CARLISLE COMPANIES INC
Form 10-K
February 18, 2010

QuickLinks -- Click here to rapidly navigate through this document

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

OR

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

Commission file number 1-9278

CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**31-1168055** (I.R.S. Employer Identification No.)
13925 Ballantyne Corporate Place, Suite 400, **Charlotte, North Carolina 28277** (Address of principal executive office, including zip code)	**(704) 501-1100** (Telephone Number)

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

Title of each class	**Name of each exchange on which registered**
Common stock, $1 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

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

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 ý No o

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 o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a 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 o No ý

As of January 31, 2010, 60,174,499 shares of common stock of the registrant were outstanding; the aggregate market value of the shares of common stock of the registrant held by non-affiliates was approximately $1,446,594,956 based upon the closing price of the common stock on the New York Stock Exchange on June 30, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 14, 2010 are incorporated by reference in Part III.

Part I

Item 1. Business

Overview

Carlisle Companies Incorporated ("Carlisle" or the "Company") was incorporated in 1986 in Delaware as a holding company for Carlisle Corporation, whose operations began in 1917, and its wholly-owned subsidiaries. Carlisle is a diversified manufacturing company consisting of five segments which manufacture and distribute a broad range of products. Additional information is contained in Items 7 and 8.

The Company's executive offices are located at 13925 Ballantyne Corporate Place, Suite 400, Charlotte, North Carolina. The Company's main telephone number is (704) 501-1100. The Company's Internet website address is *www.carlisle.com*. Through this Internet website (found in the "Investor Relations" link), the Company makes available free of charge its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and all amendments to those reports, as soon as reasonably practicable after these reports are electronically filed with or furnished to the Securities and Exchange Commission.

Management Philosophy/Business Strategy

The Company strives to be the market leader in the various niche markets it serves. The Company is dedicated to achieving low cost positions and providing service excellence based on, among other things, superior quality, on-time delivery and short cycle times.

The presidents of the various operating companies are given considerable autonomy and have a significant level of independent responsibility for their businesses and their performance. The Company believes that this structure encourages entrepreneurial action, and enhances responsive decision making thereby enabling each operation to better serve its customers and react quickly to its customer needs.

The Company's executive management role is to (i) provide general management oversight and counsel, (ii) manage the Company's portfolio of businesses including identifying acquisition candidates and assisting in acquiring candidates identified by the operating companies, as well as identifying businesses for divestiture in an effort to optimize the portfolio, (iii) allocate and manage capital, (iv) evaluate and motivate operating management personnel, and (v) provide selected other services.

The Company made significant progress in the implementation of the Carlisle Operating System ("COS") in 2009. COS is a continuous improvement process based on the principles of lean and six sigma and is redefining the way the Company does business. Waste is being eliminated and efficiencies improved enterprise wide, allowing the Company to increase its overall profitability. Improvements are not limited to production areas, as COS is also driving improvements in new product innovation, engineering, supply chain management, warranty and product rationalization. COS is creating a culture of continuous improvement across all aspects of the Company's business operations.

Acquisitions and Divestitures

The Company has a long-standing acquisition strategy. Traditionally, the Company has focused on acquiring new businesses that can be added to existing operations ("bolt-ons"). In addition, the Company considers acquiring new businesses which can operate independently from other Carlisle companies. Factors considered by the Company in making an acquisition include consolidation opportunities, technology, customer dispersion, operating capabilities and growth potential. For more details regarding acquisitions completed over the past three years, see Note 9 to the Consolidated Financial Statements in Item 8.

For more details regarding the consolidation and divestiture of the Company's businesses during the past three years, see Notes 18 and 19 to the Consolidated Financial Statements in Item 8 and "Discontinued Operations," also in Item 1 below.

Information on the Company's revenues, earnings and identifiable assets for continuing operations by industry segment for the last three fiscal years is as follows (amounts in millions):

Financial Information About Industry Segments

	2009	2008*	2007*
Sales to Unaffiliated Customers(1)			
Construction Materials	**$ 1,125.9**	$ 1,472.3	1,365.4
Engineered Transportation Solutions	**708.1**	928.2	917.0
Interconnect Technologies	**180.5**	197.9	116.8
FoodService Products	**243.6**	266.2	183.4
Specialty Products	**121.4**	245.5	229.5
Total	**$ 2,379.5**	$ 3,110.1	$ 2,812.1
Earnings Before Interest and Income Taxes			
Construction Materials	**$ 155.2**	$ 151.1	$ 240.5
Engineered Transportation Solutions	**54.2**	(12.9)	77.2
Interconnect Technologies	**14.3**	25.2	16.8
FoodService Products	**24.7**	20.7	20.6
Specialty Products	**(5.0)**	33.5	29.0
Total Segment EBIT	**243.4**	217.6	384.1
Corporate(2)	**(36.5)**	(31.0)	(41.7)
Total	**$ 206.9**	$ 186.6	$ 342.4
Identifiable Assets			
Construction Materials	**$ 572.4**	$ 667.8	$ 693.4
Engineered Transportation Solutions	**571.9**	639.5	723.9
Interconnect Technologies	**391.9**	330.0	105.9
FoodService Products	**218.4**	234.5	136.7
Specialty Products	**57.8**	86.3	89.9
Corporate(3)	**99.8**	81.7	161.0
Total	**$ 1,912.2**	$ 2,039.8	$ 1,910.8

* 2008 and 2007 figures have been adjusted to reflect the change in segment reporting and continuing operations. Prior year presentation included Operating income. Earnings before interest and income taxes (EBIT) is consistent with the 2009 presentation.

(1) Intersegment sales or transfers have been eliminated

(2) Includes general corporate expenses

(3) Consists primarily of cash and cash equivalents, facilities, and other invested assets

A reconciliation of assets reported above to total assets as presented on the Company's Consolidated Balance Sheets in Item 8 is as follows:

	2009	2008
Total Identifiable Assets per table above	**$ 1,912.2**	$ 2,039.8
Assets held for sale of discontinued operations*	**1.9**	36.1
Total assets per Consolidated Balance Sheets in Item 8	**$ 1,914.1**	$ 2,075.9

* See Note 19 to the Consolidated Financial Statements in Item 8.

Description of Businesses by Segment

Construction Materials

The Construction Materials segment includes the construction materials business, which manufactures and sells rubber ("EPDM") and thermoplastic polyolefin ("TPO") roofing systems. In addition, the construction materials business markets and sells polyvinyl chloride membrane and accessories purchased from third party suppliers. The Company also manufactures and distributes energy-efficient rigid foam insulation panels for substantially all roofing applications. Roofing materials and insulation are sold together in warranted systems or separately in non-warranted systems to the new construction, re-roofing and maintenance, general construction and industrial markets. Through its coatings and waterproofing operation, this business manufactures and sells liquid and spray-applied waterproofing membranes, vapor and air barriers, and HVAC duct sealants and hardware for the commercial and residential construction markets. The majority of the construction materials products are sold through a network of authorized sales representatives and distributors.

The construction materials business operates manufacturing facilities located throughout the United States, its primary market. Insulation facilities are located in Kingston, NY, Franklin Park, IL, Lake City, FL, Terrell, TX, Tooele, UT and Smithfield, PA. EPDM manufacturing operations are located in Carlisle, PA and Greenville, IL. TPO facilities are located in Senatobia, MS and Tooele, UT. Block molded expanded polystyrene ("EPS") operations include eleven production and fabrication facilities across the U.S.

Raw materials include EPDM polymer, TPO polymer, carbon black, processing oils, solvents, asphalt, methylene diphenyl diisocyanate, polyol, polyester fabric, black facer paper, oriented strand board, clay and various packaging materials. Critical raw materials generally have at least two vendor sources to better assure adequate supply. For raw materials that are single sourced, the vendor typically has multiple processing facilities. In general, this business believes that sufficient quantities of raw materials can be obtained through normal sources to avoid interruption of production in 2010.

Sales and earnings tend to be somewhat higher in the second and third quarters due to increased construction activity during those periods.

The construction materials business' working capital practices include the following:

(i) Standard accounts receivable payment terms of 45 days to 90 days.

(ii) Standard accounts payable payment terms of 30 days to 45 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand.

The construction materials business serves a large and diverse customer base; however, in 2009 one customer represented approximately 16% of this segment's revenues, but did not represent 10% of consolidated revenues. The loss of this customer could have a material adverse effect on segment revenues.

This business competes in the construction materials market, a market with numerous competitors that produce roofing, insulation and waterproofing products for commercial and residential applications. The level of competition within the market varies by product line. As one of two leading manufacturers in the niche single-ply industry, the construction materials business competes through pricing, innovative products, long-term warranties and customer service. This business offers extended warranty programs on its installed roofing systems, ranging from five (5) years to thirty (30) years and, subject to certain exclusions, covering leaks in the roofing system attributable to a problem with the particular product or the installation of the product. In order to qualify for the warranty, the building owner must have the roofing system installed by an authorized roofing applicator an independent roofing contractor trained by the Company to install its roofing systems.

Engineered Transportation Solutions

The Engineered Transportation Solutions segment is comprised of the tire and wheel, industrial brake and friction, and power transmission belt product lines. The tire and wheel product line includes bias-ply, steel-belted radial trailer tires, stamped or roll-formed steel wheels, non-automotive rubber tires, and tire and wheel assemblies. The industrial brake and friction product line includes off-highway braking systems and specialty friction products, and on-highway brake actuation systems. The power transmission product line includes industrial belts and related components.

The products in the Engineered Transportation Solutions segment are manufactured and sold by direct sales personnel to original equipment manufacturers ("OEMs"), mass merchandisers and various wholesale and industrial distributors around the world, including North America, Europe, Asia, South America and Africa. A majority of sales are generated in the United States and Canada. Key markets served include outdoor power equipment, agriculture, construction, power sports, home appliance, high speed trailer, automotive styled wheels, recreational vehicles, mining, wind energy, industrial power transmission and related aftermarket distributors. Manufacturing facilities are located in the United States, the United Kingdom, China and Japan. In addition, the business has various distribution centers in the United States, Canada, Europe and China that provide local sales and service.

On October 1, 2009, the Company acquired the remaining 51% interest in Japan Power Brake, Inc. ("JPB"), located in Atsugi, Japan, a leading provider of high performance braking solutions for off-highway equipment, primarily in the mining and construction industries in Japan, for a purchase price of approximately $4.2 million.

Raw materials include steel, rubber, fabric and other oil-based commodities required for tire, wheel and belt production. The brake manufacturing operations require the use of various metal products such as castings, pistons, springs and bearings. With respect to its friction products, the raw materials used are fiberglass, phenolic resin, metallic chips and various other organic materials. Raw materials are sourced worldwide to better assure adequate supply, and critical raw materials generally have at least two vendor sources. Sufficient quantities of its raw materials are expected to be available through normal sources to avoid an interruption of production in 2010.

Sales and earnings tend to be somewhat higher in the first six (6) months of the year due to peak sales in the outdoor power equipment and replacement markets.

With respect to working capital, practices include the following:

(i) Standard accounts receivable payment terms of 30 days to 60 days.

(ii) Standard accounts payable payment terms of 30 days to 60 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand. For the tire and wheel business, inventories are generally higher in the fourth and first quarters to meet seasonal demand. Inventories tend to build late in the year in advance of the busy season and then steadily fall throughout the first half of the subsequent year.

The engineered transportation solutions business serves a large and diverse customer base; however, in 2009 one customer represented approximately 11% of this segment's revenues, but did not represent 10% of consolidated revenues. The loss of this customer could have a material adverse effect on segment revenues.

The business competes globally against regional and international manufacturers. Few competitors participate in all served markets. A majority participate in only a few of the business' served markets on a regional or global basis. Markets served are competitive and the major competitive factors include product performance, quality, product availability and price. The relative importance of these competitive factors varies by market segment and channel.

The Company has undertaken several consolidation projects within this segment in efforts to reduce costs and streamline its operations. In 2009, the Company completed the consolidation of nineteen of its distribution centers in the United States and Canada into nine existing facilities. In 2009, the Company also completed the consolidation of three wheel manufacturing plants located in California into one facility in Ontario, CA and completed the consolidation of its pneumatic tire manufacturing operations in Buji, China into its manufacturing operation in Meizhou, China.

In the third quarter of 2009, the Company began the process of consolidating its tire manufacturing operations in Heflin, AL, Carlisle, PA and portions of Buji, China into a new facility in Jackson, TN purchased in the third quarter of 2009. The consolidation of tire manufacturing operations into Jackson, TN is expected to be completed by the end of 2010. In the fourth quarter of 2009, the Company announced plans to close its friction product manufacturing facility in Logansport, IN and to consolidate operations into its locations in Hangzhou, China and Bloomington, IN, which is expected to be completed by March, 2010. Also, in the fourth quarter of 2009, the Company combined its power transmission belt product line into its tire and wheel and industrial brake and friction product lines.

Interconnect Technologies

The Interconnect Technologies segment includes the interconnect technologies business, which designs and manufactures high performance wire, cable, fiber optic, RF/microwave and specialty filtered connectors, specialty cable assemblies, integrated wired racks, trays and fully integrated airframe subsystem solutions primarily for the aerospace, defense electronics and test and measurement industries. This business operates manufacturing facilities in the United States and China with the United States, Europe and China being the primary target market for sales. Sales are made by direct sales personnel.

On September 18, 2009, the Company acquired Jerrik, Inc. ("Jerrik"), a recognized leader in the design and manufacture of highly engineered military and aerospace filter connectors. Jerrik's highly customized products are used in environments where reduction of electromagnetic interference and transient voltage suppression are critical. Jerrik has earned key positions on commercial aerospace and military platforms with the world's preeminent aerospace and defense contractors. The rapid growth of defense electronics and avionics throughout military and commercial aerospace platforms is driving the demand for highly engineered specialty connectors. Jerrik is located in Tempe, AZ.

On October 1, 2009, the Company acquired privately-held Electronic Cable Specialists, Inc. ("ECS"), a leading designer and manufacturer of electrical and structural products and services for the aviation, medical and industrial markets. ECS offers customer-specific solutions ranging from individual electrical and structural products to fully integrated systems to support airframe manufacturers, aircraft operators and electronic equipment OEM's worldwide. ECS's core products consist of highly-engineered wire and cable assemblies, control panels and instrumentation to support avionics systems for general aviation, air transport and military aircraft. ECS is located in Franklin, WI with various distribution points in the United States, France and the United Kingdom.

Raw materials include copper conductors that are plated with tin, nickel or silver, polyimide tapes, polytetrafluoroethylene ("PTFE") tapes, PTFE fine powder resin, thermoplastic resins, stainless steel, beryllium copper rod, machined metals and plastic parts and various marking and identification materials. Key raw materials are typically sourced worldwide and have at least two vendor sources to better assure adequate supply. The Company believes that sufficient quantities of raw material can be obtained for this business through normal sources to avoid interruption of production in 2010.

The operations of the interconnect technologies business are generally not seasonal in nature.

The working capital practices include:

(i) Standard accounts receivable payment terms of 30 days to 60 days.

(ii) Standard accounts payable payment terms of 30 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand. The majority of the interconnect technologies business' sales are from made-to-order products, resulting in inventories purchased on demand.

The interconnect technologies business serves a large and diverse customer base; however, in 2009 two customers together represented 37% of this segment's revenues, but neither customer represented 10% of consolidated revenues. The loss of one of these customers could have a material adverse effect on segment revenues.

The interconnect technologies business is known for its engineering and product quality. Product performance, either mechanical or electrical in nature, is a principal competitive criterion, with pricing, delivery and service also being key buying criteria for the customer. In most product lines in the interconnect technologies business, there are only one or two companies capable of producing a competing product.

FoodService Products

The FoodService Products segment includes the foodservice products business, which manufactures and distributes (i) commercial and institutional foodservice permanentware, table coverings, cookware, display pieces, lighting equipment and supplies to restaurants, hotels, hospitals, nursing homes, schools and correctional facilities, and (ii) industrial brooms, brushes, mops and rotary brushes for industrial, commercial and institutional facilities. The company's product line is distributed from four primary distribution centers located in Charlotte, NC, Oklahoma City, OK, Reno, NV and Zevenaar, The Netherlands to wholesalers, distributors and dealers. These distributor and dealer customers, in turn, sell to commercial and non-commercial foodservice operators and sanitary maintenance professionals. Distributors and dealers are solicited through subcontracted manufacturer representatives and direct sales personnel. The foodservice business operates manufacturing facilities in the United States, China and Mexico, and sales are made primarily in North America and Europe.

Raw materials used by the foodservice products business include polymer resins, stainless steel and aluminum. Key raw materials are sourced nationally from recognized suppliers of these materials. The Company believes that sufficient quantities of raw material can be obtained for this business through existing sources to avoid interruption of production in 2010.

Sales in the foodservice business are marginally stronger in the second and third quarters.

The working capital practices include:

(i) Standard accounts receivable payment terms of 30 days to 60 days.

(ii) Standard accounts payable payment terms of 30 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand.

The foodservice products business serves a large and diverse customer base; however, in 2009 two customers together represented 26% of this segment's revenues, but neither of these customers represented 10% of consolidated revenues. The loss of one of these customers could have a material adverse effect on segment revenues.

The foodservice business is engaged in markets that are generally highly competitive, and competes equally on price, service and product performance.

Specialty Products

The Specialty Products segment includes the specialty trailer business and the refrigerated truck bodies business. The specialty trailer business manufactures and sells trailers to a variety of markets. Sales are categorized as follows: (i) construction includes open-deck trailers used by contractors for hauling equipment to and from sites or by rental companies for equipment delivery, (ii) material hauling includes various dump trailer lines, such as steel bottom-dumps, side-dumps, end-dumps and live-bottoms as well as aluminum end dump and pneumatic bulk tank trailers, (iii) specialized includes large-capacity multi-unit trailers and specially designed trailers for specific hauling purposes, and (iv) commercial includes trailers sold for over-the-road hauling and general freight. Sales are made primarily in the United States, with less than 12% of sales to other countries, primarily Canada, Norway and Mexico. The majority of sales in this business are to dealers with the balance sold directly to end-users such as rental companies, national accounts, heavy-haulers, waste haulers and OEM manufacturers. The specialty trailer business operates manufacturing facilities in the U.S., which is its primary market.

The refrigerated truck body business manufactures and sells insulated refrigerated truck bodies to a variety of markets including food, dairy, beverage, home delivery and military applications. This business' main distribution channels are through a factory direct sales staff. The refrigerated truck bodies business operates a single manufacturing facility in Rice Lake, WI and sells primarily into the U.S. market.

The specialty trailer business' raw materials include high-tensile steel, aluminum, lumber, tires, axles, suspensions and hydraulic and electrical components. Critical raw materials generally have at least two vendor sources to better assure adequate supply. Management at the specialty trailer business believes material costs are relatively stable and that sufficient quantities of its raw materials can be obtained through normal sources to avoid interruption of production in 2010.

The raw materials and components used by the refrigerated truck body business include refrigeration compressors, eutectic holdover plates, mechanical blower refrigeration systems, electric/hydraulic liftgates, fiberglass, polyester resins, polyurethane foam resins, steel, aluminum, plywood, and cast and stainless steel hardware. The availability of steel and petroleum-based materials could impact raw material costs. The Company believes that sufficient quantities of raw material can be obtained for this business through normal sources to avoid interruption of production in 2010; however, any change in lead time for delivery of customer-owned chassis could delay production.

The operations of the specialty trailer business are generally not seasonal in nature. The refrigerated truck body business is moderately seasonal in nature, with the second and third quarters of the year being strongest in sales.

With respect to working capital, practices include the following:

(i) Standard accounts receivable payment terms of 10 days to 30 days.

(ii) Standard accounts payable payment terms of 10 days to 30 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand. Higher value, customer-specific components for the refrigerated truck bodies business are ordered at the time required.

The businesses in the Specialty Products segment have a large and diverse customer base and no individual customer accounted for more than 10% of segment sales in 2009.

The specialty trailer business' products compete primarily based on quality and options as well as price. The commercial and material hauling products compete primarily on price. Conversely, the large-capacity multi-unit trailers manufactured for specialized purposes tend to compete primarily on quality and options.

The refrigerated truck bodies business competes primarily on quality and performance with an emphasis on thermal efficiency.

The refrigerated truck bodies business was sold on February 2, 2010.

Discontinued Operations

In the fourth quarter of 2009, the Company decided to retain the power transmission business and combine it with the tire and wheel and industrial brake business to form the Engineered Transportation Solutions segment. As a result, the power transmission operation that was previously reported as a discontinued operation has been, for all periods presented, reclassified as a continuing operation.

In the second quarter of 2008, the Company announced its decision to pursue disposition of its on-highway brake ("on-highway brake business") business. On March 31, 2009, the Company decided to dispose of the assets used in the business as part of a planned dissolution.

The assets of the discontinued operations have met the criteria for, and have been classified as "held for sale". In addition, results of operations for these businesses, and any gains or losses recognized from their sale, are reported as "discontinued operations".

Principal Products

The Company's products are discussed above and in additional detail in Note 21 to the Consolidated Financial Statements in Item 8.

Intellectual Property

The Company owns or holds the right to use a variety of patents, trademarks, licenses, inventions, trade secrets and other intellectual property rights. The Company has adopted a variety of measures and programs to ensure the continued validity and enforceability of its various intellectual property rights. While the Company's intellectual property is important to its success, the loss or expiration of any particular intellectual property right would not materially affect the Company or any of its segments.

Backlog

Backlog of orders from continuing operations generally is not a significant factor in most of the Company's businesses, as most of the Company's products have relatively short order-to-delivery periods. Backlog of orders from continuing operations was $286.9 million at December 31, 2009 and $298.3 million at December 31, 2008; however, the majority of these orders are not firm in nature.

Government Contracts

At December 31, 2009, the Company had no material contracts that were subject to renegotiation of profits or termination at the election of the U.S. government.

Research and Development

Research and development activities include the development of new product lines, the modification of existing product lines to comply with regulatory changes, and the research of cost efficiencies through raw material substitution and process improvements. The Company's research and development expenses in continuing operations were $16.6 million in 2009 compared to $16.2 million in 2008 and $15.8 million in 2007.

Environmental Matters

Carlisle believes its operations generally are in substantial compliance with applicable regulations. In a few instances, particular plants and businesses have been the subject of administrative and legal proceedings with governmental agencies or private parties relating to the discharge or potential discharge of regulated substances. Where necessary, these matters have been addressed with specific consent orders to achieve compliance. Carlisle believes that continued compliance will not have any material impact on the Company's financial position and will not require significant capital expenditures.

Employees

The Company had approximately 10,000 employees in its continuing operations at December 31, 2009.

International

For foreign sales and an allocation of the assets of the Company's continuing operations, see Note 21 to the Consolidated Financial Statements in Item 8.

NYSE Affirmation

On May 8, 2009, David A. Roberts, the Company's Chief Executive Officer, submitted to the New York Stock Exchange (the "NYSE") the Annual CEO Certification and certified therein that he was not aware of any violation by the Company of the NYSE's Corporate Governance listing standards.

Item 1A. Risk Factors

The Company's business, financial condition, results of operations and cash flows can be affected by a number of factors including but not limited to those set forth below, those set forth in our "Forward Looking Statements" disclosure in Item 7 and those set forth elsewhere in this Annual Report on Form 10-K, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

The demand for the Company's products may be adversely affected by deteriorating macroeconomic and business conditions. The continued recession in the United States and in key foreign markets could substantially affect the Company's sales, profitability and financial condition. The sharp downturn has reduced economic activity in many of the product markets in which we operate. Many of these markets are cyclical and have experienced downturns. It cannot be predicted when, or to what extent, there might be a recovery.

Actions taken by major governments throughout the world to restore liquidity and increase credit availability may not be fully effective in addressing the economic problems that are causing the recession and the increased concern over the general soundness of the U.S. and foreign economies.

The reduced demand for the Company's products from prolonged economic decline would likely result in lower revenues, excess production capacity, higher cost, and margin compression on some products.

Access to cost-effective sources of capital may be affected by current global financial system problems. The ability of the Company, its customers and suppliers to obtain capital with reasonable terms to support business activities including developing lines of credit, refinancing existing debt, funding capital projects, and financing acquisitions is likely to be negatively affected by the global financial crisis.

A downgrade in the Company's debt ratings could restrict the ability to access the debt capital markets and could increase interest expense on existing financing agreements. The inability to maintain or to expand credit facilities on similar terms may have a material adverse affect on the Company's financial position, results of operations and free cash flow. The Company's reliance on customers and vendors to meet their obligations could be reduced because of their potential difficulty in accessing outside financing.

Extended difficulties by owners and developers to secure financing for new residential and commercial construction projects will likely reduce the demand for roofing products from the Company's construction materials operations. A slowdown resulting from restricted credit availability in the commercial construction industry would likely reduce the demand for both new roofing products and reroofing products.

