c) continued health coverage for the officer and eligible dependents for a period of 24 months or until the officer is covered by another health plan which provides a substantially similar level of benefits. In order to avoid becoming an excess parachute payment under federal tax laws, the total benefit package is limited to 2.99 times the officer's average compensation as reported on Form W-2 for the prior five years, subject to certain exceptions, provided under the Internal Revenue Code.

Each agreement provides that the officer will not compete with us for a period of 24 months following termination of employment for any reason.

## PERFORMANCE GRAPH

The following graph compares the annual percentage change in the cumulative shareholder return on our common stock with the cumulative total return of the Russell 2000 Index and an industry group of peer companies, in each case assuming investment of \$100 on January 31, 1999, and reinvestment of dividends. The stock price performance shown in the graph below is not necessarily indicative of future stock price performance. Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, the stock performance graph shall not be incorporated by reference into any such filings and shall not otherwise be deemed filed under such acts.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\* AMONG CASCADE CORPORATION, THE RUSSELL 2000 INDEX AND A PEER GROUP



\* \$100 INVESTED ON 1/31/99 IN STOCK OR INDEX—  
INCLUDING REINVESTMENT OF DIVIDENDS  
FISCAL YEAR ENDING JANUARY 31.

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

## INDEPENDENT AUDITORS

The Audit Committee has recommended to the Board that PricewaterhouseCoopers LLP serve as Cascade's independent auditor for the fiscal year ending January 31, 2005. Cascade expects representatives of PricewaterhouseCoopers LLP to be present at the meeting. They will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions from shareholders.

Fees billed for professional services performed by PricewaterhouseCoopers LLP for fiscal years ended January 31, 2004 and 2003 were as follows:

	2004	2003
Audit fees(1) . . . . .	\$ 636,000	\$ 561,000
Audit-related fees(2) . . . . .	27,000	15,000
Tax fees(3) . . . . .	553,000	645,000
All other fees(4) . . . . .	347,000	47,000
Total . . . . .	\$1,563,000	\$1,268,000

- 
- (1) Audit fees represent fees for professional services provided in connection with the audit of our financial statements and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.
  - (2) Audit-related fees consisted primarily of accounting consultations, employee benefit plan audits, services related to business acquisitions, and other attestation services.
  - (3) Tax fees consisted of transfer pricing services, tax return preparation and planning services, international tax compliance, international tax advice, and federal and state tax advice.
  - (4) All other fees principally included services related to business acquisitions and Sarbanes-Oxley matters in 2004, and Enterprise Wide Risk Assessment in 2003.

Under its charter, the Audit Committee must pre-approve all auditing services and permitted non-audit services (including fees and terms) to be performed by our independent auditor, unless an exception to pre-approval for *de minimus* non-audit services exists under the Securities Exchange Act of 1934. Each year, the independent auditor's retention to audit our financial statements, including the associated fee, is approved by the Audit Committee before the filing of the preceding year's annual report on Form 10-K. At the beginning of each fiscal year, management submits to the Audit Committee a summary of all proposed non-audit services expected to be performed by the independent auditor in the next year, including a brief description of the project and an estimated project cost. The Audit Committee approves the summary as submitted or with such changes to the scope and nature of work to be performed as it deems desirable. Additional non-audit services identified during the year are submitted to the Audit Committee for approval at the next quarterly Audit Committee meeting. If the services are scheduled to commence prior to the next quarterly meeting, management obtains approval from the Chair of the Audit Committee to proceed with the services. The Chair of the Audit Committee makes the determination at interim dates of whether approval of the entire Audit Committee is needed. In the event the Chair of the Audit Committee is not available to approve non-audit services, a designated Vice-Chair of the Audit Committee can approve such services or determine if approval of the entire Audit Committee is needed. Any approval of non-audit services by the Chair or Vice-Chair of the Audit Committee is reported to the full Audit Committee at each of its scheduled meetings.