The Company's growth is partially dependent on the acquisition of other businesses. The Company has a long standing acquisition program and expects to continue acquiring businesses. Typically, the Company considers acquiring bolt-ons. Acquisitions of this type involve numerous risks, which may include potential difficulties in integrating the business into existing operations, increasing dependency on the markets served by certain businesses, and increased debt to finance the acquisitions. The Company also considers the acquisition of businesses which can operate independently of existing operations, which has an increased possibility of diverting management's attention from its core operations.

Raw Material costs are a significant component of the Company's cost structure. The Company utilizes petroleum based products, steel and other commodities in its manufacturing processes. Raw materials, including inbound freight, account for approximately 67% of the Company's cost of goods sold. Significant increases in the price of these materials may not be recovered through sale price and could adversely affect operating results. The Company also relies on global sources of raw materials, which could be adversely impacted by slow or unfavorable shipping or trade arrangements, and global economic conditions.

Benefits from the present restructuring activities are expected to include an improvement in customer service, cost reductions, higher productivity and lower working capital. The steps being taken to consolidate manufacturing and distribution centers could cause disruptions to customers and the potential loss of a portion of their business. Major projects are underway or planned in the Engineered Transportation Solutions segment and the Interconnect Technologies segment. See Note 18 in the Notes to the Consolidated Financial Statements in Item 8 for further information.

If the realignment and resizing does not meet the projected operational and market requirements, the objectives of the restructuring will not be achieved, resulting in potential further restructuring actions and employee and customer dissatisfaction.

The products manufactured may become obsolete due to design or technology changes. The Company's future operating success may depend upon its ability to redesign or find new applications for its current products or develop new products.

The Company faces increased international competition. The tire and wheel product line within the Engineered Transportation Solutions segment competes against companies that leverage low cost manufacturing through facilities located outside the United States. While the Company has been price competitive, it may need to adjust its operating strategies to remain competitive against the off-shore competition.

The Company is expanding its operations into China. To compete globally against low-cost manufacturers with operations located outside the United States, the Company has expanded many of its operations into China. Conducting operations within China may cause the Company to be impacted by the political environment within China and trade relations between the United States and Chinese governments. Many of the products manufactured in China are sold in the North American market. Therefore, the Company may be impacted by the cost and availability of shipping channels and amount of time required to ship the goods to the intended market. Revenues for sales of products manufactured in China for the North American market are generated predominately in U.S. Dollars. Many of the obligations incurred by these operations are settled in Chinese Renminbi or Hong Kong Dollars. Should the U.S. Dollar weaken significantly against the Renminbi or Hong Kong Dollar, the Company's results of operations could be adversely affected. The Company continues to monitor developments in China that may affect its strategy and will hedge its currency risk exposure when deemed effective and prudent. Recent tax law changes in China to reduce value added tax refunds on exported products and to conform income tax laws for both domestic and foreign owned companies may increase tax burdens for Carlisle's in-country operations.

The Company plans to grow through expansion of international sales. As the Company strives to reach this strategic goal, it is expanding its sales force in China. The Company may be impacted by the political environment in various countries and government trade relations with the U.S., as well as local country market factors. International sales expansion may also require an additional commitment to the Company's level of working capital.

The Company and the markets it serves can be negatively impacted by significant changes in interest rates. The Company may utilize interest rate swaps or other derivative instruments to mitigate its interest rate, currency and investment risk. Many of the markets served by Carlisle are impacted by interest rates. A significant rise in interest rates may curtail construction activities and other capital spending, as well as consumer spending, all of which could have an adverse impact on operating results.

The Company has significant concentrations in the general construction market. For the year ended December 31, 2009, approximately 47% of the Company's revenues, and 64% of its EBIT (excluding Corporate expenses) were generated by the Construction Materials segment. Construction spending is affected by economic conditions, changes in interest rates, demographic and population shifts, and changes in construction spending by federal, state, and local governments. A decline in the commercial construction market, as well as certain other operations of the Company, could adversely affect the Company's performance.

The construction materials business competes through pricing, among other factors. Increased competition in this business has and could continue to place negative pressure on operating results in future periods.

Approximately 30% of revenues for the year ended December 31, 2009, and 22% of its EBIT (excluding Corporate expenses) were generated by the Company's Engineered Transportation Solutions segment. The businesses in this segment rely heavily on the condition of the lawn and garden and construction equipment markets. Softening in this market could place negative pressure on the Company's results of operations.

The commercial construction market can be affected by weather. Adverse weather conditions, such as heavy or sustained rainfall, cold weather and snow can limit construction activity and reduce demand for roofing materials. Weather conditions can also be a positive factor, as demand for roofing materials may rise after harsh weather conditions due to the need for replacement materials.

The Company also serves many specialty niche markets and as such, may be negatively impacted by softening in those markets. In addition to having concentrations in the construction materials and outdoor power equipment markets, many of the markets served by Carlisle, including the specialty trailer, brake and food service markets, are smaller, niche markets that may experience cyclicality. These market cycles can span a number of years, and while the Company benefits from the upside of these cycles, downturns can negatively affect performance.

Changes in business conditions could cause goodwill to become impaired. The Company has a long-standing strategy to acquire interests in other businesses. These investments are made after careful analysis and the completion of due diligence procedures. The analysis and procedures often include assumptions and judgments in the determination of the acquisition price. After acquisition, unforeseen issues could arise that adversely affect the expected returns and the unfavorable financial impact may not be recoverable through an adjustment to the acquisition price. In addition, unexpected difficulties encountered during integration could cause actual operating results to vary from initial estimates.

The amount of goodwill is a significant portion of the Company's total assets. An evaluation of impairment of goodwill is made annually or when evidence of a potential impairment exists. The impairment evaluation is based on several factors involving assumptions and judgment regarding expected cash flows. If the assumptions and judgment indicate that goodwill impairment exists for an operating unit, the result could be a substantial asset charge that reduces the Company's operating income and could cause a default in the covenants covered by the Company's debt and credit facility agreements.

The Company is impacted by the cost of providing pension benefits. Pension expense associated with the Company's retirement benefit plans may fluctuate significantly depending on future market performance of plan assets and changes in actuarial assumptions.

The Company continues to be negatively impacted by the rising cost of providing pension and other post-retirement benefits. The underfunded status of the defined benefit pension plans may require cash payments. Additionally, if pension plan assets do not perform to the Company's expectations, or if other actuarial assumptions are modified, the required contributions may be higher than anticipated.

Significant changes in retirement plan discount rates and in the actual investment return on pension assets could affect the Company's net income, pension benefit obligation, shareholders' equity and retirement plan contributions in future periods.

Net income may be negatively impacted by a decrease in the rate of return on plan assets. Income or expense for the plans is calculated using actuarial valuations. Unfavorable changes in key economic indicators can change the assumptions. The most significant assumptions used are the discount rate and the expected long-term rate of return on plan assets. The key economic factors that affect the expense would also likely affect the amount of cash contributions to the pension and post-employment plans.

To help mitigate the fluctuation in future cash contributions to the pension plan, the Company implemented a liability driven investment approach in 2009. This approach seeks to invest primarily in fixed income investments to match the changes in the plan liabilities that occur as a result of changes in the discount rate. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The established target allocation is 88% fixed income securities and 12% equity securities. Fixed income investments are diversified across core fixed income, long duration and high yield bonds. Equity investments are diversified across large capitalization U.S. and international stocks. Investment risk is measured and monitored on an ongoing basis through investment portfolio reviews, annual liability measures and asset/liability studies.

Item 1B Unresolved Staff Comments

None.

Item 2. Properties

	Number and Nature of Facilities			Square Footage (000's)	
Segment	Manufacturing(1)	Warehouse(2)	Office	Owned	Leased
Construction Materials	33	3	15	3,310	1,332
Engineered Transportation Solutions	22	14	12	4,557	2,291
Interconnect Technologies	9	2	3	167	481
FoodService Products	6	8	4	383	1,033
Specialty Products	5	1	2	808	20
Discontinued Operations	3		1	425	248
Corporate			8	34	38
Totals	78	28	45	9,684	5,443

	Locations		
Segment	North America	Europe	Asia
Construction Materials	50	1	
Engineered Transportation Solutions	38	1	9
Interconnect Technologies	13		1
FoodService Products	16		2
Specialty Products	8		
Discontinued Operations	4		
Corporate	4	2(3)	2
Totals	133	4	14

(1) Also includes facilities which are combined manufacturing, warehouse and office space.

(2) Also includes facilities which are combined warehouse and office space.

(3) Also includes offices and warehouses utilized by Engineered Transportation Solutions and FoodService Products.

Item 3. Legal Proceedings

The Company may be involved in various legal actions from time-to-time arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions will not have a material adverse effect on the consolidated financial position of the Company, but may have a material impact on the Company's results of operations for a particular period.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Part II

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

The Company's common stock is traded on the New York Stock Exchange. At December 31, 2009, there were 1,861 shareholders of record.

Quarterly cash dividends paid and the high and low prices of the Company's stock on the New York Stock Exchange in 2009 and 2008 were as follows:

2009	**First**	**Second**	**Third**	**Fourth**
Dividends per share	**$ 0.155**	**$ 0.155**	**$ 0.160**	**$ 0.160**
Stock Price				
High	**$ 22.68**	**$ 26.29**	**$ 35.00**	**$ 36.65**
Low	**$ 17.76**	**$ 18.88**	**$ 22.23**	**$ 30.56**

2008	**First**	**Second**	**Third**	**Fourth**
Dividends per share	$ 0.145	$ 0.145	$ 0.155	$ 0.155
Stock Price				
High	$ 40.47	$ 35.75	$ 37.19	$ 30.40
Low	$ 29.01	$ 28.66	$ 24.81	$ 16.60

The Company's repurchases of its equity securities during the period October 1, 2009 through December 31, 2009 were as follows:

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs**
October 1 - 31, 2009		$		3,024,499
November 1 - 30, 2009	38,668	33.49	38,668	2,985,831
December 1 - 31, 2009				2,985,831
Total	38,668	$ 33.49	38,668	2,985,831

The stock repurchase program was originally approved on November 3, 1999, and was reactivated on August 17, 2004. At the time of the authorization, the Company had the authority to purchase 741,890 split-adjusted shares of common stock. The Board of Directors authorized the repurchase of an additional 2,500,000 shares of the Company's common stock on August 1, 2007, and the repurchase of an additional 1,400,000 shares of the Company's common stock on February 12, 2008. At this time, the Company has authority to repurchase 2,985,831 shares of its common stock.

Item 6. Selected Financial Data.

Five-Year Summary

In millions except shares, shareholders of record and per share data

	2009	**2008(1)**	**2007(1)(2)**	**2006(1)(2)**	**2005(1)(2)**
Summary of Operations					
Net sales	**$ 2,379.5**	$ 3,110.1	$ 2,812.1	$ 2,493.0	$ 2,125.8
Gross profit	**$ 503.9**	$ 593.3	$ 587.8	$ 526.2	$ 444.0
Selling & administrative expenses	**$ 289.0**	$ 316.3	$ 276.1	$ 233.6	$ 206.5
Research & development	**$ 16.6**	$ 16.2	$ 15.8	$ 13.9	$ 14.1
Other expense (income), net	**$ 18.4**	$ 18.7	$ (46.5)	$ (10.0)	$ (0.3)
Earnings before interest and income taxes	**$ 206.9**	$ 186.6	$ 342.4	$ 288.7	$ 223.7
Interest expense, net	**$ 9.0**	$ 27.7	$ 9.2	$ 19.9	$ 16.1
Income from continuing operations, net of tax	**$ 151.8**	$ 113.6	$ 221.0	$ 184.8	$ 142.4
Basic earnings per share	**$ 2.48**	$ 1.86	$ 3.56	$ 3.01	$ 2.31
Diluted earnings per share	**$ 2.45**	$ 1.85	$ 3.53	$ 2.97	$ 2.29
(Loss) income from discontinued operations, net of tax	**$ (7.2)**	$ (57.8)	$ (5.4)	$ 32.3	$ (27.2)
Basic (loss) earnings per share	**$ (0.12)**	$ (0.95)	$ (0.08)	$ 0.52	$ (0.44)
Diluted (loss) earnings per share	**$ (0.11)**	$ (0.94)	$ (0.09)	$ 0.52	$ (0.44)
Net income	**$ 144.6**	$ 55.8	$ 215.6	$ 217.1	$ 115.2
Basic earnings per share	**$ 2.36**	$ 0.91	$ 3.48	$ 3.53	$ 1.87
Diluted earnings per share	**$ 2.34**	$ 0.91	$ 3.44	$ 3.49	$ 1.85
Financial Position					
Net working capital(3)	**$ 498.7**	$ 525.6	$ 634.9	$ 536.7	$ 312.2
Property, plant and equipment, net	**$ 482.6**	$ 513.3	$ 518.2	$ 437.6	$ 406.6
Total assets	**$ 1,914.1**	$ 2,075.9	$ 1,988.8	$ 1,907.1	$ 1,590.1
Long-term debt(4)	**$ 156.1**	$ 273.3	$ 262.8	$ 274.7	$ 283.3
% of total capitalization(5)	**11.4**	20.0	19.0	22.1	27.3
Shareholders' equity	**$ 1,218.6**	$ 1,094.1	$ 1,118.9	$ 967.3	$ 754.0
Other Data					
Average shares outstanding basic (*in thousands)*	**60,601**	60,541	61,692	61,240	61,472
Average shares outstanding diluted (*in thousands)*	**61,234**	60,848	62,338	61,957	61,950
Dividends paid	**$ 38.6**	$ 36.6	$ 34.7	$ 32.0	$ 29.6
Per share	**$ 0.63**	$ 0.60	$ 0.56	$ 0.52	$ 0.48
Capital expenditures	**$ 48.2**	$ 68.0	$ 82.5	$ 95.5	$ 108.2
Depreciation & amortization	**$ 67.5**	$ 69.0	$ 65.9	$ 59.8	$ 56.3
Shareholders of record	**1,861**	1,515	1,933	1,725	1,991

(1) All periods presented have been revised to conform to 2009 presentation of earnings before interest and income taxes ("EBIT"). Results may differ from prior presentations due to rounding.

(2) 2007 and prior figures have been reclassified to reflect discontinued operations and to conform to 2008 and 2009 presentation.

See notes 1 and 19 to the Consolidated Financial Statements in Item 8.

(3)

Net working capital defined as total current assets less total current liabilities.

(4) Long-term debt includes that of discontinued operations of $4.9 million at December 31, 2005.

(5) Percent of total capitalization defined as long-term debt divided by long-term debt plus shareholders' equity.

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

Executive Overview

Carlisle Companies Incorporated ("Carlisle", the "Company", "we" or "our") is a diversified manufacturing company focused on achieving profitable growth internally through new product development and product line extensions, and externally through acquisitions that complement our existing technologies, products and market channels. The Company has approximately 10,000 employees in its continuing operations. Carlisle manages its businesses under the following segments:

Construction Materials: the "construction materials" business;

Engineered Transportation Solutions: the "engineered transportation solutions" business, combining the "tire and wheel" product line, the "off-highway braking" product line and the "power transmission belt" product line;

Interconnect Technologies: the "interconnect technologies" business;

FoodService Products: the "foodservice products" business; and

Specialty Products: the "specialty trailer" business and the "refrigerated truck bodies" business.

While Carlisle has offshore manufacturing operations, the markets served by the Company are primarily in North America. Management focuses on maintaining a strong and flexible balance sheet, year-over-year improvement in sales, earnings before interest and income taxes ("EBIT") margins and earnings, globalization, and improving free cash flow from operations. Resources are allocated among the operating companies based on management's assessment of their ability to obtain leadership positions and competitive advantages in the markets they serve.

During 2008, the Company began the implementation of the Carlisle Operating System, a manufacturing structure and strategy deployment system based on lean enterprise and six sigma principles. The purpose of the Carlisle Operating System is to eliminate waste in all production and business processes, improve manufacturing efficiencies to increase productivity, and to increase EBIT margins and improve cash conversion.

For a more in-depth discussion of the results discussed in this "Executive Overview", please refer to the discussion on "Financial Reporting Segments" presented later in "Management's Discussion and Analysis".

Net sales of $2.38 billion for the year ended December 31, 2009 were 23% lower than net sales of $3.11 billion for the year ended December 31, 2008. Organic sales (defined as net sales excluding sales from acquisitions and divestitures within the last twelve months, as well as the impact of changes in foreign exchange rates), across all segments declined 24% for the year ended December 31, 2009 as compared to the prior year, primarily as a result of depressed economic activity due to a severe recession. Acquisitions in the Interconnect Technologies, FoodService Products and Engineered Transportation Solutions segments contributed $52.0 million of additional sales in the current year as compared to the year ended December 31, 2008. The impact of foreign exchange rates had less than a 1% impact on the year-over-year change in sales.

Income from continuing operations was $151.8 million, or $2.45 per diluted share, for the year ended December 31, 2009, a 34% increase compared to $113.6 million, or $1.85 per diluted share, for the year ended December 31, 2008. Income from continuing operations for 2009 includes an after-tax $16.8 million, or $0.27 per diluted share, gain from a fire insurance settlement and the release of a $19.6 million, or $0.32 per diluted share, deferred tax liability, previously provided with respect to un-repatriated earnings. Offsetting these gains were $27.1 million of after-tax restructuring charges, or $0.44 per diluted share, for facilities consolidation and closures. 2008 results included: an after-tax impairment charge on the assets of the power transmission belt business of $44.2 million, or $0.73 per diluted share. For more detail on these charges, refer to the discussion on "Financial Reporting Segments." For more information regarding the change in income from continuing operations from 2008 to 2009, refer to the discussion below on "2009 Compared to 2008".

Net sales of $3.11 billion for the year ended December 31, 2008 were 11% higher than net sales of $2.81 billion for the year ended December 31, 2007. Organic growth accounted for 3% of the improvement. Acquisitions in the Interconnect Technologies, FoodService Products and Construction Materials segments contributed $213.4 million, or approximately 8% of the year-over-year increase. The impact of foreign exchange rates accounted for less than 1% of the sales growth.

Income from continuing operations of $113.6 million for the year ended December 31, 2008 declined 49% as compared to 2007. Income from continuing operations for 2007 included an after-tax gain of $29.9 million, or $0.48 per diluted share, on the sale of the Company's interest in its European roofing company ("Icopal"). For more information regarding the change in income from continuing operations from 2007 to 2008, refer to the discussion below on "2008 Compared to 2007".

2009 Compared to 2008

Net sales of $2.38 billion for the year ended December 31, 2009 were $730.6 million, or 23%, below 2008 net sales of $3.11 billion. Organic sales across all segments declined 24% for the year ended December 31, 2009 as compared to the prior year, primarily attributed to lower sales volumes. Acquisitions in the Interconnect Technologies, FoodService Products and Engineered Transportation Solutions segments contributed $52.0 million of additional sales in the current year as compared to the year ended December 31, 2008. Refer to the discussion below on "Acquisitions".

Cost of goods sold of $1.88 billion for the twelve months ended December 31, 2009 were $641.2 million, or 25%, lower than in 2008. The decrease was attributable to lower sales volume, lower raw material costs and efficiency gains from the Carlisle Operating System.

Gross margin (net sales less cost of goods sold expressed as a percent of net sales) of 21.2% recognized in 2009 increased as compared to gross margin of 19.1% recognized in 2008. The primary reasons for the margin improvement were lower raw material costs, higher selling prices and efficiency gains from the Carlisle Operating System.

Selling and administrative expenses of $289.0 million for the year ended December 31, 2009 were 9% below 2008 expenses of $316.3 million. The decrease was due primarily to a combination of lower commission costs and reduced discretionary spending in 2009. As a percent of net sales, selling and administrative expenses were approximately 12.2% and 10.2% for the years ended December 31, 2009 and 2008, respectively. The increase in selling and administrative expenses as a percent of net sales year-over-year is primarily attributable to management restructuring expenses in 2009 and lower net sales.

Research and development expenses of $16.6 million for the twelve months ended December 31, 2009 increased 2% from $16.2 million in 2008. As a percent of net sales, research and development expenses were 0.7% and 0.5% of sales in 2009 and 2008, respectively.

Other expense (income), net of $18.4 million for the twelve months ended December 31, 2009 compared to $18.7 million in 2008. The 2009 expense included: asset-impairment charges of $14.4 million in the Engineered Transportation Solutions segment for the integration of the power transmission belt business and the closure of the facilities in Buji, China, Carlisle, PA and Logansport, IN; $3.8 million in the Specialty Products segment for the closure of the facility in Brookville, PA; and, $2.1 million in the Interconnect Technologies segment for the closure of the facility in Vancouver and Kent, WA. The 2008 expense included $13.1 million of long-lived asset write-downs in the Engineered Transportation Solutions segment on the impairment at the power transmission belt business, $4.3 million of long-lived asset write-downs in the Construction Materials segment on the closure of the insulation facilities in Anderson, SC and Marlin, TX, and $1.5 million in long-lived asset charges for the FoodService Products segment on the restructuring of the janitorial/sanitation facilities in Atlanta, GA and Sparta, WI.

Goodwill impairment charges of $55.5 million reflect the impairment of goodwill associated with the power transmission belt business in 2008.

Gain related to fire settlement of $27.0 million in 2009 reflects insurance proceeds less associated losses resulting from a fire which destroyed the Company's tire manufacturing facility in Bowden, GA in November, 2008.

Earnings before interest and income taxes ("EBIT") for the year ended December 31, 2009 was $206.9 million, an 11% increase compared to $186.6 million recognized in 2008. 2009 EBIT was positively impacted by selling price increases, favorable raw material pricing, efficiencies gained through the Carlisle Operating System and a $27.0 million gain from a fire insurance settlement. These positive impacts were offset by lower sales volume and restructuring expenses. 2008 results included an impairment charge on goodwill and certain assets of the power transmission belt business of $68.6 million, of which $55.5 million was attributed to goodwill. As a percent of net sales, EBIT was 8.7% in 2009, up from 6.0% in 2008.

Interest expense, net of $9.0 million for the twelve months ended December 31, 2009 was $18.7 million lower than interest expense, net of $27.7 million in 2008. Interest expense in 2008 included a $7.7 million pre-tax charge for the termination of a treasury lock. The Company elected not to issue bonds in 2008 and, as a result, incurred the expenses related to the treasury lock. See Note 8 in the Notes to the Consolidated Financial Statements in Item 8 for further information. Also contributing to the year-over-year decrease in interest expense was the reduction of outstanding debt during 2009.

Income tax expense of $46.1 million from continuing operations for the year ended December 31, 2009, which represented an effective tax rate of 23.3%, compared to income tax expense of $45.3 million in 2008, reflecting an effective tax rate of 28.5%. 2009 income tax expense benefitted from the release of a $19.6 million deferred tax accrual, previously provided with respect to un-repatriated earnings. The company has now identified appropriate long-term uses for these earnings outside the United States.

The Company participated in the U.S. Internal Revenue Service's real time audit program, Compliance Assurance Process ("CAP"), during 2009 and 2008. Under the CAP program, material tax issues and initiatives were disclosed to the IRS throughout the year with the objective of reaching agreement as to the proper reporting treatment. The examination of the 2007 and 2008 returns have been completed. The Company believes that this approach reduces tax-related uncertainties, enhances transparency and reduces administrative costs. The Company expects to continue participating in the CAP program in 2010.

Income from continuing operations was $151.8 million, or $2.45 per diluted share, for the year ended December 31, 2009, a 34% increase compared to $113.6 million, or $1.85 per diluted share, for the year ended December 31, 2008. Income from continuing operations for 2009 includes an after-tax $16.8 million, or $0.27 per diluted share, gain from a fire insurance settlement and the release of a $19.6 million, or $0.32 per diluted share, deferred tax accrual, previously provided with respect to un-repatriated earnings. Offsetting these gains were $27.1 million of after-tax restructuring charges, or $0.44 per diluted share, for facilities consolidation and closures. 2008 results included: an after-tax impairment charge on the assets of the power transmission belt business of $44.2 million, or $0.73 per diluted share; $5.8 million of after-tax restructuring charges, or $0.09 per diluted share, for facilities consolidations and closures; and, a $4.8 million after-tax charge, or $0.08 per diluted share, for the termination of a treasury lock that was entered into in 2006 in anticipation of a 2008 bond offering.

Loss from discontinued operations, net of tax for the year ended December 31, 2009 was $7.2 million or $0.11 loss per diluted share, as compared to a loss from discontinued operations, net of tax of $57.8 million, or $0.94 per diluted share, in 2008. 2009 results reflect the costs associated with the liquidation of the on-highway brake business. 2008 includes $45.3 million of after-tax impairment charges related to the planned divestiture of the on-highway brake business.

Net income of $144.6 million, or $2.34 per diluted share, for the year ended December 31, 2009 compared to net income of $55.8 million, or $0.91 per diluted share, for the year ended December 31, 2008.

2008 Compared to 2007

Net sales of $3.11 billion for the year ended December 31, 2008 were $298.0 million, or 11%, above 2007 net sales of $2.81 billion. Organic growth of 3% was driven by price increases across all segments. The acquisitions of Carlyle Incorporated ("Carlyle"), a provider of high-specification aerospace and network interconnection solutions, in the Interconnect Technologies segment, Dinex International, Inc. ("Dinex"), a supplier of foodservice products to the healthcare and other institutional industries, in the FoodService Products segment in 2008 and Insulfoam in the Construction Materials segment in 2007, contributed $213.4 million, or approximately 8% of the year-over-year growth. Refer to the discussion below on "Acquisitions".