Since May 6, 2003, the effective date of the Securities and Exchange Commission rules stating that an auditor is not independent of an audit client if the services it provides to the client are not

appropriately approved, each new engagement of PricewaterhouseCoopers LLP was approved in advance by the Audit Committee and none of those engagements made use of the *de minimus* exception to pre-approval

#### **OTHER MATTERS**

As of the date of this proxy statement, the only matters that we intend to present at the meeting are those set forth in the notice of meeting and in this proxy statement. We know of no other matters that may come before the meeting. However, if any other matters properly come before the meeting, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the person or person voting as proxies.

#### **SHAREHOLDER PROPOSALS**

Shareholder proposals submitted for inclusion in the proxy materials for the 2005 annual meeting must be received in writing by us no later than December 16, 2004. Any shareholder proposal that is not submitted for inclusion in the proxy materials for the 2005 annual meeting but is instead sought to be presented directly at that meeting will not be considered timely unless appropriate notice is provided to us no later than February 27, 2005. In addition, if we receive notice of a shareholder proposal after February 27, 2005, the persons named as proxies for the 2005 annual meeting will have discretionary voting authority to vote on such proposal at the 2005 annual meeting. Any shareholder making a proposal must have been a registered or beneficial owner of at least one percent of the outstanding common shares or common shares with a market value of at least \$2,000 for at least one year prior to submitting the proposal and must continue to own the stock through the date the meeting is held.

#### **ANNUAL REPORT**

We are mailing our Annual Report on Form 10-K to shareholders with this Notice of Annual Meeting and Proxy Statement. The Annual Report is not incorporated in the Proxy Statement by reference, nor is it a part of the proxy-soliciting material.

**A copy of our Annual Report on Form 10-K filed with the Securities and Exchange Commission is available without charge to record or beneficial shareholders as of the record date. Requests for the form should be addressed to the Secretary, Cascade Corporation, P.O. Box 20187, Portland, Oregon 97294-0180. A copy of the Annual Report on Form 10-K is also available at our website, [www.cascorp.com](http://www.cascorp.com).**

**CASCADE CORPORATION**  
**AUDIT COMMITTEE CHARTER**

***Purpose***

The Audit Committee is appointed by the Board of Directors (the “Board”) to assist the Board with oversight of (1) the integrity of the financial statements of the Company, (2) the independent auditor’s qualifications and independence, (3) the performance of the Company’s internal audit function and independent auditors, and (4) the compliance by the Company with legal and regulatory requirements.

The Audit Committee is also charged with the responsibility for satisfying itself that (1) the Company’s system of internal controls is reasonably adequate and is operating effectively; (2) the Company’s systems, procedures and policies provide reasonable assurance that financial information is fairly presented; and (3) the overall annual audit coverage of the Company and its affiliates is satisfactory, and is designed to provide reasonable assurance that the Company’s financial statements fairly reflect its financial condition and the results of its operations. In addition, the Committee has the responsibility of satisfying itself that appropriate standards of business conduct are established and observed.

The Audit Committee shall also prepare the report required by the rules of the Securities and Exchange Commission (the “Commission”) to be included in the Company’s annual proxy statement.

***Committee Membership***

The Audit Committee shall consist of at least three members of the Board. The members of the Audit Committee shall meet the independence and experience requirements of the New York Stock Exchange, Section 10A(m)(3) of the Securities Act of 1934 (the “Exchange Act”) and the rules and regulations of the Commission. At least one member of the Audit Committee shall be a financial expert as defined by the Commission.

The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee. Audit Committee members may be replaced by the Board.

***Meetings***

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee shall meet periodically with management, the internal auditors (or other personnel responsible for the internal audit function) and the independent auditor in separate executive sessions. The Audit Committee may request any officer or employee of the Company or the Company’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

***Committee Authority and Responsibilities***

The Audit Committee shall have the sole authority to appoint or replace the independent auditor. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to the completion of the audit.

The Audit Committee shall have unrestricted access to the Company's management and books and records and the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of preparing or issuing an audit report and to any advisors employed by the Audit Committee. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall also annually review the Audit Committee's own performance and present the results of such review to the Board.

The Audit Committee shall exercise the following duties and responsibilities:

*Financial Statement and Disclosure Matters*

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including disclosures made in management's discussion and analysis and the results of the independent auditor's reviews of the quarterly financial statements.

3. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, and any special steps adopted in light of material control deficiencies.

4. Review and discuss quarterly reports from the independent auditors on:

(a) All critical accounting policies and practices to be used.

(b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

(c) Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

5. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). Any

pre-release regarding earnings may be reviewed and approved by the Chairman or any member of the Audit Committee.

6. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

7. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

8. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any problems or difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management, and management's response.

9. Discuss disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

#### *Oversight of the Company's Relationship with the Independent Auditor*

10. Review and evaluate the lead partner of the independent auditor team.

11. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the Company.

12. Receive periodic reports from the independent auditor regarding the auditor's independence in accordance with applicable laws and New York Stock Exchange requirements and discuss such reports with the auditor. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditor. The Audit Committee shall present its conclusions to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditor.

13. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm itself on a regular basis.

14. Determine policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.

15. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

#### *Oversight of the Company's Internal Audit Function*

16. Review the appointment and replacement of the senior internal auditing executive.

17. Review the significant reports to management prepared by the internal auditing department and management's responses.

18. Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.

#### *Compliance Oversight Responsibilities*

19. Review any issues resulting from the independent accountant detecting or otherwise becoming aware of information that an illegal act has or may have occurred and subsequent compliance by the independent accountant with its responsibilities under Section 10A(b) of the Exchange Act.

20. Obtain reports from management, the Company's senior internal auditing executive and the independent auditor that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.

21. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

22. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

#### *Limitation of Audit Committee's Role*

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

**CASCADE CORPORATION**  
**STOCK APPRECIATION RIGHTS PLAN**

**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.* The Plan shall become effective upon approval by the shareholders of the Corporation

(b) *Duration.* No stock appreciation rights 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 stock appreciation rights. Termination shall not affect any outstanding stock appreciation rights, or the forfeitability of rights granted under the Plan.

**3. Administration.**

The Plan shall be administered by the Compensation Committee of the Board. 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 awards of stock appreciation rights to employees, such determinations to be subject to Board approval in the case of grants to officers of the Corporation, and those terms and conditions of stock appreciation rights awarded to non-employee members of the Board of Directors which are not stated in Section 10 of the Plan..

(c) 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, and rights 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 stock appreciation rights (“Rights”) to such key executive employees of the Corporation (“Participants”) or of any subsidiary as the Committee may deem eligible.

**5. Rights Available.**

(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 Rights be awarded under the Plan. Rights which expire or cease to be exercisable for any reason without being exercised shall again become available to be granted under the Plan.

#### **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 shares are not listed on that exchange, the primary trading venue for Corporation shares, as reported in the Wall Street Journal on the date of grant or exercise, as the case may be, 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.

(iv) 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.

(v) 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. 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 7(a) shall not apply with respect to transactions referred to in Section 7(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 7(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 7 as an "Accelerating Event"), any Right granted hereunder shall terminate, except as specified in the first sentence of Section 7(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 7(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.

## **8. Amendment of Plan.**

The Board may modify or amend the Plan in such respects as it deems advisable because of changes in the law while the Plan is in effect or for any other reason; provided, however, that the maximum number of rights which may be issued under the Plan may be increased, and the provisions of Paragraph 10 may be modified, only upon approval by the shareholders of the Corporation. No change in an award already granted shall be made without the written consent of the holder of such award.

**9. 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.

**10. Participation by Directors**

Each non-employee director of the Corporation shall be awarded 5,000 Rights upon the later of the approval of this Plan by the shareholders or the election of the director to the Board of Directors by the shareholders and 1,000 additional Rights following each subsequent annual meeting of the shareholders. Awards of Rights to directors shall vest and become exercisable 25% after one year and 25% following each year of director service thereafter. Such awards shall be subject to the provisions of this Plan in all other respects. All Rights granted to a director shall be exercisable upon the director's death or reaching of the mandatory retirement age established for directors, whether or not they would otherwise be subject to exercise.

**11. Rights as a Shareholder.**

The recipient of any award 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 Plan may bear such restrictions on sale or other transfer as counsel to the Corporation may determine are required under securities or other applicable laws.

**12. Governing Law.**

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