Cost of goods sold of $2.52 billion for the twelve months ended December 31, 2008 were $292.5 million, or 13%, higher than in 2007. Of the increase, 55% related to acquisitions, with the remainder of the increase being attributable to increased raw material, freight and overhead costs.

Gross margin (net sales less cost of goods sold expressed as a percent of net sales) of 19.1% recognized in 2008 declined as compared to gross margin of 20.9% recognized in 2007. The primary reasons for the change were margin erosion in the Construction Materials segment reflecting an increase in raw material costs, and unabsorbed overhead costs attributable to lower unit sales volumes in the Engineered Transportation Solutions segment.

Selling and administrative expenses of $316.3 million for the year ended December 31, 2008 were approximately 15% above 2007 expenses of $276.1 million. The acquisitions of Carlyle and Dinex accounted for $26.2 million of the increase. The increase was also due to the write-off of an uncollectible note receivable from a customer of $4.9 million, and costs associated with other new facilities. Included in 2007 selling and administrative expenses were $6.6 million of expenses related to the change in executive management. On June 12, 2007, the Company announced the resignation of Richmond D. McKinnish as President and Chief Executive Officer and the appointment of David A. Roberts as Chairman, President and Chief Executive Officer. As a percent of net sales, selling and administrative expenses were approximately 10.2% and 9.8% for the years ended December 31, 2008 and 2007, respectively.

Research and development expenses of $16.2 million for the twelve months ended December 31, 2008 increased 3% from $15.8 million in 2007. As a percent of net sales, research and development expenses were 0.5% and 0.6% of sales in 2008 and 2007, respectively.

Goodwill impairment charges of $55.5 million reflect the impairment of goodwill associated with the power transmission belt business in 2008.

Other expense (income), net of $18.7 million for the twelve months ended December 31, 2008 compared to income of $46.5 million in 2007. The 2008 expense included $13.1 million of long-lived asset write-downs in the Engineered Transportation Solutions segment on the impairment at the power transmission belt business, $4.3 million of long-lived asset write-downs in the Construction Materials segment on the closure of the insulation facilities in Anderson, SC and Marlin, TX, and $1.5 million in long-lived asset charges for the FoodService Products segment on the restructuring of the janitorial/sanitation facilities in Atlanta, GA and Sparta, WI. Results for 2007 included: a gain of $47.0 million related to the sale of Icopal; $8.2 million of proceeds received from certain legal actions initiated by the Company; and equity income from Icopal of $2.0 million. Partially offsetting these gains was a $4.7 million management transition charge related to the U.K. braking business, $3.5 million of expenses associated with the Company's trade accounts receivable securitization program, and asset charges of $3.4 million related to the closure of certain tire and wheel and power transmission belt operations.

Earnings before interest and income taxes for the year ended December 31, 2008 was $186.6 million, a 46% decrease compared to $342.4 million recognized in 2007. The decrease is primarily due to a goodwill impairment charge on the power transmission belt business of $55.5 million in 2008, a $47.0 million gain on the sale of Icopal in 2007, in addition to other changes in Other expense (income), net, and higher selling and administrative expenses. As a percent of sales, EBIT was 6.0% in 2008, down from 12.2% in 2007.

Interest expense, net of $27.7 million for the twelve months ended December 31, 2008 was $18.5 million higher than interest expense, net of $9.2 million in 2007. Interest expense for the 2008 period included a $7.7 million charge for the termination of a treasury lock that was entered into in 2006 in anticipation of a 2008 bond offering. The Company elected not to issue bonds in 2008 and, as a result, incurred the expenses related to the treasury lock. See Note 8 in the Notes to the Consolidated Financial Statements in Item 8 for further information. Interest expense in 2007 was reduced by interest income of $6.6 million recovered from Icopal, and $2.1 million on the investment of the proceeds received from the Icopal sale.

Income tax expense from continuing operations was $45.3 million for the year ended December 31, 2008, which represented an effective tax rate of 28.5%, compared to income tax expense of $112.2 million in 2007, which represented an effective tax rate of 33.7%. The decreased tax rate resulted largely from lower tax rates in foreign jurisdictions.

Income from continuing operations was $113.6 million, or $1.85 per diluted share, for the year ended December 31, 2008, a 49% decline from $221.0 million, or $3.53 per diluted share, for the year ended December 31, 2007. Results for the year 2007 period included an after-tax gain of $29.9 million, or $0.48 per diluted share, on the sale of Icopal, the recovery of previously reserved interest of $4.4 million after-tax, or $0.07 per diluted share, owed from Icopal, and after-tax gains of $5.6 million, or $0.09 per diluted share, on proceeds received from certain legal proceedings initiated by the Company. Partially offsetting these gains were after-tax charges of $4.7 million, or $0.08 per diluted share, related to the facility and management transition of an acquired U.K. off-highway braking business, expenses of $4.4 million after-tax, or $0.07 per diluted share related to changes in executive management.

Loss from discontinued operations, net of tax for the year ended December 31, 2008 was $57.8 million or $0.94 loss per diluted share, as compared to $5.4 million, or $0.09 per diluted share, in 2007. 2008 results reflect $45.3 million of after-tax impairment charges related to the planned divestiture of the on-highway brake business.

Net income of $55.8 million, or $0.91 per diluted share, for the year ended December 31, 2008 compared to net income of $215.6 million, or $3.44 per diluted share, for the year ended December 31, 2007.

Acquisitions

On October 1, 2009, the Company acquired the remaining 51% interest in Japan Power Brake, Inc. ("JPB"), a leading provider of high performance braking solutions for off-highway equipment, primarily in the mining and construction industries in Japan, for a purchase price of approximately $4.2 million. In connection with this purchase, a gain of $0.8 million was recognized in Other expense (income), net on the Company's previous 49% interest in JPB. JPB is located in Atsugi, Japan and is under the management direction of the off-highway braking business that is included in the Engineered Transportation Solutions segment. The purchase price included an allocation of $0.9 million to other intangible assets reflecting a non-compete agreement with a useful life of 10 years. The remaining purchase price was allocated to current assets; property, plant and equipment; and current liabilities.

On October 1, 2009, the Company acquired 100% of the equity of Electronic Cable Specialists ("ECS"), a leading provider of electrical and structural products and services for the aviation, medical and industrial markets, for a purchase price of approximately $42.4 million. The acquisition of ECS expands

Carlisle's product and system reach into additional avionics applications and strengthens Carlisle's engineering and design capabilities. The acquisition will allow for reduction of expenses through consolidation of certain sales, general and administrative functions and through in-house production of certain components which were previously purchased by ECS from third parties. Carlisle also expects to achieve increased sales from its existing customer base with the addition of the engineering and design capabilities of ECS. ECS is located in Franklin, WI and is under the management direction of the Interconnect Technologies segment. The purchase price allocation resulted in current assets of $15.1 million; property, plant and equipment of $1.9 million; goodwill of $13.5 million, identified intangible assets of $14.5 million, and non-interest bearing current liabilities of $2.6 million. Of the $14.5 million of acquired intangible assets, $2.6 million was assigned to trade names that are not subject to amortization, $4.5 million was assigned to customer relationships with a determinable useful life of 17 years, and the remaining $7.4 million was assigned to other intangible assets with a weighted average useful life of 14.7 years. The goodwill from this acquisition is deductible for tax purposes.

On September 18, 2009, the Company acquired the assets of Jerrik, Inc. ("Jerrik"), a recognized leader in the design and manufacture of highly engineered military and aerospace filter connections, for approximately $33 million. The acquisition expands the Company's range of products serving the defense and aerospace markets. The acquisition will allow for reduction of expenses through consolidation of certain sales, general and administrative functions and through in-house production of certain components, which were previously purchased by Jerrik from third parties. Jerrik is located in Tempe, AZ and is under the management direction of the Interconnect Technologies segment. The purchase price allocation resulted in current assets of $7.9 million; property, plant and equipment of $1.8 million; goodwill of $13.7 million, identified intangible assets of $10.8 million, and current liabilities of $1.2 million. Of the $10.8 million of acquired intangible assets, $0.2 million was assigned to trade names with determinable useful life of 2 years, $7.1 million was assigned to customer relationships with a determinable useful life of 18 years, and the remaining $3.5 million was assigned to other intangible assets with a weighted average useful life of 18.1 years. The goodwill from this acquisition is deductible for tax purposes.

On April 28, 2008, the Company acquired 100% of the equity of Carlyle Incorporated ("Carlyle"), a leading provider of sophisticated aerospace and network interconnection solutions, for a purchase price of approximately $194 million. Carlyle is located in Tukwila, WA and is under the management direction of the Interconnect Technologies segment. Carlyle added design and assembly capabilities in specialty in-flight entertainment systems and other interconnect solutions for the aerospace industry. The purchase price allocation resulted in goodwill of $122.3 million and identified intangible assets of $76.0 million. Of the $76.0 million of identified intangible assets, $75.0 million was assigned to customer relationships with a determinable useful life of 20 years and $1.0 million was assigned to covenants not to compete with a determinable useful life of 5 years. The goodwill from this acquisition is not deductible for tax purposes.

On January 25, 2008, the Company acquired 100% of the equity of both Dinex International, Inc. and Proex, Inc. (collectively "Dinex"), leading suppliers of foodservice products to the healthcare and other institutional industries, for approximately $96 million. Dinex has facilities in Glastonbury, CT and Batavia, IL, and is under the management direction of the FoodService Products segment. The acquisition has enhanced Carlisle's position in the higher growth healthcare sector. The purchase price allocation resulted in goodwill of $29.3 million and identified intangible assets of $49.8 million. Of the $49.8 million of identified intangible assets, $8.0 million was assigned to trade names that are not subject to amortization, $37.0 million was assigned to customer relationships with a weighted average useful life of 16.4 years, $1.0 million was assigned to patents with a determinable useful life of 6 years, and the remaining $3.8 million was assigned to other intangible assets with a weighted average useful life of 6.5 years. The goodwill from this acquisition is deductible for tax purposes.

On May 1, 2007, the Company acquired 100% of the equity of Insulfoam LLC ("Insulfoam") from Premier Industries, Inc., a leading manufacturer of block molded expanded polystyrene products used primarily as insulation in building and other construction applications, headquartered in Tacoma, WA, for approximately $168 million. Insulfoam is under the management direction of the Construction Materials segment, and operating results since the acquisition date have been included in that segment. The purchase price allocation resulted in goodwill of approximately $55.2 million and identified intangible assets of $20.6 million. Of the $20.6 million of identified intangible assets, $10.3 million was assigned to the trade name that is not subject to amortization, while the remaining acquired intangibles of $10.3 million were allocated primarily to customer related intangibles, which are being amortized over the assets' determinable useful life of 9 years. The goodwill from this acquisition is deductible for tax purposes.

On February 2, 2007, the Company acquired 100% of the equity of Meixian Tengfei Tyre Co., Ltd., a tire manufacturer, located in Guandong, China, for consideration of approximately $20 million. Operating results for this operation since the acquisition date are included in the Engineered Transportation Solutions segment. The purchase price was allocated to Property, plant and equipment, net, as it approximated the fair value of the assets purchased.

On January 29, 2007, the Company purchased the assets of Dongguan Qiaotou Yichang Wire and Cable Assembly Factory, located in Guangdong, China, specializing in complex cable assemblies and wire harnesses for medical and industrial applications, for consideration of approximately $3 million and contingent additional payments of up to $4 million based on the acquired company's future earnings, of which the Company has paid additional consideration of approximately $0.2 million through December 31, 2009. The additional consideration has been recorded as an increase to goodwill. Operating results for this operation since the acquisition date are included in the Interconnect Technologies segment. The purchase price allocation resulted in goodwill of approximately $1.5 million and identified intangible assets of $1.0 million with a weighted-average life of 5.7 years. Identified intangible assets consist primarily of customer relationships valued at $0.7 million, with a weighted-average life of 4 years, and other agreements valued at $0.3 million with a weighted-average life of 9 years. The goodwill from this acquisition is not deductible for tax purposes.

Financial Reporting Segments

The following table summarizes segment net sales and EBIT. The amounts for each segment should be referred to in conjunction with the applicable discussion below.

			Increase (Decrease)				Increase (Decrease)	
In millions, except percentage	**2009**	**2008***	**Amount**	**Percent**	**2008***	**2007***	**Amount**	**Percent**
Net Sales								
Construction Materials	**$ 1,125.9**	$ 1,472.3	$ (346.4)	-24%	$ 1,472.3	$ 1,365.4	$ 106.9	8%
Engineered Transportation Solutions	**708.1**	928.2	(220.1)	-24%	928.2	917.0	11.2	1%
Interconnect Technologies	**180.5**	197.9	(17.4)	-9%	197.9	116.8	81.1	69%
FoodService Products	**243.6**	266.2	(22.6)	-8%	266.2	183.4	82.8	45%
Specialty Products	**121.4**	245.5	(124.1)	-51%	245.5	229.5	16.0	7%
	$ 2,379.5	$ 3,110.1	$ (730.6)	-23%	$ 3,110.1	$ 2,812.1	$ 298.0	11%
Earnings Before Interest and Income Taxes ("EBIT")								
Construction Materials	**$ 155.2**	$ 151.1	$ 4.1	3%	$ 151.1	$ 240.5	$ (89.4)	-37%
Engineered Transportation Solutions	**54.2**	(12.9)	67.1	520%	(12.9)	77.2	(90.1)	-117%
Interconnect Technologies	**14.3**	25.2	(10.9)	-43%	25.2	16.8	8.4	50%
FoodService Products	**24.7**	20.7	4.0	19%	20.7	20.6	0.1	0%
Specialty Products	**(5.0)**	33.5	(38.5)	-115%	33.5	29.0	4.5	16%
Total Segment EBIT	**243.4**	217.6	25.8	12%	217.6	384.1	(166.5)	-43%
Corporate	**(36.5)**	(31.0)	(5.5)	-18%	(31.0)	(41.7)	10.7	26%
	$ 206.9	$ 186.6	$ 20.3	11%	$ 186.6	$ 342.4	$ (155.8)	46%

* 2007 and 2008 figures have been revised to reflect the change from reporting operating income to reporting earnings before interest and income taxes, and to reflect the change in the Company's segments

Construction Materials

2009 Compared to 2008

Net sales in the Construction Materials segment were $1.13 billion for the year ended December 31, 2009, a decrease of 24% from $1.47 billion recognized in 2008. The decrease in sales was primarily attributable to a reduction in the volume of products sold across all major product lines and is consistent with declines in the overall non-residential construction industry. Year-over-year changes in selling prices, as well as the impact of foreign currency exchange rates, had less than a 1% impact on sales in 2009.

Segment EBIT of $155.2 million for the twelve months ended December 31, 2009 represented a 3% increase compared to EBIT of $151.1 million in 2008. EBIT as a percentage of sales ("EBIT margin") was 13.8% in 2009 as compared to 10.3% in 2008. The improvement in margins was primarily due to favorable raw material costs, reduction in selling and administration expenses and efficiency gains from the Carlisle Operating System. These improvements substantially offset the impact from the sales volume decrease that occurred in 2009 as compared to 2008. 2008 operating results included a $5.9 million restructuring charge related to the closure of two block molded expanded polystyrene manufacturing operations at the plants located in Anderson, SC and Marlin, TX.

On October 21, 2008, the Company announced plans to close its insulation facilities in Anderson, SC and Marlin, TX and exited the facilities by the end of 2008. $5.9 million of costs related to this closure were incurred in 2008, with no material costs incurred in 2009. The 2008 costs included the write-down of buildings and manufacturing equipment of $4.3 million, working capital write-downs of $0.9 million, employee severance costs of $0.2 million, and moving, relocation and other expenses of $0.5 million.

Net sales and EBIT are generally higher for this segment in the second and third quarters of the year due to increased construction activity during these periods. The Company continues to face many uncertainties in the coming year, including the weak economy and the lack of financing for new construction, therefore potentially reducing demand for construction materials products. The Company is also susceptible to fluctuations in raw material costs and the ability to pass along increases in such costs to customers.

2008 Compared to 2007

Net sales in the Construction Materials segment were $1.47 billion for the year ended December 31, 2008, an increase of 8% over $1.37 billion recognized in 2007. The increase was driven by higher thermoplastic polyolefin ("TPO") membrane sales volumes and selling price increases implemented to offset higher raw material costs that contributed approximately 39% of the increase. The acquisition of Insulfoam in May 2007 contributed $45.6 million of incremental sales in 2008.

Segment EBIT of $151.1 million for the twelve months ended December 31, 2008 represented an $89.4 million decline compared to 2007. EBIT margin was 10.3% in 2008 as compared to 17.6% in 2007. The decline reflected increased raw material costs, unfavorable product mix, and continued competitive pricing. Selling price increases, cost reductions, and expense containment helped to mitigate some of the raw material cost increases. Results for the year ended December 31, 2008 included $5.9 million of restructuring charges on the closure of two block molded expanded polystyrene manufacturing operations at the plants located in Anderson, SC and Marlin, TX, and the write-off of an uncollectible receivable from a customer of $4.9 million. Results for the year ended December 31, 2007 included a $48.5 million gain (excluding a $1.5 million loss attributable to Corporate) on the sale of the Company's interest in the European roofing company, Icopal, on July 31, 2007.

Engineered Transportation Solutions

2009 Compared to 2008

Net sales for the year ended December 31, 2009 were $708.1 million, a 24% decrease from net sales of $928.2 million in the prior year, primarily reflecting a decrease in the volume of products sold as a result of reduced customer spending due to the economic recession. Sales were down in nearly all markets in this segment, with the more significant declines in the recreational vehicle, agriculture, construction and mining markets. Sales of specialty brake products to the military markets increased 8.5%.

Segment EBIT for the twelve months ended December 31, 2009 was $54.2 million, as compared to an EBIT loss of $12.9 million in 2008. EBIT margin of 7.7% in 2009 compared to negative 1.4% in 2008. Lower raw material costs, savings realized from the Carlisle Operating System, and a pre-tax fire insurance gain of $27.0 million offset the negative impacts of lower sales volumes and $24.4 million in restructuring costs. Results for 2008 included impairment charges on goodwill and certain assets of the power transmission belt business of $68.6 million.

The fire insurance gain was the result of insurance recoveries related to a fire at the Company's facility in Bowdon, GA, which occurred in November 2008. For more information see Note 2 to the Consolidated Financial Statements in Item 8.

The Company has undertaken several consolidation projects within this segment in efforts to reduce costs and streamline its operations. Descriptions of these projects are set forth below:

In the fourth quarter of 2008, the Company began consolidating nineteen of its distribution centers located throughout the United States and Canada into nine existing facilities. These consolidations were completed in the second quarter of 2009.

In the first quarter of 2009, the Company began the consolidation of three wheel manufacturing plants located in California into one facility in Ontario, CA. In the second quarter of 2009, the Company also began the closure of its wheel manufacturing operation in Mexico. These consolidations were completed as of December 31, 2009.

In the first quarter of 2009, the Company announced plans to consolidate its pneumatic tire manufacturing operations in Buji, China into its manufacturing operation in Meizhou, China and has completed this consolidation as of December 31, 2009.

In the third quarter of 2009, the Company announced plans to consolidate its tire manufacturing operations in Heflin, AL, Carlisle, PA, and portions of Buji, China into a new facility in Jackson, TN, purchased in the third quarter of 2009. The consolidation of tire manufacturing operations into Jackson, TN is expected to be complete by the end of 2010.

In the fourth quarter of 2009, within its off-highway braking business, the Company announced plans to close its friction product manufacturing facility in Logansport, IN and to consolidate operations into its locations in Hangzhou, China and Bloomington, IN. This consolidation is expected to be completed by March, 2010.

Also, in the fourth quarter of 2009, the Company combined its power transmission belt business into its tire and wheel business. The consolidation of its operations is expected to be completed by the end of 2010.

The Company expects the total cost of these consolidation projects will be approximately $42.3 million, of which $25.2 million has been incurred through December 31, 2009, and $17.1 million is expected to be incurred in 2010. Amounts expected to be incurred in 2010 relate primarily to employee termination and other costs associated with the relocation of employees and equipment.

During 2009, the Company recorded $24.4 million of expense, including $14.1 million in fixed asset charges, $0.5 million in inventory write-downs, $5.1 million of other costs consisting primarily of contract termination and relocation expenses, and $4.7 million in employee termination costs.

Cost savings related to these consolidations, primarily resulting from the reduction of operating costs, are expected to approximate $35 million per year, of which an estimated $17 million will be realized in 2010.

Net sales and EBIT are generally higher in the first half of the year due to peak sales volumes in the outdoor power equipment market. Current economic conditions may continue to affect customer spending and negatively impact demand in this segment. Volatility in commodities prices could impact demand in the mining sector.

The restructuring activities within the tire and wheel business to consolidate manufacturing facilities and to start-up a manufacturing facility in Jackson, TN could cause disruptions to customers, employee dissatisfaction, and the potential loss of a portion of the tire and wheel business. The Company could also be negatively impacted by cost and availability of shipping channels and the amount of time required to ship product manufactured in China.

2008 Compared to 2007

Net sales for the year ended December 31, 2008 were $928.2 million as compared to net sales of $917.0 million in the prior year. 2008 net sales increased 1.2% as compared to 2007 levels, reflecting price increases in all product lines and volume increases in the agriculture equipment and replacement markets, partially offset by volume decreases in the remaining markets.

Segment EBIT for the twelve months ended December 31, 2008 was a loss of $12.9 million as compared to income of $77.2 million in 2007. EBIT margin was a negative 1.4% in 2008 as compared to 8.4% in 2007. EBIT in 2008 included impairment charges on goodwill and certain assets of the power transmission belt business of $68.6 million. EBIT in 2007 included a $4.7 million charge related to the facility and management transition of an acquired off-highway brake operation in Wales, U.K and $3.4 million in asset charges related to the closure of certain tire and wheel and power transmission belt operations. Increased raw material cost, freight, and unabsorbed overhead due to decreased sales volumes also contributed to the EBIT decline.

Interconnect Technologies

2009 Compared to 2008

Net sales of $180.5 million for the year ended December 31, 2009 were $17.4 million lower than net sales of $197.9 million in 2008. The positive sales impact from the acquisitions of Carlyle , Jerrik and Electronic Cable Specialists was more than offset by a 23% decline in organic sales in 2009 reflecting lower sales volumes across all product lines as a result of depressed economic conditions due to the severe recession.

Segment EBIT of $14.3 million for the year ended 2009 represented a decrease of $10.9 million, or 43%, from the prior year. As a percent of sales, EBIT declined to 7.9% in 2009 from 12.7% in 2008. The decline in EBIT was due to a combination of the organic sales decline and $3.7 million in restructuring charges recorded in 2009, which are more fully described below.

The Company has undertaken two consolidation projects within the Interconnect Technologies segment in efforts to reduce costs and streamline operations. Descriptions of these projects are set forth below:

In the second quarter of 2009, the Company began the consolidation of its Kent, WA facility into its Tukwila, WA facility and this consolidation was completed in the third quarter of 2009.

In the fourth quarter of 2009, the Company announced that it would consolidate its Vancouver, WA facility into its facilities in Long Beach, CA and Yichang, China and close its Vancouver facility. This consolidation is expected to be completed by June, 2010.

The Company expects the total cost of these consolidation projects will be approximately $5.2 million, of which $3.7 million has been incurred through December 31, 2009, and $1.5 million is expected to be incurred in 2010. Amounts expected to be incurred in 2010 relate primarily to employee termination, lease termination and other costs associated with the relocation of employees and equipment. Cost savings related to these projects, which will be primarily in the form of reduced operating costs, are expected to be approximate $3.5 million per year, of which an estimated $2.5 million is expected to be realized in 2010.

Total costs incurred in 2009 related to these consolidations were $3.7 million and reflected $0.6 million in employee and contract termination and other disposal costs, $2.1 million of fixed asset impairment charges and $1.0 million of inventory write-downs.

With the acquisitions of Jerrik and Electronic Cable Specialists and successful test flight of the Boeing 787 and strengthening backlog of orders related to the 787 program, the long-term outlook for the markets served by this segment remain favorable. However, potential cancelations in new airplane manufacturing schedules and the impact of potential defense budget cuts could negatively impact future growth opportunities.

2008 Compared to 2007

Net sales of $197.9 million for the year ended December 31, 2008 were $81.1 million higher than net sales of $116.8 million in 2008. The increase was driven entirely by the acquisition of Carlyle, which contributed $84.5 million. Increases in RF/microwave sales, were offset by decreases in the test and measurement markets.

Segment EBIT of $25.2 million for the year ended 2008 represented an increase of $8.4 million, or 50%, over the prior year. The increase in EBIT as a result of the Carlyle acquisition was partially offset by lower sales volume and absorption of overhead expenses. As a percent of sales, EBIT declined to 12.7% from 14.4% in 2007.

FoodService Products

2009 Compared to 2008

Net sales of $243.6 million for the year ended December 31, 2009 were $22.6 million lower than net sales of $266.2 million in 2008. Year-over-year net sales increased slightly in the healthcare market; however, these increases were more than offset by decreased sales of restaurant market foodservice and janitorial/sanitation products, which were affected by the decline in consumer spending for casual dining.

EBIT of $24.7 million for the year ended 2009 represented an increase of $4.0 million, or 19%, over the prior year. As a percent of sales, EBIT margins increased to 10.1% from 7.8% in 2008. The improvement in margins was due to the combination of favorable raw material costs and efficiency gains from the Carlisle Operating System. EBIT in 2008 also included a $2.2 million restructuring charge related to plant consolidations.

In 2008, the Company began the consolidation of its Georgia and Wisconsin janitorial/sanitation manufacturing facilities into one facility in Sparta, WI. Exit and disposal costs of $2.2 million incurred in 2008 included the write-down of certain property, plant and equipment of $1.5 million, inventory write-downs of $0.5 million and employee termination costs of $0.2 million. This consolidation was completed in the second quarter of 2009 with no material consolidation costs incurred during 2009.

The foodservice products business is generally not subject to seasonal demand. Current economic conditions may continue to affect customer spending and negatively impact demand in this segment.

2008 Compared to 2007

Net sales of $266.2 million for the year ended December 31, 2008 were $82.8 million higher than net sales of $183.4 million in 2007. The increase was driven entirely by the acquisition of Dinex in 2008, which contributed $83.3 million. Increases in janitorial/sanitation products were offset by decreased sales of restaurant market foodservice products, which were affected by the decline in consumer spending for casual dining.

EBIT of $20.7 million for the year ended 2008 compared to $20.6 million for the prior year. The increase in EBIT as a result of the acquisition was offset by gross margin declines in the foodservice business and restructuring costs of $2.2 million related to plant consolidations. As a percent of sales, EBIT declined to 7.8% from 11.2% in 2007.

Specialty Products

2009 Compared to 2008

Net sales of $121.4 million for this segment in 2009 decreased $124.1 million, or 51% from the prior year. Sales of specialty trailers decreased 64% from the prior year, primarily attributable to weak sales in all markets served reflecting lower customer spending as a result of the recession and lack of credit availability. Sales of refrigerated truck bodies increased 5.4%, reflecting strong demand in the mechanical truck body market.

Segment EBIT decreased to a loss of $5.0 million for the year ended December 31, 2009, as compared to an EBIT gain of $33.5 million in the prior year. EBIT margin was negative 4.1% in 2009, as compared to a positive 13.6% in the prior year. EBIT in 2009 included $5.0 million in impairment and restructuring charges. Also contributing to the decline was the lower sales volume in the specialty trailer business.

At its heavy-haul trailer business, in the second quarter of 2009, the Company announced plans to consolidate its Brookville, PA facility into the operations located in Mitchell, SD and West Fargo, ND. This consolidation was completed by the end of 2009. During 2009, the Company incurred $5.0 million in exit and disposal costs, consisting of $3.8 million in fixed asset impairment charges, $0.2 million in employee termination costs and $1.0 million in others costs associated with the relocation of employees and equipment

The specialty trailer business is generally not subject to seasonal demand. Lack of credit availability could impact demand in all markets served by the Specialty Products segment.

On February 2, 2010, the Company sold all of its interest in Johnson Truck Bodies, its refrigerated truck bodies business.

2008 Compared to 2007

Net sales of $245.5 million for this segment in 2008 increased $16.0 million, or 7% from the prior year. Sales of heavy-haul truck trailers increased 4% over the prior year on price increases, model mix, and increased volume of specialized trailers that was offset by a reduction in volume of construction and live-bottom trailers. Sales of refrigerated truck bodies increased 23%, due to the recovery from weak market demand in 2007.

Segment EBIT increased to $33.5 million for the year ended December 31, 2008, an increase of $4.5 million compared to $29.0 million in the prior year. EBIT margin in 2008 of 13.6% increased from 12.6% in 2007. The increase in segment EBIT was driven by improved product mix and higher pricing, which was partially offset by higher raw material costs.

Corporate

Corporate expenses are largely comprised of compensation, benefits and travel expense for the corporate office staff. Corporate expenses also include certain external audit fees and internal audit expenses as well as the certain costs associated with its strategy to expand in the Asia Pacific region.

Corporate expenses for the year ended December 31, 2009, were $36.5 million, an increase from $31.0 million in 2008. The increase was primarily due to increased management restructuring costs of $3.2 million and additional selling and administrative expenses of $2.4 million in 2009 attributable to the strategy to expand the Company's presence in the Asia Pacific region.

During the year ended December 31, 2008, Corporate expenses were $31.0 million, down from $41.7 million in 2007. On June 12, 2007, the Company announced the resignation of Richmond D. McKinnish as President and Chief Executive Officer and the appointment of David A. Roberts as Chairman, President and Chief Executive Officer, resulting in expenses related to this change in executive management of $6.6 million in 2007. In addition, $1.1 million of expenses related to a terminated acquisition initiative were included in 2007 results.

As a percent of net sales, corporate expenses were 1.5%, 1.0%, and 1.5% in 2009, 2008 and 2007, respectively.

Liquidity and Capital Resources

Sources and Uses of Cash

In millions	**2009**	**2008**	**2007**
Net cash provided by operating activities	**$ 447.2**	$ 274.2	$ 259.3
Net cash used in investing activities	**(119.5)**	(354.2)	(134.1)
Net cash (used in) provided by financing activities	**(274.2)**	35.2	(182.4)
Effect of exchange rate changes on cash	**0.1**	(0.9)	1.6
Change in cash and cash equivalents	**$ 53.6**	$ (45.7)	$ (55.6)

2009 Compared to 2008

Net cash provided by operating activities was $447.2 million in the twelve months ended December 31, 2009, compared to net cash provided by operating activities of $274.2 million in the year ended December 31, 2008. Cash provided by working capital and other assets and liabilities was $195.1 million in 2009, and included contributions to the pension fund of $53.0 million. Cash provided by working capital and other assets and liabilities was $25.7 million in 2008. 2009 cash flow provided from operations includes $54.5 million of proceeds relating to the insurance settlement from the fire at the tire and wheel facility in Bowdon, GA.

Cash used in investing activities was $119.5 million in 2009 compared to $354.2 million in 2008. Cash used for acquisitions of $80.8 million in 2009 included the acquisitions of Jerrik, Electronic Cable Specialists and Japan Power Brake. Cash used for acquisitions of $290.7 million in 2008 included the acquisitions of Carlyle and Dinex. Capital expenditures of $48.2 million in 2009 compared with $68.0 million in 2008. The Engineered Transportation Solutions segments represented 63% of total capital expenditures in 2009.

Cash used by financing activities was $274.2 million in 2009 compared to cash provided of $35.2 million in 2008. Cash used by financing activities in 2009 included the reduction of $235.4 of outstanding debt and dividend payments of $38.6 million. Cash provided by financing activities in 2008 included borrowings under the revolving credit facility and securitization facility to fund acquisitions and capital expenditures, and to redeem the Company's 6.7% $100.0 million senior notes.

2008 Compared to 2007

Net cash provided by operating activities was $274.2 million in the twelve months ended December 31, 2008, compared to net cash provided by operating activities of $259.3 million in the year ended December 31, 2007. Cash provided by working capital and other assets and liabilities was $25.7 million in 2008, which compared to cash used of $2.0 million in 2007.

Cash used in investing activities was $354.2 million in 2008 compared to $134.1 million in 2007. Cash used for acquisitions of $290.7 million in 2008 included the acquisitions of Carlyle and Dinex. Cash used in investing activities in 2007 included $189.7 million used for the purchase of Insulfoam and the acquisitions of manufacturing operations in China for the Engineered Transportation Solutions and Interconnect Technologies segments. Capital expenditures of $68.0 million in 2008 compared with $82.5 million in 2007. 2007 capital expenditures reflected the construction of a new plant in the Engineered Transportation Solutions segment. The Construction Materials and Engineered Transportation Solutions segments each represented 39% of total capital expenditures in 2008. In 2007, cash from the sale of investments, property and equipment included $114.8 million from the sale of Icopal and $15.7 million received for notes and accrued interest owed to the Company by Icopal.

Cash provided by financing activities was $35.2 million in 2008 compared to cash used of $182.4 million in 2007. Cash provided by financing activities in 2008 included borrowings under the revolving credit facility and securitization facility to fund acquisitions and capital expenditures, and to redeem the Company's 6.7% $100.0 million senior notes. Cash used in financing activities in 2007 included the redemption of the Company's 7.25% $150.0 million senior notes and the repurchase of 1.5 million shares of the Company's stock for $60.0 million.

Debt Instruments, Guarantees and Covenants

The following table quantifies certain contractual cash obligations and commercial commitments at December 31, 2009:

In millions	Total	2010	2011	2012	2013	2014	Thereafter
Short-term credit lines and long-term debt	$ 156.8	$	$	$	$	$	$ 156.8
Interest on long-term debt(1)	61.7	9.3	9.3	9.3	9.3	9.3	15.2
Noncancelable operating leases	94.2	19.9	15.9	11.9	8.2	5.6	32.7
Total commitments	$ 312.7	$ 29.2	$ 25.2	$ 21.2	$ 17.5	$ 14.9	$ 204.7

(1) Future expected interest payments are calculated based on the stated rate for fixed rate debt and the effective interest rate at December 31, 2009 for variable rate debt.

The above table does not include $125.1 million of other long-term liabilities. Other long-term liabilities consist primarily of pension, post-retirement medical benefits, deferred income tax and warranty obligations. Due to factors such as return on plan assets, disbursements, contributions, and timing of warranty claims, it is not reasonably possible to estimate when these will become due.

Although the Company has entered into long-term purchase agreements for certain key raw materials, there were no take-or-pay contracts exceeding one year in place at December 31, 2009.

At December 31, 2009 the Company had $466.0 million available under its $500.0 million revolving credit facility. The $466 million available represents the total available borrowings of $500 million less $34 million of letters of credits that are outstanding at December 31, 2009 under the facility. The letters of credit outstanding are primarily utilized to provide security under insurance arrangements and certain borrowings.

The revolving credit facility provides for grid-based interest pricing based on the credit rating of the Company's senior unsecured bank or other unsecured senior debt and the Company's utilization of the facility. The Company's senior unsecured debt is rated BBB by Standard & Poor's and Baa2 by Moody's. The Company was recently removed from Credit Watch with one of the credit rating agencies. The facility requires the Company to meet various restrictive covenants and limitations including certain net worth, cash flow ratios and limits on outstanding debt balances held by certain subsidiaries. In the event of a substantial goodwill impairment charge, the Company's EBIT would be reduced and could cause a default in the covenants covered by the Company's debt and credit facility agreements.

The Company also maintains a $55.0 million uncommitted line of credit in the U.S. of which the entire $55.0 million was available as of December 31, 2009.

During the second quarter of 2009, the Company terminated its existing $150.0 million accounts receivable securitization facility. The facility was terminated as a result of the Company's strong operating cash flows and its available credit facilities and lines of credit that should provide adequate liquidity and capital resources to fund ongoing operations, expand existing lines of business and make strategic acquisitions.

At December 31, 2009, the fair value of the Company's $150 million, 6.125% senior notes due 2016, was approximately $163.5 million. The fair value of the Company's senior notes is based on current year yield rates plus the Company's estimated credit spread available for financings with similar terms and maturities. See Note 7 to the Consolidated Financial Statements in Item 8 for additional information.

The Company has financial guarantee lines in place for certain of its operations in U.S. and Europe to facilitate working capital needs, customer performance and payment, and warranty obligations. At December 31, 2009, the Company had issued guarantees of $0.9 million, of which an immaterial amount is recorded in current liabilities or Other long-term liabilities.

Under the Company's various debt and credit facilities, the Company is required to meet various restrictive covenants and limitations, including certain net worth, cash flow ratios and limits on outstanding debt balances held by certain subsidiaries. The Company was in compliance with all covenants and limitations in 2009 and 2008.

Cash Management

Capital expenditures in 2010 are expected to be $75-90 million, including business sustaining projects, cost reduction efforts and continuing manufacturing expansions, as well as $35 million related to the purchase of the Jackson, TN facility in 2009 to replace the Bowdon, GA plant destroyed by fire in 2008. There are no minimum contributions required for the company's pension plan in 2010. Cash contributions to the Company's defined benefit pension plans were $53.0 million in 2009 and are expected to approximate $4.0 million in 2010.

The Company intends to pay dividends to its shareholders and has increased its dividend rate annually for the past 33 years.

The Company announced the reactivation of its share repurchase program in August 2004. In August 2007, the Board of Directors authorized the repurchase of an additional 2,500,000 shares of the Company's common stock. In February 2008, the Board of Directors authorized the repurchase of an additional 1,400,000 shares of the Company's common stock. In 2009, the Company repurchased 38,668 shares at a total cost of $1.3 million in conjunction with certain stock option exercises. In 2008, the Company repurchased 122,258 shares on the open market at a cost of approximately $4.8 million. In 2007, the Company repurchased 1,495,133 shares on the open market at a total cost of approximately $60.0 million. At this time, the Company has authority to repurchase an additional 2,985,831 shares. Additional shares may be repurchased at management's direction. The decision to repurchase shares will depend on price, availability and other corporate developments. Purchases may occur from time-to-time and no maximum purchase price has been set.

The Company believes that its operating cash flows, credit facilities, lines of credit, and leasing programs provide adequate liquidity and capital resources to fund ongoing operations, expand existing lines of business and make strategic acquisitions. However, the ability to maintain existing credit facilities and access the capital markets can be impacted by economic conditions outside the Company's control, specifically credit market tightness or sustained market downturns. The Company's cost to borrow and capital market access can be impacted by debt ratings assigned by independent rating agencies, based on certain credit measures such as interest coverage, funds from operations and various leverage ratios.

Environmental

Management recognizes the importance of the Company's responsibility with regard to environmental compliance. Programs are in place to monitor and test facilities and surrounding property and, where practical, to recycle materials. The Company has not incurred material charges relating to environmental matters in 2009 or in prior years, and none are currently anticipated.

Discontinued Operations and Assets Held for Sale

In the fourth quarter of 2009, the Company ended the sale process for the power transmission belt business and combined its operations with the tire and wheel business reported in the Engineered Transportation Solutions segment. The Company had announced plans to dispose of the power transmission belt business on April 16, 2008. Beginning in the second quarter of 2008 and through the third quarter of 2009, the belt business had been classified as a "discontinued operation". As a result of its decision to retain the belt business, the results of its operations have been included in continuing operations for the year ended December 31, 2009, and prior year information has been revised to reflect this change.

In the second quarter of 2008, as part of its commitment to concentrate on its core businesses, the Company announced its decision to pursue disposition of its on-highway friction and brake shoe business. During the first quarter of 2009, the Company made the decision to exit, rather than sell, the on-highway friction and brake shoe business and dispose of the assets as part of a planned dissolution.

In the second quarter of 2007, the Company announced plans to exit the custom thermoset products molding operation ("thermoset molding operation"). The disposition of the thermoset molding operation was completed in 2008.

The assets of these operations have met the criteria for, and have been classified as "held for sale". In addition, results of operations for these businesses, and any gains or losses recognized from their sale, are reported as "discontinued operations".

Total assets held for sale at December 31 are as follows:

In millions	December 31, 2009	December 31, 2008
Assets held for sale:		
On-highway friction and brake shoe business	**$ 0.3**	$ 34.4
Thermoset molding operation	**1.6**	1.7
Total assets held for sale	**$ 1.9**	$ 36.1

At December 31, 2009, the remaining assets of the on-highway friction and brake shoe business and those of the thermoset molding operation consisted of the land and building formerly occupied by the operation.

The major classes of assets and liabilities held for sale included in the Company's Consolidated Balance Sheets were as follows:

In millions	December 31, 2009	December 31, 2008
Assets held for sale:		
Receivables	**$**	$ 11.8
Inventories		18.3
Prepaid expenses and other current assets		0.7
Total current assets held for sale		30.8
Property, plant and equipment, net	**1.9**	4.3
Other long term assets		1.0
Total non-current assets held for sale	**1.9**	5.3
Total assets held for sale	**$ 1.9**	$ 36.1
Liabilities associated with assets held for sale:		
Accounts payable	**$**	$ 3.5
Accrued expenses		17.0
Total liabilities associated with assets held for sale	**$**	$ 20.5

Net sales and (loss) income before income taxes from discontinued operations were as follows:

In millions	2009	2008	2007
Net sales:			
On-highway friction and brake shoe business	**$ 20.0**	$ 62.0	$ 64.2
Systems and equipment			0.9
Thermoset molding operation		5.4	10.8
Giftware business of foodservice products			0.9
Net sales from discontinued operations	**$ 20.0**	$ 67.4	$ 76.8
Income (loss) from discontinued operations:			
On-highway friction and brake shoe business	**$ (12.5)**	$ (65.8)	$ (13.9)
Automotive components	**(0.4)**	(2.5)	(1.4)
Systems and equipment	**0.6**	0.4	6.9
Thermoset molding operation	**(0.1)**	(1.8)	(1.6)
Giftware business of foodservice products			(0.4)
Income (loss) before income taxes from discontinued operations	**$ (12.4)**	$ (69.7)	$ (10.4)

Results for the year ended December 31, 2009 included $6.8 million of pretax expenses related to the disposition of the on-highway friction and brake shoe business, including an inventory write-down of $3.4 million, property, plant and equipment impairment costs of $0.8 million, severance costs of $1.8 million and $0.8 million of contract termination costs.

Results for the year ended December 31, 2008 included $55.6 million in pre-tax impairment charges in connection with the on-highway friction and brake shoe businesses. At March 31, 2008, in accordance with Generally Accepted Accounting Principles, the Company recorded assets held for sale at the lower of the carrying amount and fair value. Inventory with a carrying amount of $26.1 million was written down to its fair value of $15.2 million, resulting in an impairment charge of $10.9 million. Long-lived assets held and used with a carrying amount of $18.7 million were written down to their fair value of $2.2 million, resulting in an impairment charge of $16.5 million. Goodwill with a carrying amount of $27.0 million was written down to its fair value of $0, resulting in an impairment charge of $27.0 million. Patents and other intangible assets with a carrying amount of approximately $1.2 million were written down to their fair value of $0, resulting in an impairment charge of $1.2 million. The following table summarizes the impairment charge recognized in the first quarter of 2008:

(In millions)	**Pre-Tax Impairment Charges**
Inventory	$ 10.9
Property, plant and equipment, net	16.5
Goodwill	27.0
Patents and other intangible assets, net	1.2
Total pre-tax impairment charges	$ 55.6

Results for the year ended December 31, 2008 also include the accrual of certain workers' compensation claims that remain the Company's liability following the disposition of several businesses over the past few years. A pre-tax gain of $5.8 million was recognized in 2007 related to the Company's sale of the systems and equipment businesses in 2006.

Market Risk

The Company is exposed to risks in currency exchange rates for transactions denominated in foreign currencies. Revenues for sales of products manufactured in China for the North American market are generated predominately in U.S. Dollars. Many of the obligations incurred by these operations are settled in Chinese Renminbi or Hong Kong Dollars. Should the U.S. Dollar weaken significantly against the Renminbi or Hong Kong Dollar, the Company's results of operations could be adversely affected. The Company continues to monitor developments in China that may affect its strategy and will hedge its currency risk exposure when deemed effective and prudent. While the Company is exposed to the exchange rates of other currencies including the Canadian Dollar, British Pound, Mexican Peso and Euro, their risk is considered minimal. Approximately 12% of the Company's revenues from continuing operations for the year ended December 31, 2009 are in currencies other than the U.S. Dollar.

From time-to-time the Company may manage its interest rate exposure through the use of treasury locks and interest rate swaps to reduce volatility of cash flows, impact on earnings and to lower its cost of capital. On November 14, 2006, the Company entered into treasury lock contracts with a notional amount of $100.0 million to hedge the cash flow variability on forecasted debt interest payments associated with changes in interest rates. These contracts were designated as cash flow hedges and were deemed effective at the origination date. On September 30, 2008, the Company terminated the treasury lock contracts resulting in a loss of $7.7 million ($4.8 million, net of tax), which was to be amortized to interest expense over the term of the debt. During the fourth quarter of 2008, due to positive cash flows and unfavorable capital markets, the Company determined it would not issue the forecasted debt. As a result, the unamortized loss was recorded in Interest expense, net.

There were no treasury locks or interest rate swaps in place as of December 31, 2009.

The Company's operations use certain commodities such as chemicals, resins, carbon black, synthetic and natural rubber and steel. As such, the Company's cost of operations is subject to fluctuations as the markets for these commodities change. The Company monitors these risks, but currently has no derivative contracts in place to hedge these risks.

Critical Accounting Policies

The Company's significant accounting policies are more fully described in the Notes to Consolidated Financial Statements in Item 8. Certain of the Company's accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. The Company considers certain accounting policies related to revenue recognition, estimates of reserves for receivables and inventory, deferred revenue and extended product warranty, valuation of long-lived assets, self-insurance retention, and pensions and other post-retirement plans to be critical policies due to the estimation processes involved.

Revenue Recognition. Revenues are recognized when pervasive evidence of an arrangement exists, goods have been shipped (or services have been rendered), the customer takes ownership and assumes risk of loss, collection is probable, and the sales price is fixed or determinable. Provisions for discounts and rebates to the customers and other adjustments are provided for at the time of sale as a deduction to revenue.

Allowance for Doubtful Accounts. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by the review of their credit information. Allowances for doubtful accounts are estimated based on the evaluation of potential losses related to customer receivable balances. Estimates are developed by using standard quantitative measures based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The allowance for doubtful accounts was $7.9 million at December 31, 2009 and $11.3 million at December 31, 2008. Changes in economic conditions in specific markets in which the Company operates could have an effect on reserve balances required.

Inventories. Inventories for continuing and discontinued operations are valued at the lower of cost or market on the first-in, first-out basis. Cost of inventories includes raw materials, direct labor and manufacturing overhead based on practical capacity. The Company regularly reviews inventory quantities on hand for excess and obsolete inventory based on estimated forecasts of product demand and production requirements for the next twelve months and issues related to specific inventory items.

Deferred Revenue and Extended Product Warranty. The Company offers extended warranty contracts on sales of certain products; the most significant being those offered on its installed roofing systems within the Construction Materials segment. The lives of these warranties range from five to thirty years. All revenue from the sale of these contracts is deferred and amortized on a straight-line basis over the life of the contracts. Current costs of services performed under these contracts are expensed as incurred. The Company also records an additional loss and a corresponding reserve if the total expected costs of providing services under the contract exceed unearned revenues equal to such excess. The Company estimates total expected warranty costs using quantitative measures based on historical claims experience and management judgment.

Goodwill and Other Intangible Assets. Other intangible assets are recorded at cost. Intangible assets that are subject to amortization are amortized on a straight-line basis over their useful lives. Goodwill and intangible assets with indefinite useful lives are not subject to amortization, but are tested at least annually for impairment. The Company principally uses discounted cash flow models in evaluating goodwill, but may use other measures when appropriate. Costs allocated to patents and other intangible assets of acquired companies are based on estimated fair value at the date of acquisition.

The Company did not recognize goodwill impairment in 2009; however, deterioration of the market-related factors used in the evaluation could potentially result in a future material goodwill impairment loss. Any combination of changes to significant assumptions used in the analysis resulting in a 5% reduction in fair value as of the Company's measurement date would still not have resulted in an impairment charge.

Valuation of Long-Lived Assets. Long-lived assets are reviewed for impairment annually, or earlier, if indicators of potential impairment exist. The fair value of the assets, is determined based on discounted estimated future cash flows. The assumptions used to estimate fair value include management's best estimates of future growth rates, capital expenditures, discount rates, and market conditions. If the estimated fair value of a business unit is determined to be less than its book value, the Company is required to estimate the fair value of all identifiable assets and liabilities of that business unit. This requires valuation of certain internally developed and unrecognized assets. Once this process is complete, the amount of impairment, if any, can be determined. These valuations can be significantly affected by estimates of future performance and discount rates over a relatively long period of time, market price valuation multiples and marketplace transactions in related markets. These estimates will likely change over time. Some of our businesses operate in cyclical industries and the valuation of these businesses can be expected to fluctuate as a result of their cyclicality. Any resulting impairment loss could have an adverse impact on our financial condition and results of operations.

Self Insurance Retention. The Company maintains self-retained liabilities for workers' compensation, medical and dental, general liability, property and product liability claims up to applicable retention limits. The Company estimates these retention liabilities utilizing actuarial methods and loss development factors. The Company's historical loss experience is considered in the calculation. The Company is insured for losses in excess of these limits.

Pensions and Other Post-Retirement Plans. The Company maintains defined benefit retirement plans for certain employees. The annual net periodic expense and benefit obligations related to these plans are determined on an actuarial basis. This determination requires assumptions to be made concerning general economic conditions (particularly interest rates), expected return on plan assets, increases to compensation levels, and health care cost trends. These assumptions are reviewed periodically by management in consultation with its independent actuary and investment manager. Changes in the assumptions to reflect actual experience can result in a change in the net periodic expense and accrued benefit obligations. The defined benefit pension plans' assets consist primarily of fixed-income mutual funds, which are considered Level 1 assets under the fair value hierarchy as their fair value is derived from market-observable data. The Company uses the market related valuation method to determine the value of plan assets, which recognizes the change of the fair value of the plan assets over five years. If actual experience differs from these long-term assumptions, the difference is recorded as an unrecognized actuarial gain (loss) and then amortized into earnings over a period of time based on the average future service period, which may cause the expense related to providing these benefits to increase or decrease. The expected rate of return on plan assets was 7.0% for the 2009 valuation. While the Company believes 7.0% is a reasonable expectation based on the plan assets' mix of fixed income and equity investments, significant differences in actual experience or significant changes in the assumptions used may materially affect the pension obligations and future expense. The effects of a 0.25% increase or decrease in the expected rate of return would change the Company's estimated 2010 pension expense by approximately $0.3 million. The assumed discount rate was 5.68% for the 2009 valuation. The effects of a 0.25% increase or decrease in the assumed discount rate would change the Company's projected benefit obligation at December 31, 2009 by approximately $4.0 million. The Company used an assumed rate of compensation increase of 4.29% for the 2009 valuation. This rate is not expected to change in the foreseeable future and is slightly higher than the Company's actual rate of compensation increase over the past few years.

The Company also has a limited number of unfunded post-retirement benefit programs that provide certain retirees with medical and prescription drug coverage. The annual net periodic expense and benefit obligations of these programs are also determined on an actuarial basis and are subject to assumptions on the discount rate and increases in compensation levels. The Company adopted a December 31 measurement date in 2008. In prior years a September 30 measurement date was used. The discount rate used for the 2009 valuation was 5.62%. The effects of a 1% increase or decrease in either the discount rate or the assumed health care cost trend rates would not be material. Like the defined benefit retirement plans, these plans' assumptions are reviewed periodically by management in consultation with its independent actuary. Changes in the assumptions can result in a change in the net periodic expense and accrued benefit obligations.

New Accounting Standards Not Yet Effective

Accounting Standards issued but not effective until after December 31, 2009 are not expected to have a significant effect on the Company's consolidated financial statements.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are made based on known events and circumstances at the time of publication, and as such, are subject in the future to unforeseen risks and uncertainties. It is possible that the Company's future performance may differ materially from current expectations expressed in these forward-looking statements, due to a variety of factors such as: increasing price and product/service competition by foreign and domestic competitors, including new entrants; technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the Company's mix of products/services; increases in raw material costs which cannot be recovered in product pricing; domestic and foreign governmental and public policy changes including environmental regulations; threats associated with and efforts to combat terrorism; protection and validity of patent and other intellectual property rights; the successful integration and identification of the Company's strategic acquisitions; the cyclical nature of the Company's businesses; and the outcome of pending and future litigation and governmental proceedings. In addition, such statements could be affected by general industry and market conditions and growth rates, the condition of the financial and credit markets, and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. Further, any conflict in the international arena may adversely affect the general market conditions and the Company's future performance. The Company undertakes no duty to update forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information concerning market risk is set forth in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Market Risk."

Item 8. Financial Statements and Supplementary Data.

Carlisle Companies Incorporated

Consolidated Statements of Earnings and Comprehensive Income

	For the Years ended December 31,		
(In millions, except share and per share amounts)	**2009**	**2008(1)(2)**	**2007(1)(2)**
Net sales	**$ 2,379.5**	$ 3,110.1	$ 2,812.1
Cost and expenses:			
Cost of goods sold	**1,875.6**	2,516.8	2,224.3
Selling and administrative expenses	**289.0**	316.3	276.1
Research and development expenses	**16.6**	16.2	15.8
Goodwill impairment charges		55.5	
Gain related to fire settlement	**(27.0)**		
Other expense (income), net	**18.4**	18.7	(46.5)
Earnings before interest and income taxes	**206.9**	186.6	342.4
Interest expense, net	**9.0**	27.7	9.2
Earnings before income taxes from continuing operations	**197.9**	158.9	333.2
Income tax expense	**46.1**	45.3	112.2
Income from continuing operations	**151.8**	113.6	221.0
Discontinued operations			
Loss from discontinued operations	**(12.4)**	(69.7)	(10.4)
Income tax benefit	**(5.2)**	(11.9)	(5.0)
Loss from discontinued operations	**(7.2)**	(57.8)	(5.4)
Net income	**$ 144.6**	$ 55.8	$ 215.6
Basic earnings (loss) per share attributable to common shares			
Income from continuing operations	**$ 2.48**	$ 1.86	$ 3.56
Loss from discontinued operations	**(0.12)**	(0.95)	(0.08)
Basic Earnings per share	**$ 2.36**	$ 0.91	$ 3.48
Diluted earnings (loss) per share attributable to common shares			
Income from continuing operations	**$ 2.45**	$ 1.85	$ 3.53
Loss from discontinued operations	**(0.11)**	(0.94)	(0.09)
Diluted earnings per share	**$ 2.34**	$ 0.91	$ 3.44
Comprehensive Income			
Net income	**$ 144.6**	$ 55.8	$ 215.6
Other comprehensive income (loss)			
Foreign currency translation, net of tax	**7.8**	(13.9)	(4.3)
Accrued post-retirement benefit liability, net of tax	**(2.6)**	(37.9)	7.7
Loss (gain) on hedging activities, net of tax	**(0.4)**	2.3	(2.3)
Other comprehensive income (loss)	**4.8**	(49.5)	1.1

Comprehensive income	**$ 149.4**	$ 6.3	$ 216.7

(1) Certain revisions have been made regarding the computation of earnings per share to conform to the 2009 presentation using the two-class method of computing earnings per share. See Note 15.

(2) 2008 and 2007 amounts have been revised to reflect the reclassification of the power transmission component from discontinued operations to continuing operations and to reflect the presentation of earnings before interest and income taxes ("EBIT").

See accompanying notes to these Consolidated Financial Statements

Carlisle Companies Incorporated

Consolidated Balance Sheets

(In millions, except share and per share amounts)

	December 31,	
	2009	**2008**
Assets		
Current assets:		
Cash and cash equivalents	**$ 96.3**	$ 42.7
Receivables, less allowance of $7.9 in 2009 and $11.3 in 2008	**292.5**	331.2
Inventories	**345.8**	468.5
Deferred income taxes	**37.8**	35.2
Prepaid expenses and other current assets	**27.4**	59.7
Current assets held for sale		30.8
Total current assets	**799.8**	968.1
Property, plant and equipment, net of accumulated depreciation of $522.4 in 2009 and $495.4 in 2008	**482.6**	513.3
Other assets:		
Goodwill, net	**462.2**	435.8
Other intangible assets, net	**162.9**	146.3
Investments and advances to affiliates	**0.3**	4.6
Other long-term assets	**4.4**	2.5
Non-current assets held for sale	**1.9**	5.3
Total other assets	**631.7**	594.5
TOTAL ASSETS	**$ 1,914.1**	$ 2,075.9
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt, including current maturities	**$**	$ 127.0
Accounts payable	**135.7**	128.7
Accrued expenses	**148.1**	151.6
Deferred revenue	**17.3**	14.7
Current liabilities associated with assets held for sale		20.5
Total current liabilities	**301.1**	442.5
Long-term liabilities:		
Long-term debt	**156.1**	273.3
Deferred revenue	**113.2**	106.2
Other long-term liabilities	**125.1**	159.8
Total long-term liabilities	**394.4**	539.3
Shareholders' equity:		
Preferred stock, $1 par value per share. Authorized and unissued 5,000,000 shares		
Common stock, $1 par value per share. Authorized 100,000,000 shares; 78,661,248 shares issued; 60,645,653 outstanding in 2009 and 60,532,539 outstanding in 2008	**78.7**	78.7
Additional paid-in capital	**73.9**	62.1
	(223.6)	(225.5)

Cost of shares of treasury 17,390,025 shares in 2009 and 17,654,759 shares in 2008		
Accumulated other comprehensive loss	**(34.7)**	(39.5)
Retained earnings	**1,324.3**	1,218.3
Total shareholders' equity	**1,218.6**	1,094.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,914.1**	$ 2,075.9

See accompanying notes to these Consolidated Financial Statements

Carlisle Companies Incorporated

Consolidated Statements of Cash Flows

For the Years ended December 31,

(In millions)

	2009	2008	2007
Operating activities			
Net income	**$ 144.6**	$ 55.8	215.6
Reconciliation of net income to cash flows from operating activities:			
Depreciation	**56.6**	59.4	61.3
Amortization	**10.9**	9.6	4.6
Non-cash compensation	**13.9**	12.0	13.6
Earnings in equity investments	**(0.2)**	(0.5)	(2.5)
(Gain) loss on investments, property and equipment, net	**(1.7)**	0.2	(52.2)
Loss on writedown of assets	**20.9**	131.8	7.8
Loss on uncollectible note receivable		4.9	
Tax benefits from stock-based compensation	**(0.1)**	(0.1)	(5.4)
Deferred taxes	**8.3**	(22.4)	18.8
Foreign exchange loss (gain)	**0.2**	(2.2)	(0.1)
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:			
Current and long-term receivables	**85.6**	49.8	3.7
Inventories	**157.3**	8.3	(8.6)
Accounts payable and accrued expenses	**(22.1)**	(28.9)	2.2
Income taxes	**15.1**	(16.8)	19.6
Long-term liabilities	**(40.8)**	13.3	(18.9)
Other operating activities	**(1.3)**		(0.2)
Net cash provided by operating activities	**447.2**	274.2	259.3
Investing activities			
Capital expenditures	**(48.2)**	(68.0)	(82.5)
Acquisitions, net of cash	**(80.8)**	(290.7)	(189.7)
Proceeds from sale of property and equipment	**9.2**	4.1	138.0
Other investing activities	**0.3**	0.4	0.1
Net cash used in investing activities	**(119.5)**	(354.2)	(134.1)
Financing activities			
Net change in short-term borrowings and revolving credit lines	**(235.4)**	178.4	(105.6)
Reductions of long-term debt		(100.0)	
Dividends	**(38.6)**	(36.6)	(34.7)
Treasury share repurchases	**(1.3)**	(4.8)	(60.0)
Treasury shares and stock options, net	**1.0**	(1.9)	12.5
Tax benefits from stock-based compensation	**0.1**	0.1	5.4
Net cash (used in) provided by financing activities	**(274.2)**	35.2	(182.4)
Effect of exchange rate changes on cash	**0.1**	(0.9)	1.6
Change in cash and cash equivalents	**53.6**	(45.7)	(55.6)
Cash and cash equivalents			

Beginning of period	**42.7**	88.4	144.0
End of period	**$ 96.3**	$ 42.7	$ 88.4

See accompanying notes to these Consolidated Financial Statements

Carlisle Companies Incorporated
Consolidated Statement of Shareholders' Equity
(In millions, except share and per share amounts)

	Comprehensive Income	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Cost of Shares in Treasury	Total Shareholders' Equity
Balance at December 31, 2006		78.7	27.1	8.4	1,020.8	(167.6)	967.4
Net income	$ 215.6				215.6		215.6
Other comprehensive income, net of tax	1.1			1.1			1.1
Comprehensive income	$ 216.7						
measurement date provisions of ASC 715					(2.1)		(2.1)
Cash dividends $0.56 per share					(34.7)		(34.7)
Stock based compensation other(1)			25.7			5.9	31.6
Purchase of 1,495,133 treasury shares						(60.0)	(60.0)
Balance at December 31, 2007		78.7	52.8	9.5	1,199.6	(221.7)	1,118.9
Net income	$ 55.8				55.8		55.8
Other comprehensive income, net of tax	(49.5)			(49.5)			(49.5)
Comprehensive income	$ 6.3						
Adjustment for initially applying the measurement date provisions of ASC 715				0.5	(0.5)		
Cash dividends $0.60 per share					(36.6)		(36.6)
Stock based compensation other(1)			9.3			1.0	10.3
Purchase of 122,258 treasury shares						(4.8)	(4.8)
Balance at December 31, 2008		78.7	62.1	(39.5)	1,218.3	(225.5)	1,094.1
Net income	$ 144.6				144.6		144.6
Other comprehensive income, net of tax	4.8			4.8			4.8
Comprehensive income	$ 149.4						
Cash dividends $0.63 per share					(38.6)		(38.6)
Stock based compensation other(1)			11.8			3.2	15.0
Purchase of 38,668 treasury shares						(1.3)	(1.3)
Balance at December 31, 2009		**$ 78.7**	**$ 73.9**	**$ (34.7)**	**$ 1,324.3**	**$ (223.6)**	**$ 1,218.6**

[1] Stock based compensation includes stock option activity, net of tax, and restricted share activity

See accompanying notes to these Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note 1 Summary of Accounting Policies

Nature of Business

Carlisle Companies Incorporated, its wholly-owned subsidiaries and their divisions or subsidiaries, referred to herein as the "Company" or "Carlisle," manufacture and distribute a wide variety of products across a broad range of industries, including, among others, roofing, construction, trucking, foodservice, industrial equipment, outdoor power equipment and aircraft manufacturing. The Company markets its products as a component supplier to original equipment manufacturers, distributors, as well as directly to end-users.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and accounts have been eliminated. The Company's fiscal year-end is December 31.

Use of Estimates

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

Cash and Cash Equivalents

Debt securities with a maturity of three months or less when acquired are cash equivalents. Cash and cash equivalents are stated at cost, which approximates market value.

Revenue Recognition

Revenues are recognized when persuasive evidence of an arrangement exists, goods have been shipped (or services have been rendered), the customer takes ownership and assumes risk of loss, collection is probable, and the sales price is fixed or determinable.

Provisions for discounts and rebates to customers and other adjustments are provided for at the time of sale as a deduction to revenue.

Shipping and Handling Costs

Costs incurred to physically transfer product to customer locations are recorded as a component of cost of goods sold. Charges passed on to customers are recorded into revenue.

Allowance for Doubtful Accounts

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by the review of their credit information. Allowances for doubtful accounts are estimated based on the evaluation of potential losses related to customer receivable balances. Estimates are developed by using standard quantitative measures based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The allowance for doubtful accounts was $7.9 million at December 31, 2009 and $11.3 million at December 31, 2008. Changes in economic conditions in specific markets in which the Company operates could have an effect on reserve balances required.

Inventories

Inventories for continuing and discontinued operations are valued at the lower of cost or market on the first-in, first-out basis. Cost of inventories includes raw materials, direct labor and manufacturing overhead based on practical capacity. The Company regularly reviews inventory quantities on hand for excess and obsolete inventory based on estimated forecasts of product demand and production requirements for the next twelve months and issues related to specific inventory items.

Deferred Revenue and Extended Product Warranty

The Company offers extended warranty contracts on sales of certain products; the most significant being those offered on its installed roofing systems within the Construction Materials segment. The lives of these warranties range from five to thirty years. All revenue for the sale of these contracts is deferred and amortized on a straight-line basis over the life of the contracts. Current costs of services performed under these contracts are expensed as incurred. The Company also records a loss and a corresponding reserve if the total expected costs of providing services under the contract exceed unearned revenues. The Company estimates total expected warranty costs using standard quantitative measures based on historical claims experience and management judgment. See Note 17.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Costs allocated to property, plant and equipment of acquired companies are based on estimated fair value at the date of acquisition. Depreciation is principally computed on the straight-line basis over the estimated useful lives of the assets. Depreciation includes the amortization of capital leases. Asset lives are 20 to 40 years for buildings, 5 to 15 years for machinery and equipment and 3 to 10 years for leasehold improvements.

The Company performs impairment tests on its long-lived assets, excluding goodwill and other intangible assets, when circumstances indicate that their carrying amounts may not be recoverable. If required, recoverability is tested by comparing the estimated future undiscounted cash flows of the asset or asset group to its carrying value. If the carrying value is not recoverable, the asset or asset group is written down to market value.

Self Insurance Retention

The Company maintains self-retained liabilities for workers' compensation, medical and dental, general liability, property and product liability claims up to applicable retention limits. The Company estimates these retention liabilities utilizing actuarial methods and loss development factors. The Company's historical loss experience is considered in the calculation. The Company is insured for losses in excess of these limits. See Note 17.

Goodwill and Other Intangible Assets

Other intangible assets are recorded at cost. Intangible assets that are subject to amortization are amortized on a straight-line basis over their useful lives. Goodwill and intangible assets with indefinite useful lives are not subject to amortization, but are tested at least annually for impairment. The Company principally uses discounted cash flow models in evaluating goodwill, but may use other measures when appropriate. Costs allocated to patents and other intangible assets of acquired companies are based on estimated fair value at the date of acquisition. See Note 6 and Note 9.

Pension and Other Post Retirement Benefits

The Company maintains defined benefit pension plans for certain employees. Additionally, the Company has a limited number of post-retirement benefit programs that provide certain retirees with medical and prescription drug coverage. The annual net periodic expense and benefit obligations related to these plans are determined on an actuarial basis. This determination requires assumptions to be made concerning general economic conditions (particularly interest rates), expected return on plan assets, increases to compensation levels, and health care cost trends. These assumptions are reviewed periodically by management in consultation with its independent actuary. Changes in the assumptions to reflect actual experience can result in a change in the net periodic expense and accrued benefit obligations. The defined benefit pension plans' assets consist primarily of fixed-income mutual funds that are considered Level 1 assets under the fair value hierarchy, as their fair value is derived from market-observable data. The Company adopted a December 31 measurement date for valuation purposes in 2008. See Note 13 for additional information regarding these plans and the associated plan assets.

Derivative Financial Instruments

The Company records derivative financial instruments at fair value on the balance sheet, with changes in fair value recorded currently in earnings unless the Company elects to account for the derivative as a hedge. If the Company elects to designate a derivative as a fair value hedge and it is highly effective, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If a fair value hedge is terminated before maturity, the adjusted carrying amount of the hedged asset or liability remains as a component of the carrying amount of that asset or liability until it is disposed. If the hedged item is an interest-bearing financial instrument, the adjusted carrying amount is amortized into earnings over the remaining life of the instrument. If the Company elects to designate the derivative as a cash flow hedge and it is highly effective, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized currently in earnings.

The Company is subject to market risk from exposures to changes in interest rates due to its financing, investing and cash management activities. The Company uses treasury lock contracts, interest rate swap agreements, or other derivative instruments, from time to time, to manage the interest rate risk of its floating and fixed rate debt portfolio. The Company, on a periodic basis, assesses the initial and ongoing effectiveness of its hedging relationships.

The Company's international operations are exposed to translation risk when the local currency financial statements are translated into U.S. Dollars. Carlisle monitors this risk, but at December 31, 2009, had not entered into any derivative financial instruments to hedge net investment risk.

Foreign currency exchange rate risk is considered minimal. At December 31, 2009 the Company had no foreign currency hedges in place. Approximately 12% of the Company's revenues from continuing operations for the year ended December 31, 2009 are in currencies other than the U.S. Dollar.

Note 1 Summary of Accounting Policies (Continued)

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences of the differences between financial statement carrying amounts of assets and liabilities and their respective tax basis. These balances are measured using enacted tax rates expected to apply to taxable income in the years in which such temporary differences are expected to be recovered or settled. If a portion or all of a deferred tax asset is not expected to be realized, a valuation allowance is recognized.

Stock-Based Compensation

The Company accounts for stock-based compensation under the fair-value method. Accordingly, equity classified stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period, which generally matches the stated vesting period of the award. The Company recognizes expense for awards that have graded-vesting features under the graded-vesting method, which considers each separately vesting tranche as though they were, in substance, multiple awards.

Foreign Currency Translation

The functional currency of the Company's subsidiaries outside the United States is the currency of the primary economic environment in which the subsidiary operates. Assets and liabilities of these operations are translated at the exchange rate in effect at each balance sheet date. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of shareholders' equity in Accumulated other comprehensive income. Gains and losses from foreign currency transactions and from the remeasurement of monetary assets and liabilities and associated income statement activity of foreign subsidiaries where the functional currency is the U.S. Dollar and the books are maintained in the local currency are included in Other expense (income), net.

Reclassifications and Revisions

Certain reclassifications and revisions have been made to prior period's information to conform to the current year's presentation as follows:

Basic and diluted earnings per share for the year ended December 31, 2008 and 2007 have been retrospectively adjusted to reflect the computation of earnings per share using the two-class method, see Note 15 for additional information.

The Consolidated Statements of Earnings and Comprehensive Income for the year ended December 31, 2008 and 2007 have been revised to reflect the presentation of Earnings before interest and income taxes ("EBIT").

The Consolidated Statements of Earnings and Comprehensive Income for the year ended December 31, 2008 and 2007 and the quarterly financial data for 2009 and 2008, included in Note 22, have been retrospectively adjusted to reflect the reclassification of the power transmission product line from discontinued operations to continuing operations. The 2008 Consolidated Balance Sheet has been retrospectively adjusted to reflect the reclassification of the assets and associated liabilities of the power transmission product line from held for sale to held and used. See Note 19 for additional information regarding discontinued operations and assets held for sale.

Notes to Consolidated Financial Statements (Continued)

Note 1 Summary of Accounting Policies (Continued)

The segment disclosures for 2008 and 2007 in Note 6 and Note 21 have been revised to reflect the formation of the Engineered Transportation Solutions segment that combined the previous tire and wheel, industrial brake and friction and the power transmission product lines, the classification of the power transmission product line as a continuing operation and its associated assets as held and used, and the use of EBIT as the measure of segment profitability.

New Accounting Standards Adopted

In December 2007, the Financial Accounting Standards Board ("FASB") issued accounting guidance which has significantly changed the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. The guidance related to reporting of business combination transactions and noncontrolling (minority) interests is required to be adopted simultaneously and is effective for the first annual reporting period beginning on or after December 15, 2008. The Company has adopted the provisions of this accounting guidance prospectively, as required, beginning January 1, 2009. The adoption did not have a material impact on the Company's consolidated financial statements. See Note 9 for additional information.

In January 2008, the Company adopted accounting guidance related to fair value measurements for financial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This guidance applies only for fair value measurements that are already required or permitted by other accounting guidance (except for measurements of share-based payments) and is intended to increase the consistency of those measurements. Accordingly, this guidance does not require any new fair value measurements. Adoption of this accounting guidance had no material effect on the Company's results of operations or financial position. In February 2008, additional guidance was issued, which deferred the effective date of the provisions related to certain types of nonfinancial assets and nonfinancial liabilities by one year to fiscal years beginning after November 15, 2008. The Company has adopted these provisions as they relate to the fair value measurement of non-financial assets and liabilities effective January 1, 2009. The adoption did not have a material impact on the Company's consolidated financial statements. See Note 20 for additional information.

In March 2008, the FASB issued disclosure guidance which applies to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments and related hedged items. The disclosure guidance requires entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. This disclosure guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. At December 31, 2009, the Company had no active derivative instruments, thus the adoption had no effect on the Company's consolidated financial statements.

In April 2008, the FASB issued accounting guidance that amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. The effective date is for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Thus, the Company has adopted these standards on January 1, 2009 and applied the provisions prospectively to future business combinations.

Notes to Consolidated Financial Statements (Continued)

Note 1 Summary of Accounting Policies (Continued)

In June 2008, the FASB issued accounting guidance which clarifies that unvested share-based payment awards with a right to receive nonforfeitable dividends are participating securities for purposes of applying the two-class method of computing earnings per share. The Company adopted the provisions of this accounting guidance effective January 1, 2009. The adoption did not have a material effect on the Company's consolidated financial statements. See Note 15 for more information regarding the Company's adoption of this accounting guidance.

In November 2008, the Emerging Issues Task Force issued updated guidance, which clarifies the accounting for certain transactions involving equity method investments. This interpretation is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and interim periods within those years. Thus, the Company has adopted this interpretation on January 1, 2009. The adoption did not have a material impact on the Company's consolidated financial statements

In December 2008, the FASB issued updated accounting guidance, which provides additional guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The guidance is effective for financial statements issued for fiscal years ending after December 15, 2009. Thus, the Company has adopted this interpretation on December 31, 2009, which will result in increased disclosures in the financial statements related to defined benefit plan assets.

In May 2009, the FASB issued guidance which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, this guidance requires an entity to disclose the date through which subsequent events have been evaluated. The guidance is effective for interim or annual periods ending June 15, 2009. The Company has evaluated subsequent events through the date these financial statements were filed with the SEC. See Note 23 for additional information related to subsequent events.

In June 2009, the FASB issued guidance related to the FASB Accounting Standards Codification ("ASC"). Effective for interim or annual financial periods ending after September 15, 2009, the ASC is the source of authoritative generally accepted accounting principles in the United States of America ("U.S. GAAP") and changes the referencing of accounting standards. The ASC is not intended to change or alter existing U.S. GAAP; however the way authoritative literature is referred to has changed effective in the third quarter of 2009. The Company has adopted the provisions of the ASC effective September 30, 2009.

New Accounting Standards Not Yet Effective

Other new accounting standards issued but not effective until after December 31, 2009 are not expected to have a significant effect on the Company's consolidated financial statements.

Note 2 Fire Gain

On November 16, 2008, a fire occurred at the tire and wheel plant in Bowdon, GA, and as a result the building and the majority of the machinery, equipment, records and other assets were destroyed. In order to service customers, partial operations were initiated at a facility in Heflin, AL, and some production was transferred to other tire and wheel plants or outsourced to third parties.

Note 2 Fire Gain (Continued)

In the fourth quarter of 2008, while the Company was negotiating its claim, a pretax loss was recorded representing the deductible of $0.1 million. The net result of fire-related transactions in the first quarter of 2009 was a $2.5 million pretax gain, which included a $2.6 million pretax gain on the settlement of the inventory claim which was the difference between $8.9 million, representing the loss on inventory recorded in the fourth quarter of 2008 for which a receivable was recorded at December 31, 2008, and $11.5 million of cash proceeds received from the insurance carriers to settle the inventory claim in the first quarter of 2009. Total payments of $13.5 million were received from the insurance carriers in the first quarter of 2009.

The net result of fire-related transactions in the second quarter of 2009 was a $24.5 million pretax gain on the settlement of all other claims and that amount was reported as Gain related to fire settlement. This gain was the difference between the $41.0 million of cash proceeds received from the insurance carriers in settlement of all outstanding claims and the $11.2 million insurance claims receivable balance at March 31, 2009 included in Prepaid expenses and other current assets for a portion of the expected insurance reimbursements plus $5.3 million, representing fire-related cost in the second quarter of 2009.

From January 1, 2009 through June 30, 2009 cash proceeds of $54.5 million were received from the insurance carriers. Losses and cost incurred from November 16, 2008 through June 30, 2009 of $27.6 million included $8.9 million of inventory; $5.7 million of building, machinery, equipment and other assets; and $13.0 million of fire-related cost. The $26.9 million pretax gain from November 16, 2008 through June 30, 2009 was the difference between cash proceeds of $54.5 million and the losses of $27.6 million. On a quarterly basis, a loss of $0.1 million was recorded in the fourth quarter of 2008, a gain of $2.5 million was recorded in the first quarter of 2009, and a gain of $24.5 million was recorded in the second quarter of 2009.

A minimal amount of fire-related scrap was sold in the third quarter of 2009. Since all insurance claims due to this fire were settled with the carriers, there was no insurance claims receivable as of December 31, 2009 and no additional insurance proceeds are anticipated.

Note 3 Receivables Facility

Until the second quarter of 2009, the Company maintained an agreement (the "Receivables Facility") with a financial institution whereby it sold on a continuous basis an undivided interest in certain eligible trade accounts receivable. Pursuant to the Receivables Facility, the Company formed a wholly-owned, special purpose, bankruptcy-remote subsidiary ("SPV"). The financial position and results of operations of the SPV were consolidated with the Company. The SPV was formed for the sole purpose of buying and selling receivables generated by the Company. Under the Receivables Facility, the Company, irrevocably and without recourse, transfered all applicable trade accounts receivables to the SPV. The SPV, in turn, sold, subject to certain conditions, undivided interests in these receivables and was permitted to receive advances of up to $150.0 million from the conduit administered by an independent financial institution for the sale of such an undivided interest.

In the second quarter of 2009, the Company terminated the Receivables Facility. The facility was terminated as a result of the Company's strong operating cash flows and its available credit facilities and lines of credit that should provide adequate liquidity and capital resources to fund ongoing operations, expand existing lines of business and make strategic acquisitions.

All receivables serviced by the SPV at December 31, 2008, including the amounts outstanding, are included in Receivables in the Company's Consolidated Balance Sheets at their fair value. At December 31, 2008, the receivables serviced by the SPV totaled $214.0 million, including the $100.0 million

Notes to Consolidated Financial Statements (Continued)

Note 3 Receivables Facility (Continued)

outstanding. The related borrowings are reflected in Short-term debt, including current maturities. Refer to Note 7.

The interest rate on amounts outstanding under the Receivables Facility was 2.32% at December 31, 2008. Securitization expenses for 2008 and 2007 of $0.9 million and $1.0 million, respectively, are included in Interest expense, net. For the first eight months of 2007, the Company's loss on the sales of receivables under the former securitization facility was reported in Other expense (income), net and amounted to $3.5 million.

Note 4 Inventories

The Company is a diversified manufacturing entity comprised of multiple domestic and international companies that operate as distinct businesses manufacturing different products. The First-in, First-out ("FIFO") method was used to value inventories.

The components of inventories at December 31 are as follows:

In millions	**2009**	2008
Finished goods	**$ 205.9**	$ 288.2
Work-in-process	**29.3**	34.9
Raw materials	**120.5**	152.9
Reserves and variances net	**(9.9)**	10.8
	345.8	486.8
Inventories associated with assets held for sale		(18.3)
Inventories	**$ 345.8**	$ 468.5

Note 5 Property, Plant and Equipment

The components of property, plant and equipment at December 31 are as follows:

In millions	**2009**	**2008***
Land	**$ 31.7**	$ 29.3
Buildings and leasehold improvements	**270.8**	279.1
Machinery and equipment	**681.3**	673.5
Projects in progress	**24.8**	32.8
	1,008.6	1,014.7
Accumulated depreciation	**(524.1)**	(497.1)
Property, plant and equipment, net, associated with assets held for sale	**(1.9)**	(4.3)
Property, plant and equipment, net	**$ 482.6**	$ 513.3

* 2008 figures have been revised to reflect the reclassification of the power transmission product line from held for sale to held and used.

During 2009 and 2008, the Company capitalized interest in the amount of $0.8 million and $1.5 million, respectively.

Note 6 Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2009 and 2008 are as follows:

		Engineered					
	Construction	Trans.	Interconnect	Foodservice	Specialty	Disc.	
In millions	**Materials**	**Solutions**	**Technologies**	**Products**	**Products**	**Ops.**	**Total**
Balance at January 1, 2008*							
Goodwill	$ 86.3	$ 171.0	38.8	$ 31.1	$ 31.6	$ 27.0	$ 385.8
Accumulated impairment losses					(20.4)		(20.4)
	86.3	171.0	38.8	31.1	11.2	27.0	365.4
Goodwill acquired during year			123.3	28.5			151.8
Impairment losses		(55.5)				(27.0)	(82.5)
Purchase accounting adjustments	2.4		0.1				2.5
Currency translation	(0.4)	(1.0)					(1.4)
Balance at December 31, 2008*							
Goodwill	$ 88.3	$ 170.0	162.2	$ 59.6	$ 31.6	$ 27.0	$ 538.7
Accumulated impairment losses		(55.5)			(20.4)	(27.0)	(102.9)
	88.3	114.5	162.2	59.6	11.2		435.8
Goodwill acquired during year			27.2				27.2
Purchase accounting adjustments			(0.5)	0.8			0.3
Goodwill written off related to sale of Business Unit	(1.9)						(1.9)
Currency translation	0.3	0.5					0.8
Balance at December 31, 2009							
Goodwill	86.7	170.5	188.9	60.4	31.6	27.0	565.1
Accumulated impairment losses		(55.5)			(20.4)	(27.0)	(102.9)
	$ 86.7	**$ 115.0**	**$ 188.9**	**$ 60.4**	**$ 11.2**	**$**	**$ 462.2**

* 2008 figures have been revised to reflect the change in the Company's segments.

During the year ended December 31, 2008, the Company recognized intangible asset and goodwill impairment losses in connection with its decision to pursue the disposition of its power transmission belt ("power transmission belt business") and on-highway brake business ("on-highway brake business"). The impairment was based on fair value using earnings multiples of disposal valuations of comparable businesses. In the fourth quarter of 2009, the Company ended the sale process for its power transmission belt business and integrated this business into its Engineered Transportation Solutions segment. The 2008 impairment losses for goodwill are set forth in the table reflecting a loss of $55.5 million for the power transmission business, included in Engineered Transportation Solutions, and a loss of $27.0 million for the on-highway brake business, included in discontinued operations.

Notes to Consolidated Financial Statements (Continued)

Note 6 Goodwill and Other Intangible Assets (Continued)

The Company's Other intangible assets, net at December 31, 2009, are as follows:

In millions	Acquired Cost	Accumulated Amortization	Net Book Value
Assets subject to amortization			
Patents	$ 9.1	$ (7.8)	$ 1.3
Customer Relationships	147.6	(23.4)	124.2
Other	20.3	(3.8)	16.5
Assets not subject to amortization			
Trade names	20.9		20.9
Other intangible assets, net	**$ 197.9**	**$ (35.0)**	**$ 162.9**

The Company's Other intangible assets, net at December 31, 2008, are as follows:

In millions	Acquired Cost	Accumulated Amortization	Net Book Value
Assets subject to amortization			
Patents	$ 9.0	$ (7.1)	$ 1.9
Customer Relationships	134.6	(13.8)	120.8
Other	7.6	(2.3)	5.3
Assets not subject to amortization			
Trade names	18.3		18.3
Other intangible assets, net	**$ 169.5**	**$ (23.2)**	**$ 146.3**

Estimated amortization expense over the next five years is as follows: $12.2 million in 2010, $11.8 million in 2011, $10.4 million in 2012, $9.4 million in 2013 and $9.1 million in 2014.

In 2008, net impairment losses for other intangible assets were recognized totaling approximately $6.0 million and consisted of $4.0 million for trademarks, $0.6 million for patents, $0.2 million for software, and $1.2 million for customer relationships. These impairment losses are described in more detail in Note 18 and Note 19.

The net book value of the Company's Other intangible assets by reportable segment as of December 31 are as follows:

In millions **2009** **148,490**

Net income

-

-

-

-

-

2,161,340

							2,161,340
Balance at December 31, 2014	-	-	4,869,788	9,026,739	(425,102)	12,588,615	21,190,252
Issuance of preferred stock (net)	1,074,338	3,735,437	-	-	-	-	3,735,437
Preferred stock dividends declared	-	-	-	-	-	(57,611)	(57,611)
Stock based compensation expense	-	-					

-

17,685

-

-

17,685

Stock issued and options exercised

-

-

155,971

629,938

-

-

629,938

Treasury stock purchased

-

-

(36,543)

-

(250,500)

-

(250,500)

Net income

-

-

-

-

-

1,901,832

1,901,832

Balance at December 31, 2015

1,074,338
$
$3,735,437

4,989,216
$
9,674,362
$
(675,602)
$
14,432,836
$
27,167,033

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

WILLAMETTE VALLEY VINEYARDS, INC.
STATEMENTS OF CASH FLOWS

	Year ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net income	$ 1,901,832	$ 2,161,340
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,274,243	1,074,737
Gain on disposition of property & equipment	(1,900)	-
Stock based compensation expense	17,685	21,164
Deferred rent liability	(22,940)	(18,794)
Deferred income taxes	431,000	(20,000)
Deferred revenue-distribution agreement	(142,860)	(142,860)
Deferred gain	(32,095)	(32,094)
Change in operating assets and liabilities:		
Accounts receivable, net	(72,378)	(382,733)
Inventories	(721,892)	(77,258)
Prepaid expenses and other current assets	18,851	27,745
Distribution agreement receivable	-	250,000
Income taxes receivable	118,501	(179,651)
Unearned revenue	38,765	34,435
Grapes payable	118,028	9,823
Accounts payable	(280,856)	185,949
Accrued expenses	52,993	94,745
Net cash from operating activities	2,696,977	3,006,548
CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Investment in Kore Wine Company	(60,000)	-
Additions to vineyard development	(915,091)	(1,186,997)
Additions to property and equipment	(2,451,705)	(2,529,512)
Proceeds from sale of property and equipment	1,900	-
Net cash from investing activities	(3,424,896)	(3,716,509)
CASH FLOWS FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Proceeds from investor deposits held as restricted cash	(1,476,232)	-
Proceeds from investor deposits held as liability	1,476,232	-
Proceeds from installment note for property purchase	490,834	-
Proceeds from long-term debt held as restricted cash	-	450,000
Payments on long-term debt	(329,276)	(314,451)
Issuance of preferred stock, net	3,735,437	-
Payment of preferred stock dividend	(57,611)	-
Proceeds from stock options exercised	629,938	148,490

Repurchase of common stock		(250,500	)		-
Net cash from financing activities		4,218,822			284,039
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,490,903			(425,922)
CASH AND CASH EQUIVALENTS, beginning of year		519,761			945,683
CASH AND CASH EQUIVALENTS, end of year	$	4,010,664		$	519,761
NON-CASH INVESTING AND FINANCING ACTIVITIES					
Purchases of property and equipment included in accounts payable	$	16,088		$	92,119

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

NOTE 1 – SUMMARY OF OPERATIONS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and operations – Willamette Valley Vineyards, Inc. (the "Company") owns and operates vineyards and a winery located in the state of Oregon, and produces and distributes premium, super premium, and ultra-premium wines, primarily Pinot Noir, Pinot Gris, Chardonnay, and Riesling.

The Company has direct-to-consumer sales and national sales to distributors. These sales channels offer comparable products to customers and utilize similar processes and share resources for production, selling and distribution. Direct-to-consumer sales generate a higher gross profit margin than national sales to distributors due to differentiated pricing between these segments.

Direct-to-consumer sales, including bulk wine, miscellaneous sales, and grape sales, represented approximately 38.5% and 34.1% of total revenue for 2015 and 2014, respectively.

In state sales through distributors represented approximately 18.2% and 16.6% of total revenue for 2015 and 2014, respectively.

Out-of-state sales, including foreign sales, represented approximately 43.3% and 49.2% of total revenue for 2015 and 2014, respectively. Foreign sales represent approximately 1% of total revenue.

Basis of presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances at the time. Actual results could differ from those estimates under different assumptions or conditions.

Financial instruments and concentrations of risk – The Company has the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, grapes payable and long-term debt.

Cash and cash equivalents are maintained at four financial institutions. Deposits held with these financial institutions may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with a financial institution of reputable credit and therefore bear minimal credit risk.

In 2015, sales to one distributor represented approximately 18.2% of total Company revenue. In 2014, sales to one distributor represented approximately 16.6% of total Company revenue.

Other comprehensive income – The nature of the Company's business and related transactions do not give rise to other comprehensive income.

Cash and cash equivalents – Cash and cash equivalents include money market funds.

Restricted cash - In August 2015, the Company commenced a public offering of our Series A Redeemable Preferred Stock pursuant to a registration statement filed with the Securities and Exchange Commission. Under the terms of this agreement, the Company remits cash received for stock subscriptions to the transfer agent who holds those funds in escrow until released in accordance with the registration statement. As of December 31, 2015, the Company held restricted cash of $224,328 associated with funds for subscription agreements that had not yet been processed through the transfer agent. Additionally, the Company held restricted cash of $1,251,904 in escrow with the transfer agent for a total restricted cash of $1,476,232. The Company established a corresponding liability for this preferred stock funding.

Accounts receivable – The Company performs ongoing credit evaluations of its customers and does not require collateral. A reserve is maintained for potential credit losses. The allowance for doubtful accounts is based on an assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. The Company has credit risk associated with uncollateralized trade accounts receivable from all operations totaling $1,684,502 and $1,612,124 as of December 31, 2015 and 2014 exclusive of the allowance for doubtful accounts. The allowance for doubtful accounts is further discussed in Note 2.

NOTE 1 – SUMMARY OF OPERATIONS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories – For Company produced wines, after a portion of the vineyard becomes commercially productive, the annual crop and production costs relating to such portion are recognized as work-in-process inventories. Such costs are accumulated with related direct and indirect harvest costs, wine processing and production costs, and are transferred to finished goods inventories when the wine is produced, bottled, and ready for sale.

The cost of finished goods is recognized as cost of sales when the wine product is sold. Inventories are stated at the lower of first-in, first-out ("FIFO") cost or market by variety.

In accordance with general practices in the wine industry, wine inventories are generally included in current assets in the accompanying balance sheets, although a portion of such inventories may be aged for more than one year (Note 3).

Vineyard development costs – Vineyard development costs consist primarily of the costs of the vines and expenditures related to labor and materials to prepare the land and construct vine trellises. The costs are capitalized until the vineyard becomes commercially productive, at which time annual amortization is recognized using the straight-line method over the estimated economic useful life of the vineyard, which is estimated to be 30 years. Accumulated amortization of vineyard development costs aggregated $1,109,406 and $1,033,737 at December 31, 2015 and 2014, respectively.

Amortization of vineyard development costs are included in capitalized crop costs that in turn are included in inventory costs and ultimately become a component of cost of goods sold. For the years ending December 31, 2015 and 2014, approximately $75,669 and $75,670, respectively, was amortized into inventory costs.

Property and equipment – Property and equipment are stated at cost and are depreciated on the straight-line basis over their estimated useful lives. Land improvements are depreciated over 15 years. Winery buildings are depreciated over 30 years. Equipment is depreciated over 3 to 10 years, depending on the classification of the asset. Depreciation is discussed further in Note 4.

Expenditures for repairs and maintenance are charged to operating expense as incurred. Expenditures for additions and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

Review of long-lived assets for impairment - The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Long-lived assets consist primarily of property and equipment. Circumstances that might cause the Company to evaluate its long-lived assets for impairment could include a significant decline in the prices the Company or the industry can charge for its products, which could be caused by general economic or other factors, changes in laws or regulations that make it difficult or more costly for the Company to distribute its products to its markets at prices which generate adequate returns, natural disasters, significant decrease in demand for the Company's products or significant increase in the costs to manufacture the Company's products.

Recoverability of assets is measured by a comparison of the carrying amount of an asset group to future net undiscounted cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company groups its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (or asset group). This would typically be at the winery level. The Company did not recognize any impairment charges associated with long-lived assets during the years ended December 31, 2015 and 2014.

NOTE 1 – SUMMARY OF OPERATIONS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Debt issuance costs – Debt issuance costs are amortized on the straight-line basis, which approximates the effective interest method, over the life of the debt. For the years ended December 31, 2015 and 2014, amortization of debt issuance costs was approximately $4,383 and $4,383 respectively. Debt issuance amortization costs are scheduled at $4,383 for each of the next four years, and $32,689 thereafter.

Distribution agreement receivable – Effective September 1, 2011, the Company entered into an agreement with Young's Market Company for distribution of Company-produced wines in Oregon and Washington. The terms of this contract include exclusive rights to distribute Willamette Valley Vineyard's wines in Oregon and Washington for seven years. In an effort to facilitate the transition, with as little disruption as possible, Young's Market Company agreed to compensate Willamette Valley Vineyards for ongoing Oregon sales and branding efforts. As a result, the Company was due to receive $250,000 per year starting on September 2011 for each of the next four years for a total of $1,000,000. As of December 31, 2015 and 2014, the Company has no distribution agreement receivable with the final payment having been made in 2014. The total amount of $1,000,000 received by the Company related to this agreement is being recognized as revenue on a straight line basis over the seven year life of the agreement. For the years ended December 31, 2015 and 2014, the Company has recognized revenue related to this agreement in the amount of $142,860 and $142,860, respectively, recorded to other income.

Income taxes – Income taxes are recognized using enacted tax rates, and are composed of taxes on financial accounting income that is adjusted for requirements of current tax law, and deferred taxes. Deferred taxes are estimated using the asset and liability approach whereby deferred income taxes are calculated for the expected future tax consequences of temporary differences between the book basis and tax basis of the Company's assets and liabilities.

The Company had no unrecognized tax benefits as of December 31, 2015 or 2014. The Company recognizes interest assessed by taxing authorities as a component of tax expense. The Company recognizes any penalties assessed by taxing authorities as a component of tax expense. Interest and penalties for the years ended December 31, 2015 and 2014 were not material.

The Company files U.S. federal income tax returns with the Internal Revenue Service ("IRS") as well as income tax returns in Oregon, California and Connecticut. The Company may be subject to examination by the IRS for tax years 2012 through 2015. Additionally, the Company may be subject to examinations by state taxing jurisdictions for tax years 2011 through 2015. The Company is not aware of any current examinations by the IRS or the state taxing authorities.

Deferred rent liability – The Company leases land under a sale-leaseback agreement. The long-term operating lease has minimum lease payments that escalate every year. For accounting purposes, rent expense is recognized on the straight-line basis by dividing the total minimum rents due during the lease by the number of months in the lease. In the early years of a lease with escalation clauses, this treatment results in rental expense recognition in excess of rents paid, and the creation of a long-term deferred rent liability. As the lease matures, the deferred rent liability will decrease and the rental expense recognized will be less than the rents actually paid. For the years ended December 31, 2015 and 2014, rent costs paid in excess of amounts recognized totaled $22,940 and $18,794, respectively.

Revenue recognition – The Company recognizes revenue when the product is shipped and title passes to the customer. The Company's standard terms are 'FOB' shipping point, with no customer acceptance provisions. The cost of price promotions and rebates are treated as reductions of revenue. No products are sold on consignment. Credit sales are recorded as trade accounts receivable and no collateral is required. Revenue from items sold through the Company's retail locations is recognized at the time of sale. Net revenue reported herein is shown net of sales allowances and excise taxes.

The Company has price incentive programs with its distributors to encourage product placement and depletions. When recording a sale to the customer, an incentive program liability is recorded to accrued liabilities and sales are reported net of incentive program expenses. Incentive program payments are made when completed incentive program payment requests are received from the customers. Incentive payments to a customer reduce the incentive program accrued liability. For the years ended December 31, 2015 and 2014, the Company recorded incentive program expenses of $449,930 and $325,509, respectively, as a reduction in sales on the income statement. As of December 31, 2015 and 2014, the Company has recorded an incentive program liability in the amount of $42,456 and $48,000, respectively, which is included in accrued expenses on the balance sheet.

NOTE 1 – SUMMARY OF OPERATIONS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Cost of goods sold – Costs of goods sold include costs associated with grape growing, external grape costs, packaging materials, winemaking and production costs, vineyard and production administrative support and overhead costs, purchasing and receiving costs and warehousing costs.

Administrative support, purchasing, receiving and most other fixed overhead costs are expensed as selling, general and administrative expenses without regard to inventory units. Warehouse and winery production and facilities costs, which make up approximately 12% of total costs, are allocated to inventory units on a per gallon basis during the production of wine, prior to bottling the final product. No further costs are allocated to inventory units after bottling.

Selling, general and administrative expenses – Selling, general and administrative expenses consist primarily of non-manufacturing administrative and overhead costs, advertising and other marketing promotions. Advertising costs are expensed as incurred or the first time the advertising takes place. For the years ended December 31, 2015 and 2014, advertising costs incurred were approximately $152,867 and $99,915 respectively.

The Company provides an allowance to distributors for providing sample of products to potential customers. For the years ended December 31, 2015 and 2014, these costs, which are included in selling, general and administrative expenses, totaled approximately $153,299 and $129,918, respectively.

Shipping and handling costs – Amounts paid by customers to the Company for shipping and handling costs are included in the net revenue. Costs incurred for shipping and handling charges are included in selling, general and administrative expense. For the years ended December 31, 2015 and 2014, such costs totaled approximately $421,617 and $384,836, respectively. The Company’s gross margins may not be comparable to other companies in the same industry as other companies may include shipping and handling costs as a cost of goods sold.

Excise taxes – The Company pays alcohol excise taxes based on product sales to both the Oregon Liquor Control Commission and to the U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau. The Company is liable for the taxes upon the removal of product from the Company’s warehouse on a per gallon basis. The federal tax rate is affected by a small winery tax credit provision which declines based upon the number of gallons of wine production in a year rather than the quantity sold. The Company also pays taxes on the grape harvest on a per ton basis to the Oregon Liquor Control Commission for the Oregon Wine Advisory. For the years ended December 31, 2015 and 2014, excise taxes incurred were approximately $420,729 and $345,726 respectively.

Stock based compensation – The Company expenses stock options on a straight line basis over the options’ related vesting term. For the years ended December 31, 2015 and 2014, the Company recognized pretax compensation expense related to stock options of $17,685 and $21,164, respectively.

Basic and diluted income per common share after preferred dividends – Basic income per share is computed based on the weighted-average number of common shares outstanding each year. Diluted income per share is computed using the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the year. Potentially dilutive shares from stock options and other common stock equivalents are excluded from the computation when their effect is anti-dilutive.

Options to purchase 67,000 shares of common stock were outstanding at December 31, 2015 and diluted weighted-average shares outstanding at December 31, 2015 include the effect of 35,287 stock options. Options to purchase 222,971 shares of common stock were outstanding at December 31, 2014 and diluted weighted-average shares outstanding at December 31, 2014 include the effect of 80,800 stock options.

There were no potentially dilutive shares from stock options included in the computation of dilutive income per share for 2015 and 2014 as their impact would have been anti-dilutive.

NOTE 1 – SUMMARY OF OPERATIONS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

	Year ended December 31,			
		2015		2014
Numerator				
Net income	$	1,901,832	$	2,161,340
Preferred stock dividends		(57,611)		-
Net income applicable to common shares	$	1,844,221	$	2,161,340
Denominator				
Basic weighted average common shares		4,928,712		4,849,614
Dilutive stock options		35,287		80,880
		4,963,999		4,930,494
Basic income per common share after preferred dividends	$	0.37	$	0.45
Diluted income per common share after preferred dividends	$	0.37	$	0.44

Statement of cash flows – Supplemental disclosure of cash flow information:

		2015		2014
Income tax paid	$	719,550	$	975,650
Interest paid (net of capitalized interest)	$	308,437	$	282,490
Supplemental schedule of noncash investing and financing activities:				
Purchases of property, plant, and equipment included in accounts payable	$	16,088	$	92,119

Recently issued accounting standards – In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers, which creates a single source of revenue recognition guidance for all companies. This guidance is more principles-based than current revenue guidance and also addresses accounting for items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain nonfinancial assets. ASU 2015-14, issued in August 2015, amended ASU 2015-09 and changed the implementation date requirement for public entities from annual reporting periods beginning after December 15, 2016 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted only as for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company has not yet selected a transition method or determined the effect of the standard on its ongoing financial reporting.

In November 2015, FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes, which eliminated the requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Under the guidance, entities will be required to classify all deferred tax assets and liabilities as noncurrent. The Company early adopted ASU 2015-17 on a prospective basis, resulting in a reclassification of the net current deferred tax liability to the net non-current deferred tax liability in the Consolidated Balance Sheet as of December 31, 2015. The Company has not retrospectively adjusted prior periods.

NOTE 2 – ACCOUNTS RECEIVABLE

The Company's accounts receivable balance is net of an allowance for doubtful accounts of $11,944 and $11,944 at December 31, 2015 and 2014, respectively. Changes in the allowance for doubtful accounts are as follows:

NOTE 2 – ACCOUNTS RECEIVABLE - continued

	Year ended December 31, 2015	2014
Balance at Beginning of Period	$ 11,944	$ 14,740
Charged to costs and expenses	-	-
Charged to other accounts	-	-
Write-offs, net of recoveries	-	(2,796)
Balance at End of Period	$ 11,944	$ 11,944

NOTE 3 – INVENTORIES

	December 31, 2015	December 31, 2014
Winemaking and packaging materials	$ 690,292	$ 629,841
Work-in-process (costs relating to unprocessed and/or unbottled wine products)	6,058,701	4,796,223
Finished goods (bottled wine and related products)	3,883,469	4,484,506
Current inventories	$ 10,632,462	$ 9,910,570

NOTE 4 – PROPERTY AND EQUIPMENT

	December 31, 2015	December 31, 2014
Construction in progress	$ 482,284	$ 69,588
Land, improvements and other buildings	5,089,472	3,622,434
Winery buildings and hospitality center	13,756,320	13,566,863
Equipment	9,055,987	8,256,983
	28,384,063	25,515,868
Less accumulated depreciation	(11,654,901)	(10,477,209)
	$ 16,729,162	$ 15,038,659

Depreciation expense was $1,194,191 and $994,685 during the years ended December 31, 2015 and 2014, respectively. Capitalized interest was $0 and $40,039 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 – LINE OF CREDIT FACILITY

In December of 2005 the Company entered into a revolving line of credit agreement with Umpqua Bank that allows borrowings of up to $2,000,000 against eligible accounts receivables and inventories as defined in the agreement. The revolving line bears interest at prime, is payable monthly, and is subject to biannual renewal. The Company renewed the credit agreement in June of 2014 for a period of 24 months. The interest rate was 3.5% at December 31, 2015 and 3.25% at December 31, 2014. At December 31, 2015 and 2014 there were no borrowings on this revolving line of credit.

The line of credit agreement includes various covenants, which among other things, requires the Company to maintain minimum amounts of tangible net worth, debt-to-equity, and debt service coverage as defined, and limits the level of acquisitions of property and equipment. As of December 31, 2015, the Company was in compliance with these financial covenants.

NOTE 6 – NOTE PAYABLE

In April of 2015 the Company purchased approximately 42 acres of farmland in the Walla Walla AVA under terms that included paying one third of the price upon closing and one third in each of the two subsequent years. As of December 31, 2015 the Company had a balance due of $490,834 with $245,417 due on April 1, 2016 and $245,417 due on April 1, 2017. No interest accrues under the terms of this note.

NOTE 7 – LONG-TERM DEBT

Long-term debt consists of:

	December 31,	
	2015	2014
Northwest Farm Credit Services Loan #1	$ 1,162,073	$ 1,238,256
Northwest Farm Credit Services Loan #2	1,070,991	1,154,945
Northwest Farm Credit Services Loan #3	1,131,912	1,202,799
Northwest Farm Credit Services Loan #4	1,808,042	1,906,294
	5,173,018	5,502,294
Current portion	(349,003)	(329,255)
	$ 4,824,015	$ 5,173,039

The Company has four agreements with Northwest Farm Credit Services ("FCS"). Loan #1 requires monthly payments of $12,266, bears interest at a rate of 5.90%, is collateralized by real estate and equipment, and matures in 2026. Loan #2 requires monthly payments of $13,232, bears interest at a rate of 6.70%, is collateralized by real estate and equipment, and matures in 2024. Loan #3 requires monthly payments of $12,004, bears interest at a rate of 6.25%, is collateralized by real estate and equipment, and matures in 2026. Loan #4 requires monthly payments of $15,556, bears interest at a rate of 4.75%, is collateralized by real estate and equipment, and matures in 2028.

The loan agreements contain covenants, which require the Company to maintain certain financial ratios and balances. At December 31, 2015, the Company was in compliance with these covenants. In the event of future noncompliance with the Company's debt covenants, FCS would have the right to declare the Company in default, and at FCS' option without notice or demand, the unpaid principal balance of the loan, plus all accrued unpaid interest thereon and all other amounts due shall immediately become due and payable.

Future minimum principal payments of long-term debt mature as follows for the years ending December 31:

2016	$349,003
2017	369,956
2018	392,190
2019	415,783
2020	440,821
Thereafter	3,205,265
	$5,173,018

The weighted-average interest rates on the aforementioned borrowings for the fiscal years ended December 31, 2015 and 2014 was 5.74% and 5.75% respectively.

NOTE 8 – SHAREHOLDERS' EQUITY

The Company is authorized to issue 10,000,000 shares of its common stock. Each share of common stock is entitled to one vote. At its discretion, the Board of Directors may declare dividends on shares of common stock so long as the Company has paid or set aside funds for all cumulative dividends on its preferred stock. The Board does not anticipate paying dividends on its common stock in the foreseeable future.

NOTE 8 – SHAREHOLDERS' EQUITY - continued

The Company is authorized to issue 10,000,000 shares of preferred stock. Each share of the Company's currently issued preferred stock is non-voting. The Company's Series A Redeemable Preferred Stock includes an annual dividend of $0.22 per share and is payable annually. Additionally, the Series A Redeemable Preferred Stock contains a liquidation preference over the Company's common stock and is subject to optional redemption after June 1, 2021 at the sole discretion of the Company's Board of Directors. The liquidation preference is calculated at the original issue price of $4.15 per share plus all accrued but unpaid dividends. The optional redemption, if implemented, would be at the original issue price of $4.15 per share plus all accrued but unpaid dividends plus a redemption premium of 3% of the original issue price. The Company is current on its dividend obligations.

NOTE 9 – STOCK INCENTIVE PLAN

The Company has a stock incentive plan, originally created in 1992, most recently amended in 2001. No additional grants may be made under the plan. All stock options have an exercise price that is equal to the fair market value of the Company's stock on the date the options were granted. Administration of the plan, including determination of the number, term, and type of options granted, resides with the Board of Directors or a duly authorized committee of the Board of Directors. Options were generally granted based on employee performance with vesting periods ranging from date of grant to seven years. At the date of the grant, the maximum term before expiration is ten years.

The following table presents information on stock options outstanding for the periods shown:

	2015		2014	
	Weighted Average Exercise		Weighted Average Exercise	
	Shares	Price	Shares	Price
Outstanding at beginning of period	222,971	$ 3.79	260,200	$ 3.82
Granted	-	-	-	-
Exercised	(155,971)	4.04	(37,229)	3.99
Forfeited	-	-	-	-
Outstanding at end of period	67,000	$ 3.22	222,971	$ 3.79

The following table presents information on stock options outstanding for the periods shown:

	2015	2014
Intrinsic value of options exercised in the period	$ 427,363	$ 64,383
Stock options fully vested and expected to vest	67,000	222,971
Weighted average exercise price	$ 3.22	$ 3.79
Aggregate intrinsic value	$ 258,678	$ 447,611
Weighted average contractual term of options	1.37 years	1.64 years
Stock options vested and currently exercisable	60,000	188,971
Weighted average exercise price	$ 3.23	$ 3.90
Aggregate intrinsic value	$ 230,748	$ 358,561
Weighted average contractual term of options	0.89	1.28 years

NOTE 9 – STOCK INCENTIVE PLAN - continued

Weighted-average options outstanding and exercisable at December 31, 2015 are as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding at December 31, 2015	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2015	Weighted Average Exercise Price
3.09	11,000	5.56	3.09	4,000	3.09
3.24	56,000	0.55	3.24	56,000	3.24
$ 3.09 - $ 3.24	67,000	1.37	$ 3.22	60,000	$ 3.23

All share-based compensation is measured at the grant date based on the fair value of the award, and is recognized as an expense in earnings over the requisite service period. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes based stock option valuation model. This model uses the assumptions listed in the table below. Expected volatilities are based on implied volatilities from the Company's stock, historical volatility of the Company's stock, and other factors. Expected dividends are based on the Company's plan not to pay dividends for the foreseeable future. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. There were no stock options granted during the years ended December 31, 2015 and 2014.

Stock compensation expense was $17,685 and $21,164 for the years ended December 31, 2015 and 2014, respectively.

As of December 31, 2015, unrecognized compensation expense related to stock options was $1,483.

NOTE 10 – INCOME TAXES

The provision (benefit) for income taxes consists of:

	Year Ended December 31, 2015	2014
Current tax expense:		
Federal	$ 641,822	$ 663,096
State	202,592	132,903
	844,414	795,999
Deferred tax expense (benefit):		
Federal	376,226	(18,087)
State	54,774	(1,913)

		431,000		(20,000)
Total	$	1,275,414	$	775,999

NOTE 10 – INCOME TAXES - continued

The effective income tax rate differs from the federal statutory rate as follows:

	Year Ended December 31,			
	2015		2014	
Federal statutory rate	34.00	%	34.00	%
State taxes, net of federal benefit	4.95	%	3.60	%
Permanent differences	-1.13	%	-1.70	%
Tax credits	-0.23	%	-5.74	%
Prior year adjustments	1.35	%	-2.42	%
Changes in tax rates and other	1.20	%	-1.32	%
	40.14	%	26.42	%

Permanent differences for the periods consist primarily of tax deductions for domestic production activities and federal and state tax credits, as offset in the current year by an increase in the percentage of the Company's income reported in a higher state tax rate jurisdiction.

Net deferred tax assets and (liabilities) at December 31 consist of:

		2015		2014
Accounts receivable	$	-	$	4,000
Deferred gain on sale-leaseback		-		58,000
Stock compensation		-		21,000
Other		-		148,000
Net current deferred tax assets	$	-	$	231,000
Deferred gain on sale-leaseback		47,000		-
Other		27,000		-
Prepaids		(49,000)		(54,000)
Depreciation		(1,463,000)		(1,273,000)
Inventory		(410,000)		(321,000)
Net noncurrent deferred tax liability		(1,848,000)		(1,648,000)
Net deferred tax liability	$	(1,848,000)	$	(1,417,000)

NOTE 11 – RELATED PARTY TRANSACTIONS

The Company provides living accommodations in a residence on the Company’s premises, at its convenience, for the Company’s President. The President provides security and lock-up services and is required to live on premises as a condition of his employment. Over the years the Company has recorded annual expenses less than $12,000, exclusive of depreciation, related to the housing provided for its president.

In February 2007, the Company entered into a lease agreement for 59 acres of vineyard land at Elton Vineyards. This lease is for a 10-year term with four five-year renewals at the Company's option and a first right of refusal in the event of the vineyard's sale. For 2015, the annual costs of this lease, including utility reimbursements, were $123,414. For subsequent years there is an escalation provision tied to the CPI not to exceed 2% per annum. Betty M. O'Brien, a Director of the Company, is a principal owner of Elton Vineyards along with her husband Dick O'Brien.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation – From time to time, in the normal course of business, the Company is a party to legal proceedings. Management believes that these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows, but, due to the nature of litigation, the ultimate outcome of any potential actions cannot presently be determined.

Operating leases – In December 1999, under a sale-leaseback agreement, the Company sold approximately 79 acres of the Tualatin Vineyards property with a net book value of approximately $1,000,000 for approximately $1,500,000 cash and entered into a 20-year operating lease agreement. The gain of approximately $500,000 is being amortized over the life of the lease. This property is referred to as the Peter Michael Vineyard, and includes approximately 69 acres of producing vineyards.

In December 2004, under a sale-leaseback agreement, the Company sold approximately 75 acres of the Tualatin Vineyards property with a net book value of approximately $551,000 for approximately $727,000 cash and entered into a 14-year operating lease agreement for the vineyard portion of the property. Approximately $99,000 of the total gain of $176,000 has been deferred and is being amortized over the life of the lease. This property is referred to as the Meadowview Vineyard, and includes approximately 45 acres of producing vineyards.

The amortization of the deferred gain totals approximately $25,000 per year for the 1999 sale-leaseback agreement and $7,000 for the 2004 sale-leaseback agreement, and is recorded as an offset to the related lease expense in selling, general and administrative expenses.

In February 2007, the Company entered into a lease agreement for 59 acres of vineyard land at Elton Vineyards. This lease is for a 10-year term with four five-year renewals at the Company's option and a first right of refusal in the event of the vineyard's sale. For 2015, the annual costs of this lease were $123,414. For subsequent years there is an escalation provision tied to the CPI not to exceed 2% per annum. Betty M. O'Brien, a Director of the Company, is a principal owner of Elton Vineyards. The terms of the lease currently call for a monthly payment of $10,102, plus utility costs not to exceed $1,500 per year, with the annual adjustment ending January 2017 unless renewed.

In July 2008, the Company entered into a 34-year lease agreement with a property owner in the Eola Hills for approximately 109 acres adjacent to the existing Elton Vineyards site. These 109 acres is being developed into vineyards. Terms of this agreement contain rent escalation that rises as the vineyard is developed. The current terms call for monthly payments of $984.

In September 2014, the Company entered into a two year lease, with an option to renew for an additional two years, for its McMinnville tasting room. The monthly payment for this lease is $3,000 with potential negotiated escalations not to exceed 5%.

Grape Purchases - The Company has entered into three long-term grape purchase agreements with one of its Willamette Valley wine grape growers. These contracts, entered into in 2004, 2006 and 2007, expire in 2015, 2016 and 2016, respectively. With these contracts, the Company is obligated to purchase, at pre-determined prices, 100% of the crop produced within the strict quality standards and crop loads, equating to maximum payments of approximately $1,500,000 per year. The Company cannot calculate the minimum payment as such a calculation is dependent in large part on an unknown – the amount of grapes produced that meet the strict quality standards in any given year. If no grapes are produced that meet the contractual quality levels, the grapes may be refused and no payment would be due. The Company received $959,446 and $787,696 worth of grapes from these long-term contracts during the years ended December 31, 2015 and 2014, respectively. The Company is in negotiations to extend expiring and soon to expire long-term contracts.

NOTE 12 – COMMITMENTS AND CONTINGENCIES - continued

As of December 31, 2015, future minimum lease payments are as follows for the years ending December 31:

2016	$393,914
2017	377,626
2018	379,867
2019	342,319
2020	162,771
Thereafter	798,494
Total	$2,454,991

The Company is also committed to lease payments for various pieces of office equipment. Total rental expense for these operating leases amounted to $8,353 and $8,500 in 2015 and 2014, respectively. In addition, payments for the leased vineyards have been included in inventory or vineyard developments costs and aggregate approximately $363,566 and $346,750 for the years ended December 31, 2015 and 2014, respectively.

Vineyard development – The Company has approximately 160 acres of undeveloped plantable vineyard land at December 31, 2015. This estimated cost to develop this for grape production is approximately $15,500 per acre or $2.5 million in total. The Company estimates that this acreage will be developed as projected sales demand dictates the need for increased grape supply.

NOTE 13 – EMPLOYEE BENEFIT PLAN

In February 2006, the Company instituted a 401(k) profit sharing plan covering all eligible employees. Employees who participate may elect to make salary deferral contributions to the Plan up to 100% of the employees' eligible payroll subject to annual Internal Revenue Code maximum limitations. The Company may make a discretionary contribution to the entire qualified employee pool, in accordance with the Plan. For the years ended December 31, 2015 and 2014 there were $71,609 and $64,664 contributions made by the Company to the 401(k) plan, respectively.

NOTE 14 - SALE OF PREFERRED STOCK

In August 2015, the Company commenced a public offering of Series A Redeemable Preferred Stock pursuant to a registration statement filed with the Securities and Exchange Commission. The preferred stock under this issue is non-voting and ranks senior in rights and preferences to the Company's common stock. Shareholders of this issue are entitled to receive dividends, when and as declared by the Company's Board of Directors, at a rate of $0.22 per share. Dividends accrued but not paid will be added to the liquidation preference of the stock until the dividend is declared and paid. The Company registered this transaction with the securities authorities of the States of Oregon and Washington and, in November 2015, obtained listing status on the NASDAQ stock exchange under the trading symbol WVVIP. The initial issue has 1,445,783 shares registered with an aggregate initial offering price not to exceed $6,000,000.

Under the terms of the offering, proceeds from the sale of preferred stock for the three months ended December 31, 2015 were held in escrow until the stock was subsequently issued effective January 1, 2016. At December 31, 2015 $1,251,904 in stock sale proceeds were held in escrow and subsequently released to the Company in January 2016. As of December 31, 2015 the Company had on deposit $224,328 in investor stock subscription payments that had not completed processing. Total funds, held by the Company as restricted cash, were $1,476,232 associated with this offering.

NOTE 15 – SEGMENT REPORTING

The Company has identified two operating segments, Direct Sales and Distributor Sales, based upon their different distribution channels, margins and selling strategies. Direct Sales includes retail sales in the tasting room and remote sites, Wine Club sales, on-site events, kitchen and catering sales and other sales made directly to the consumer without the use of an intermediary. Distributor Sales include all sales through a third party where prices are given at a wholesale rate.

NOTE 15 – SEGMENT REPORTING - continued

The two segments reflect how the Company's operations are evaluated by senior management and the structure of its internal financial reporting. The Company evaluates performance based on the gross profit of the respective business segments. Selling expenses that can be directly attributable to the segment, including depreciation of segment specific assets, are included however centralized selling expenses and general and administrative expenses are not allocated between operating segments. Therefore, net income information for the respective segments is not available. Discrete financial information related to segment assets, other than segment specific depreciation associated with selling, is not available and that information continues to be aggregated.

The following table outlines the sales, cost of sales, gross margin, directly attributable selling expenses, and contribution margin of the segments for the twelve month periods ending December 31, 2015 and 2014. Sales figures are net of related excise taxes.

	Twelve Months Ended December 31,					
	Direct Sales		Distributor Sales		Total	
	2015	2014	2015	2014	2015	2014
Sales, net	$ 6,948,210	$ 5,197,121	$ 10,990,662	$ 9,959,038	$ 17,938,872	$ 15,156,159
Cost of Sales	2,027,451	1,307,687	5,064,660	4,831,866	7,092,111	6,139,553
Gross Margin	4,920,759	3,889,434	5,926,002	5,127,172	10,846,761	9,016,606
Selling Expenses	3,070,473	2,435,865	1,545,944	1,274,313	4,616,417	3,710,178
Contribution Margin	$ 1,850,286	$ 1,453,569	$ 4,380,058	$ 3,852,859	$ 6,230,344	$ 5,306,428
Percent of Sales	38.7%	34.3%	61.3%	65.7%	100.0%	100.0%

Direct sales include $777,538 and $247,975 of bulk wine sales in the years ended December 31, 2015 and 2014, respectively.

Direct-to-consumer sales, including bulk wine, miscellaneous sales, and grape sales, represented approximately 38.5% and 34.2% of total revenue for 2015 and 2014, respectively.

In state sales through distributors represented approximately 18.2% and 16.6% of total revenue for 2015 and 2014, respectively.

Out-of-state sales, including foreign sales, represented approximately 43.3% and 49.2% of total revenue for 2015 and 2014, respectively. Foreign sales represent approximately 1% of total revenue.

NOTE 16 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Following is a summary of unaudited quarterly financial information for fiscal 2015 and 2014:

	Condensed Consolidated Statements of Income			
Year ended December 31, 2015	Q1	Q2	Q3	Q4
	(in thousands, except per share data)			
Revenue	$3,912	$4,721	$4,245	$5,061
Gross profit	2,304	2,760	2,636	3,147
Income from operations	499	845	747	1,178
Net income	314	510	454	624
Basic net income per share	$0.06	$0.10	$0.09	$0.14
Diluted net income per share	$0.06	$0.10	$0.09	$0.13
Shares used in calculation of net income per share:				
Basic	4,884,503	4,908,605	4,956,163	4,965,050
Diluted	4,957,041	4,983,207	5,007,883	5,002,746

	Condensed Consolidated Statements of Income			
Year ended December 31, 2014	Q1	Q2	Q3	Q4
	(in thousands, except per share data)			
Revenue	$2,972	$3,693	$4,046	$4,445
Gross profit	1,722	2,241	2,500	2,554
Income from operations	249	760	973	824
Net income	175	547	574	865
Basic net income per share	$0.04	$0.11	$0.12	$0.18
Diluted net income per share	$0.04	$0.11	$0.12	$0.18
Shares used in calculation of net income per share:				
Basic	4,839,149	4,847,188	4,847,765	4,863,468
Diluted	4,939,412	4,933,550	4,930,860	4,939,777

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

In December 2015, the Company filed a Universal Shelf Offering with the SEC. This offering provides up to $18,000,000 in a combination of debt and equity securities to be determined in subsequent prospectus supplements. Additionally, in February 2016, the Company conducted a proxy vote of preferred shareholders asking to increase the number of authorized Series A Preferred Stock shares and to delegate authority to the Board of

Directors to approve future increases in the number of shares. Those actions were approved and vote results were published in an 8-K on March 1, 2016. If and when the Company decides to issue additional shares of Series A Preferred Stock the Company intends to issue a prospectus supplement to register with the SEC the issuance of such shares.

In March 2016 the Company switched common stock transfer agent functions from Broadridge Financial Solutions to OTR, Inc. in Portland, Oregon. OTR, Inc. has been the transfer agent for the Company's Series A Redeemable Preferred Stock and now provide this function for all the Company's equity securities.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We carried out an evaluation as of the end of the period covered by this Annual Report on Form 10-K, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to paragraph (b) of Rule 13a-15 and 15d-5 under the Exchange Act. Based on that review, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act (1) is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and (2) is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals.

Internal Control over Financial Reporting

Management’s report on internal control over financial reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of the Company’s financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act and includes those policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company’s assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company’s receipts and expenditures are being made only in accordance with authorizations of the Company’s management and directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s financial statements. All internal controls, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control – Integrated Framework (1992). Based on this assessment, management has concluded that, as of December 31, 2015, our internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

There have not been any other changes in the Company’s internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company’s fourth fiscal quarter that our certifying officers concluded materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth certain information regarding the Company's directors and executive officers:

Name	Position(s) with the Company	Age
James W. Bernau (3)	Chairperson of the Board, President and Director	62
Craig Smith (2)(3)	Secretary and Director	69
Richard F. Goward Jr.	Chief Financial Officer	60
James L. Ellis (3)	Director	71
Sean M. Cary (2)	Director	42
Christopher Sarles (1)	Director	51
Betty M. O'Brien (1)	Director	72
Stan G. Turel (2)(3)	Director	67

(1) Member of the Compensation Committee
(2) Member of the Audit Committee
(3) Member of the Executive Committee

All directors hold office until the next annual meeting of shareholders or until their successors have been elected and qualified. Executive officers are appointed by the Board of Directors and serve at the pleasure of the Board of Directors. Except for Mr. Goward's stepdaughter who is married to Mr. Smith's son, there are no family relationships among any of our current directors or executive officers. Set forth below is additional information as to each director and executive officer of the Company.

James W. Bernau – Mr. Bernau has been President and Chairperson of the Board of Directors of the Company since its inception in May 1988. Mr. Bernau, an Oregon winegrower, originally established Willamette Valley Vineyards as a sole proprietorship in 1983, and he co-founded the Company in 1988 with Salem grape grower, Donald Voorhies. From 1981 to September 1989, Mr. Bernau was Director of the Oregon Chapter of the National Federation of Independent Businesses ("NFIB"), an association of 15,000 independent businesses in Oregon. Mr. Bernau has served as the President of the Oregon Winegrowers Association and the Treasurer of the association's Political Action Committee (PAC) and Chair of the Promotions Committee of the Oregon Wine Advisory Board, the State of Oregon's agency dedicated to the development of the industry. In March 2005, Mr. Bernau received the industry's Founder's Award for his service. Mr. Bernau's qualifications to serve on the Company's Board of Directors include his more than 30 years of leadership of the Company and his industry experience and contacts.

Craig Smith, MBA, JD – Mr. Smith has served as a director since October 2007 and as Secretary since 2009. For over 20 years Mr. Smith served as the Vice President/Chief Financial Officer of Chemeketa Community College in Salem, Oregon. He was an Adjunct Professor at the Atkinson Graduate School of Management at Willamette University, as well as Managing Partner of Faler, Grove, Mueller & Smith, a large local CPA firm. He has served on many State of Oregon commissions and as the Board Chairperson for many of the local non-profit and educational institutions including the Salem Keizer School Board, Chemeketa Community College Board of Education, Oregon State Fair Council, State Fair Dismissal Appeals Board, Mid-Willamette Valley Council of Governments, Oregon School

Boards Association and the United Way. Mr. Smith is a member of the Oregon State Bar and a retired Certified Public Accountant. Mr. Smith's qualifications to serve on the Company's Board of Directors include his financial and accounting experience.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE - continued

Richard F. Goward Jr., CPA, CMA, MBA – Mr. Goward has been the Company's Chief Financial Officer since May of 2013. Prior to being appointed, Mr. Goward served as Chief Financial Officer for Oregon's largest city, the City of Portland, a position he retired from after serving from April 2010 to May 2013. From June 1997 to April 2010, Mr. Goward served as Chief Financial Officer at Salem-Keizer Public Schools, the second largest school district in the State of Oregon. From November 1986 to June 1997, Mr. Goward worked at Chemeketa Community College as manager of the Business Office and Director of Auxiliary Services. Mr. Goward has also worked as a partner in Faler, Grove, Mueller & Smith CPAs, has 26 years of experience as an officer in the United States Navy and Navy Reserve; retiring at the rank of Captain, for 20 years was an Adjunct Professor in Accounting at Willamette University's Atkinson Graduate School of Management and has served on many community boards and committees. Mr. Goward is licensed as a CPA in the State of Oregon and is a Certified Management Accountant. He holds a Bachelor of Science Degree in Business from Oregon State University and a Masters in Business Administration from Willamette University.

James L. Ellis – Mr. Ellis has served as a director since July 1991. Mr. Ellis retired from full time duties with the Company in July of 2009. He currently serves as the Company's ombudsman and works part-time on selected projects. Mr. Ellis previously served as the Company's Director of Human Resources from 1993 to 2009. He was the Company's Secretary from 1997 to 2009, and Vice President /Corporate from 1998 to 2009. From 1990 to 1992, Mr. Ellis was a partner in Kenneth L. Fisher, Ph.D. & Associates, a management-consulting firm. From 1980 to 1990, Mr. Ellis was Vice President and General Manager of R.A. Kevane & Associates, a Pacific Northwest personnel-consulting firm. From 1962 to 1979, Mr. Ellis was a member of and administrator for the Christian Brothers of California, owner of Mont La Salle Vineyards and producer of Christian Brothers wines and brandy. Mr. Ellis' qualifications to serve on the Company's Board of Directors include his prior experience as a member of the Company's senior management, as well as more than 40 years of business experience.

Sean M. Cary – Mr. Cary has served as a director since July 2007. Mr. Cary is the Chief Financial Officer of Pacific Excavation, Inc., a Eugene, Oregon based heavy and civil engineering contractor. Previously, Mr. Cary served as the CFO of CBT Nuggets, LLC, the Corporate Controller of National Warranty Corporation, the CFO of Cascade Structural Laminators and prior to that as Controller of Willamette Valley Vineyards. Mr. Cary served in the U.S. Air Force as a Financial Officer. Mr. Cary holds a Master of Business Administration degree from the University of Oregon and a Bachelor of Science Degree in Management from the U.S. Air Force Academy. Mr. Cary's qualifications to serve on the Company's Board of Directors include his financial and accounting expertise.

Christopher L. Sarles – Mr. Sarles has served as a director since January of 2015. Mr. Sarles is the President/CEO of Oregon Fruit Products, a position he has held since July of 2014. From May of 1998 until June of 2014 Mr. Sarles worked in various executive capacities in Columbia Distributing/Young's Market, most recently as Executive Vice President of Sales from 2011 to 2014. From 1987 to 1995 he was President/Chief Operating Officer of Alehouse Distributing Company in Seattle Washington. Mr. Sarles has been actively involved in the wine industry, been a speaker on Wine Industry issues, and served as President of the Oregon Beer and Wine Wholesalers Association. He holds a Bachelor of Science degree in Business Marketing from Oregon State University. Mr. Sales is qualified to serve on the Company's Board of Directors as a result of his many years of executive experience in the alcohol distribution industry.

Betty M. O'Brien – Ms. O'Brien has served as a director since July 1991. Ms. O'Brien is co-owner of Elton Vineyards L.L.C., a commercial vineyard located in Eola Hills in Yamhill County, Oregon and established in 1983. Ms. O'Brien was the Executive Director of the Oregon Wine Board from 2001 to 2004. Ms. O'Brien was employed by Willamette University as its Director of News and Publications from 1988 to 2000. She is a member of the Oregon Winegrowers Association, having previously served as its President and Treasurer and as a director. Ms. O'Brien is chairman of the

Wine Studies Program Advisory Committee at Chemeketa Community College (CCC). She headed a wine industry task force developing a new wine marketing program and curriculum leading to a two-year degree at CCC. She taught Wine Marketing classes there for seven years. Ms. Obrien served as Chair of the Board of Directors of LIVE (Low Input Viticulture and Enology). She was president of the Eola-Amity Hills Winegrowers Association in 2014-15. Ms. O"Brien and her husband received a 2010 Oregon Wine Industry Outstanding Service Award. Ms. O'Brien's qualifications to serve on the Company's Board of Directors include her industry experience and contacts.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE - continued

Stan G. Turel – Mr. Turel has served as a director since November 1994. Mr. Turel is President of Turel Enterprises, a real estate management company managing his own properties in Oregon, Washington and Idaho and is president of Columbia Pacific Tax in Bend, Oregon. Prior to his current activities, Mr. Turel was the Principal and CEO of Columbia Turel, (formerly Columbia Bookkeeping, Inc.) a position which he held from 1974 to 2001. Prior to the sale of the company to Fiducial, one of Europe's largest accounting firms, Columbia had approximately 26,000 annual tax clients including approximately 4,000 small business clients. Additionally Mr. Turel successfully operated as majority owner of two cable TV companies during the 80's and 90's which were eventually sold to several public corporations. Mr. Turel is a pilot, author, was a former delegate to the White House Conference on Small Business and held positions on several state and local Government committees. Mr. Turel's qualifications to serve on the Company's Board of Directors include his more than 20 years of accounting and business management experience.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers, directors and persons who own more than 10% of a registered class of the Company's equity securities to file certain reports with the SEC regarding ownership of, and transactions in, the Company's securities. These officers, directors and stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) reports that are filed with the SEC. Based solely on a review of copies of such forms received by the Company and written representations received by the Company from certain reporting persons, the Company believes that for the year ended December 31, 2015 all Section 16(a) reports required to be filed by the Company's executive officers, directors and 10% stockholders were filed on a timely basis with the exception of a Form 4 filing for Christopher Riccardi that was filed late.

Code of Ethics

The Company has adopted a code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, which is a "code of ethics" as defined by applicable rules of the SEC. A copy of the Company's Code of Business Conduct and Ethics is posted on the Company's web site, www.wvv.com. Amendments to the Company's Code of Business Conduct and Ethics or any grant of a waiver from a provision of the Company's Code of Business Conduct and Ethics requiring disclosure under applicable SEC rules, if any, will be disclosed on the Company website at www.wvv.com. Any person may request a copy of the Company's Code of Business Conduct and Ethics, at no cost, by writing to the Company at the following address:

Willamette Valley Vineyards, Inc.
Attention: Corporate Secretary
8800 Enchanted Way SE
Turner, OR 97392

Audit Committee

The Company has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Craig Smith, Sean Cary and Stan G. Turel. All members of the Audit Committee are independent as defined under the applicable rules and regulations of the SEC and the director independence standards of the NASDAQ Stock Market, as currently in effect.

Audit Committee Financial Expert

Chairperson Craig Smith serves as the Audit Committee's "financial expert" as defined in applicable SEC rules and NASDAQ listing standards. Mr. Smith is independent as defined under the applicable rules and regulations of the SEC and the director independence standards of the NASDAQ Stock Market, as currently in effect.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth certain information concerning compensation paid or accrued by the Company, to or on behalf of the Company's principal executive officer, James W. Bernau and Chief Financial Officer, Richard F. Goward Jr., for the fiscal years ended December 31, 2015 and December 31, 2014. No other executive officer of the Company other than Mr. Bernau and Mr. Goward received total compensation in 2015 in excess of $100,000, and thus disclosure is not required for any other person. Summary compensation information is as follows:

ITEM 11. EXECUTIVE COMPENSATION - continued

Summary Compensation Table

Name, Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-equity Incentive Plan Compensation	Nonqualified Deferred Comp. Earnings	All Other Comp.*	Total
Bernau, James W.,									
President, Chief Executive	2015	$ 256,389	$ 128,195	$ -	$ -	$ -	$ -	$ 51,862	$ 436,446
President, Chief Executive	2014	$ 252,351	$ 126,176	$ -	$ -	$ -	$ -	$ 45,334	$ 423,861
Goward, Richard F. Jr									
Chief Financial Officer	2015	$ 106,134	$ 10,000	$ -	$ -	$ -	$ -	$ 21,817	$ 137,951
Chief Financial Officer	2014	$ 90,000	$ -	$ -	$ -	$ -	$ -	$ 25,350	$ 115,350

* All other compensation includes Company payments for medical insurance, value of lodging, Board of Director stipends, life insurance payments and Company 401(k) matching contributions.

Bernau Employment Agreement – The Company and Mr. Bernau are parties to an employment agreement dated August 3, 1988 as amended on February 20, 1997, in January of 1998, in November 2010, and again on November 8, 2012. Under the amended agreement, Mr. Bernau is paid an annual salary of $235,000 with annual increases tied to increases in the consumer price index. Mr. Bernau’s bonus is calculated as a percentage of Company net income before taxes; 5% on the first $1.5 million of pre-tax income, and 7.5% on the pre-tax net income over $1.5 million, not to exceed 50% of Mr. Bernau’s base salary. Additionally, Mr. Bernau participates in the employer sponsored 401(k) plan. Pursuant to the terms of the employment agreement, the Company is to provide Mr. Bernau with housing on the Company’s property. Mr. Bernau resides in the estate house, free of rent, which is also used to accommodate overnight stays for Company guests. Mr. Bernau resides in the residence for the convenience of the Company and must continue to reside there for the duration of his employment in order to provide additional security and lock-up services for late evening events at the Winery and Vineyard. The employment agreement provides that Mr. Bernau’s employment may be terminated only for cause, which is defined as non-performance of his duties or conviction of a crime.

Goward Employment Agreement – The Company and Mr. Goward are parties to an employment agreement dated April 16, 2013 as amended on July 15, 2015. Under the agreement Mr. Goward is paid an annual salary of $122,269 and is reviewed annually for potential meritorious awards. Additionally, Mr. Goward receives the equivalent of a board stipend for board meetings outside of the normal working schedule. Mr. Goward also participates in the employer sponsored 401(k) plan.

Outstanding Equity Awards at Fiscal 2014 Year End

The following table summarizes the outstanding equity award holdings held by our named executive officers. The amounts are not stated in thousands. As indicated above, disclosure is not required for any other executive officer. No stock awards were held by any of our named executive officers as of December 31, 2015.

Name, Principal Position	Number of Securities Underlying Unexercised Options Exercisable	Option Exercise Price ($)	Option Expiration Date
Bernau, James W., Chief Executive Officer	56,000	$ 3.24	7/20/2016

Stock options

In order to reward performance and retain high-quality employees, the Company has, in the past, granted stock options to its employees. The Company has not ordinarily directly issued shares of stock to its employees. Options were typically issued at a per share exercise price equal to the closing price as reported by the Nasdaq Capital Market at the time the option was granted. The options vest to the employee over time.

ITEM 11. EXECUTIVE COMPENSATION - continued

Three months following termination of the employee's employment with the Company, any and all unexercised options terminate. The Company is not currently granting new options and does not intend to do so at this time.

Director compensation

The following table sets forth information concerning compensation of the Company's directors other than Mr. Bernau for the fiscal year ended December 31, 2015:

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards (1)	Non-equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
James L. Ellis	$3,600	-	-	-	-	$ 8,100	$11,700
Sean M. Cary	4,200	-	-	-	-	-	4,200
Christopher L. Sarles	2,200	-	-	-	-	-	2,200
Craig Smith	4,100	-	-	-	-	-	4,100
Betty M. O'Brien	3,650	-	-	-	-	-	3,650
Stan G. Turel	4,900	-	-	-	-	-	4,900

(1) There were no option awards granted to the Company's directors in the fiscal year ended December 31, 2015. The aggregate number of option awards outstanding for each director as of December 31, 2015 is as follows: Mr. Ellis – 0, Mr. Cary –0, Mr. Sarles-0, Mr. Smith –0, Ms. O'Brien – 0, and Mr. Turel – 0.

Other compensation for James L. Ellis includes a monthly stipend for ongoing consultation services as well as serving as administrator of any potential employee complaint that might rise to the board of directors' level.

The members of the Company's Board of Directors (the "Board") received cash compensation for their service on the Board in 2015, and were reimbursed for out-of-pocket and travel expenses incurred in attending Board meetings. The Company adopted a Stock Incentive Plan that was approved by the shareholders in 1992 and further amended by the shareholders in 1996. Other than Mr. Bernau, there are no remaining stock options, owned by Directors, under this plan. In the foreseeable future, as a result of FASB ASC Topic 718, Stock Compensation, requiring all share-based payments to be recognized as expenses in the statement of operations based on their fair values and vesting periods, the Company does not intend to issue stock options to the directors for their service.

In January 2009, the Board, upon recommendation of the Board's Compensation Committee (the "Compensation Committee"), who had sought outside counsel regarding revision of the Company's Board Compensation Plan, adopted the final version of the revised WVV Board Member Compensation Plan. Under the terms of the revised plan, any Board member may elect not to receive any or all of the compensation components. The Board also reserved the right to suspend this plan at any time on the basis of prevailing economic conditions and their impact on the company. The basic elements of the revised plan are: $1,000 yearly stipend for service on the Board, $500 per Board meeting attended in person, $250 per Board meeting via teleconference, $200 per committee meeting in person and $100 per committee meeting via teleconference. A set per diem for expenses associated with meeting attendance, as well as a yearly wine allowance were also approved.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is a current or former employee of the Company. There are no Compensation Committee interlocks between the Company and any other entities involving any of the executive officers or directors of such entities. No interlocking relationship exists between any member of our Board or our Compensation Committee and any member of the board of directors or compensation committee of any other company and no such interlocking relationship has existed in the past.

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

Equity compensation plan information – The following table summarizes information, as of December 31, 2015, with respect to shares of the Company's common stock that may be issued under the Company's existing equity compensation plans:

	Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstandaing Options and Warrants	Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity compensation plans approved by security holders (1)	67,000	$ 3.22	-
Equity compensation plans not approved by security holders	-	-	-
Total	67,000	$ 3.22	-

(1)Includes shares of our common stock issuable upon exercise of options from the Company's 1992 Stock Incentive Plan.

The Company does not have compensation plans under which equity securities of the Company are authorized for issuance which were adopted without the approval of security holders.

Security ownership of certain beneficial owners and management

The following table sets forth certain information with respect to beneficial ownership of the Company's Common Stock as of March 10, 2016, by (i) each person who beneficially owns more than 5% of the Company's Common Stock, (ii) each Director of the Company, (iii) each of the Company's named executive officers, and (iv) all directors and executive officers as a group. Except as indicated in the footnotes to this table, each person has sole voting and investment power with respect to all shares attributable to such person.

Unless otherwise noted, the address of each beneficial owner listed in the table is 8800 Enchanted Way SE Turner, OR 97392.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS - continued

	Number of Shares Outstanding Stock		Percent of Shares Beneficially Owned (3)	
James W. Bernau, President/CEO, Chair of the Board	521,734	(1)	10.3	%
Richard F. Goward Jr., CFO	500		**	
James L. Ellis, Director	33,320		**	
Christopher L. Sarles	-		**	
Sean M. Cary, Director	5,200		**	
Betty M. O'Brien, Director	40,624		**	
Stan G. Turel, Director	16,692		**	
Craig Smith, Director	1,500		**	
Christopher Riccardi 100 Tall Pine Ln., Apt 2102, Naples, FL 34105	385,485		7.7	%
Carl D. Thoma 300 N. LaSalle St, Suite 4350. Chicago, IL 60654	364,189		7.3	%
All Directors and Executive Officers as a group (8 persons)	619,570	(2)	12.3	%

** Less than one percent

(1) Includes 50,000 shares issuable upon the exercise of options exercisable within 60 days of the date of March 10, 2016.

(2) Includes an aggregate of 50,000 shares issuable upon exercise of options exercisable within 60 days of the date of March 10, 2016.

(3) The percentage of outstanding shares of common stock is calculated out of a total of 4,995,216 shares of common stock outstanding as of March 10, 2016 (including 50,000 options exercisable within 60 days of such date).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

In 2007, the Company entered into a long-term lease for Elton vineyards which consists of 54 acres of mature grapevines, of which approximately 42 acres are Pinot Noir. The agreement was for an initial 10-year lease with the option to renew for four successive terms of five years each, plus a first right of refusal on the property's sale. Betty O' Brien, a member of the Board, is a 50% owner of the lessor, Elton Vineyards, LLC, while her husband owns the remaining equity interests of Elton Vineyards, LLC. As such, she is therefore entitled to 50% of the net income of Elton Vineyards, LLC, while her husband is entitled to the remaining net income of Elton Vineyards, LLC. In 2015 the Company paid Elton Vineyards, LLC $123,414 in lease payments and utility reimbursements.

The Company believes that the transactions set forth above were made on terms no less favorable to the Company than could have been obtained from unaffiliated third parties. All future transactions between the Company and its officers, directors, and principal shareholders will be approved by a disinterested majority of the members of the Affiliated Transactions Committee of the Board, and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties. After reviewing the relationship between the Company and Elton Vineyards, LLC, in each of the last three years, the Board has determined that Ms. O'Brien is "independent" within the meaning of the applicable rules and regulations of the SEC and the director independence standards of the NASDAQ Stock market, Inc. ("NASDAQ").

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE - continued

Except for payments to Elton Vineyards, LLC described above, during 2015 the Company did not participate in any transactions with related persons that had a direct or indirect material interest in an amount exceeding $120,000 and there are no currently and there are no currently proposed transactions with related persons that exceed $120,000.

The Board has determined that each of our directors, except Mr. Bernau and Mr. Ellis is “independent” within the meaning of the applicable rules and regulations of the SEC and the director independence standards of NASDAQ, as currently in effect. Furthermore, the Board has determined that each of the members of each of the committees of the Board is “independent” under the applicable rules and regulations of the SEC and the director independence standards of NASDAQ, as currently in effect.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Moss Adams LLP served as the Company’s independent registered public accounting firm for the years ended December 31, 2015 and 2014. Fees for professional services provided by our independent registered public accounting firm in each of the last two fiscal years, in each of the following categories are:

	Years Ended December 31,	
	2015	2014
Audit fees (1)	$ 151,895	$ 138,250
Tax fees (2)	34,101	46,679
All other fees (3)	33,550	-
	$ 219,546	$ 184,929

(1) Audit fees represent fees for services rendered for the audit of the Company’s annual financial statements and review of the Company’s quarterly financial statements.
(2) Tax fees represent fees for services rendered for tax compliance, tax advice and tax planning
(3) All other fees represent limited engagement activity.

The Company did not incur any audit related fees in either 2015 or 2014.

Pre-approval policies and procedures

It is the policy of the Company not to enter into any agreement for Moss Adams LLP to provide any non-audit services to the Company unless (a) the agreement is approved in advance by the Audit Committee or (b) (i) the aggregate amount of all such non-audit services constitutes no more than 5% of the total amount the Company pays to Moss Adams LLP during the fiscal year in which such services are rendered, (ii) such services were not recognized by the Company as constituting non-audit services at the time of the engagement of the non-audit services and (iii) such services are promptly brought to the attention of the Audit Committee and prior to the completion of the audit were approved by the Audit Committee or by one or more members of the Audit Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Audit Committee. The Audit Committee will not approve any agreement in advance for non-audit services unless (1) the procedures and policies are detailed in advance as to such services, (2) the Audit Committee is informed of such services prior to commencement and (3) such policies and procedures do not constitute delegation of the Audit Committee’s responsibilities to management under the Exchange Act.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) Financial Statements

See "Index to Financial Statements" in Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

All financial statement schedules are omitted either because they are not required, not applicable or the required information is included in the financial statements or notes thereto.

(3) Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation of Willamette Valley Vineyards, Inc. (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
3.2	Amended and Restated Bylaws of Willamette Valley Vineyards, Inc. (incorporated by reference from the Company's Current Reports on Form 8-K filed with the SEC on November 20, 2015 [File No. 001-37610])
10.1*	Employment Agreement between Willamette Valley Vineyards, Inc. and James W. Bernau dated August 3, 1988 as amended on February 20, 1997, in January of 1998, in November 2010, and on November 8, 2012 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.2	Indemnity Agreement between Willamette Valley Vineyards, Inc. and James W. Bernau dated May 2, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.3	Indemnity Agreement between Willamette Valley Vineyards, Inc. and Donald E. Voorhies dated May 2, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.4	Shareholders Agreement among Willamette Valley Vineyards, Inc. and its founders, James Bernau and Donald Voorhies, dated May 2, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.5	Revolving Note and Loan Agreement dated May 28, 1992 by and between Northwest Farm Credit Services, Willamette Valley Vineyards, Inc. and James W. and Cathy Bernau (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])

10.6	Founders' Escrow Agreement among Willamette Valley Vineyards, Inc., James W. Bernau, Donald Voorhies and First Interstate Bank of Oregon, N.A. dated September 20, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.7	Amendment to Founders' Escrow Agreement dated September 20, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.8	Stock Escrow Agreement among Willamette Valley Vineyards, Inc., Betty M. O'Brien and Charter Investment Group, Inc. dated July 7, 1992 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.9	Stock Escrow Agreement among Willamette Valley Vineyards, Inc., Daniel S. Smith and Piper Jaffray & Hopwood, Inc. dated July 7, 1992 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.10**	Exclusive Distribution Agreement by and amount Young's Market Company of Oregon, LLC an Oregon limited liability company, Young's Market Company of Washington, LLC, and Oregon limited liability company, and the Company dated August 1, 2011 (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 [File No. 000-21522])
14.1	Code of Ethics (incorporated by reference from the Company's Proxy Statement on Schedule 14A, filed on June 30, 2004)
23.1	Consent of Moss Adams LLP, Independent Registered Public Accounting Firm (Filed herewith)
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934 (Filed herewith)
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934 (Filed herewith)

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES - continued

32.1	Certification of James W. Bernau pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished, not filed, herewith)
32.2	Certification of Richard F. Goward Jr. pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished, not filed, herewith)
101	The following financial information from the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, furnished electronically herewith, and formatted in XBRL (Extensible Business Reporting Language); (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Shareholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements, tagged as blocks of text. (Filed herewith)

*Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item 15(b) thereof.

**Confidential treatment of certain portions of this exhibit has been granted by the SEC pursuant to a request for confidential treatment dated November 10, 2011.

(1) The exhibits listed under Item 15(a)(3) hereof are filed as part of this Form 10-K, other than Exhibits 32.1 and 32.2, which shall be deemed furnished.

(2) All financial statement schedules are omitted either because they are not required, not applicable or the required information is included in the financial statements or notes thereto.

SIGNATURES

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

WILLAMETTE VALLEY VINEYARDS, INC.
(Registrant)

By: /s/ James W. Bernau
James W. Bernau,
Chairperson of the Board, President

Date: March 10, 2016

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

Signature	Title	Date
/s/ James W. Bernau	Chairperson of the Board,	March 10, 2016
James W. Bernau	President (Principal Executive Officer)	
/s/ Richard F. Goward Jr.	Chief Financial Officer	March 10, 2016
Richard F. Goward Jr.	(Principal Financial and Accounting Officer)	
/s/ James L. Ellis	Director	March 10, 2016
James L. Ellis		
/s/ Christopher L. Sarles	Director	March 10, 2016
Christopher L. Sarles		
/s/ Craig Smith	Director	March 10, 2016
Craig Smith		
/s/ Betty M. O'Brien	Director	

		March 10, 2016
Betty M. O'Brien		
/s/ Stan G. Turel	Director	March 10, 2016
Stan G. Turel		
/s/ Sean M. Cary	Director	March 10, 2016
Sean M. Cary		