



2008
Annual Report



January 26, 2009

To Our Shareholders, Customers and Suppliers:

Amidst economic chaos, YoCream enjoyed significant growth and responsible profits.

The reasons for the excellent results are fundamental. We assumed the risks of plant expansion, maintained a high profile product line, kept an experienced team in place and protected a conservative financial position. When the frozen yogurt market resurged competition had melted away, but YoCream was ready. Phenomenal advances in sales ensued, instigating economies of scale and margin increases that exceeded expectations.

More pertinent to on-going success, however, is the leadership position attained in our market segment. Food service giants are tapping YoCream's development capabilities, testing and utilizing innovative applications of our wares. Our superior product quality, high food safety standards, and intense customer service have strong appeal in today's marketplace.

Two other factors support our expectation that the results we are experiencing are sustainable. First, the public awareness of the probiotic benefits of yogurt is increasing. YoCream is recognized for pioneering high beneficial bacteria levels in frozen yogurt products, and this has attracted a wide range of customers. Second, we have a mix of merchandise that tends to insulate us from market vicissitudes. Please examine our website at www.yocream.com for a complete description of these varied, yet integrated, products.

It is gratifying to submit to you the enclosed favorable report. I am also pleased to convey that the positive trend persists. My sincere thanks for your participation.

A handwritten signature in black ink, appearing to read "JN Hanna", written in a cursive style.

John N. Hanna
Chief Executive Officer

JNH/kk

YOCREAM INTERNATIONAL, INC.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

YoCream International, Inc., with headquarters and a dairy and manufacturing facility in Portland, OR, is a pioneer and leading producer of frozen yogurt, desserts and beverages. Founded in 1977, YoCream produces, markets and sells its signature frozen yogurt, tart frozen yogurt, ice cream and frozen custard mixes under the YoCream brand. YoCream's frozen beverage product lines include Fruitquake™ Frozen Drinks and Smoothies for blender, bar drinks and lemonades or ice teas as well as Jolly Rancher™, Bubble Yum™, Twizzlers™, and Jarritos™ Frozen Beverages for frozen carbonated and uncarbonated machine dispensing. YoCream's end-user customers number in the thousands and include marquee convenience stores, quality quick service restaurants, warehouse stores, prestigious eating establishments, large grocery chains, frozen yogurt shops, colleges, military and government foodservice locations, international restaurants and neighborhood stores involving over 250 specialty and full line distributors in the supply chain. Due to the nature of these products, sales are subject to seasonal fluctuations, with the summer months normally being the busiest season. The introduction and roll out of new products and growth in new business has tended to level the seasonal fluctuations.

The Company has achieved outstanding growth in sales and earnings over the last two years. Fiscal year 2008 sales increased 52.4% to \$42,971,000, and fiscal year 2007 sales increased 25.6%. Net income also reached a record level of \$4,380,000 in 2008 compared with \$619,000 in 2007.

The breakdown of sales by category was as follows:

<u>Category</u>	<u>12 months 2008</u>	<u>% Total</u>	<u>12 months 2007</u>	<u>% Total</u>	<u>Dollar Change</u>	<u>% Change</u>
Frozen Desserts	\$ 32,313,000	75.2%	\$ 16,715,000	59.3%	\$ 15,598,000	93.3%
Frozen Beverages	10,503,000	24.4%	10,086,000	35.8%	417,000	4.1%
Co-packing	<u>155,000</u>	<u>0.4%</u>	<u>1,389,000</u>	<u>4.9%</u>	<u>(1,234,000)</u>	
Total	<u>\$ 42,971,000</u>	<u>100.0%</u>	<u>\$ 28,190,000</u>	<u>100.0%</u>	<u>\$ 14,781,000</u>	52.4%

In fiscal year 2008, the Company's focused product line and sales strategies resulted in strong sales and earnings growth for both of its core product categories, frozen yogurt and frozen beverage.

The 93.3% increase in frozen desert sales in fiscal 2008 primarily came from the Company's core frozen yogurt products. YoCream's flagship sweeter-profile frozen yogurt sales were outstanding and continued to grow as consumers focused on wellness and affordable enjoyment. The Company also realized significant sales of Original Tart™ frozen yogurt, which was introduced in the second quarter of 2007. These sales were augmented by the introduction of EuroTart™ frozen yogurt at the beginning of fiscal 2008. YoCream frozen yogurt far exceeds the culture requirements set forth by the National Yogurt Association and the Company displays the Live and Active Cultures (LAC) seal on these products to help consumers identify them as real frozen yogurt. YoCream has a long history of developing innovative frozen yogurt products with high probiotic culture counts, distinguishing them from a number of competitive brands. Since 1977, the Company has been firmly entrenched in the foodservice market and has kept a full line of forty-plus real frozen yogurt flavors ready to serve the market. With an established product line and the completion of the facility expansion in 2007, YoCream was positioned to maximize profitable growth with the renewed consumer interest in frozen yogurt products.

YOCREAM INTERNATIONAL, INC.

MANAGEMENT DISCUSSION AND ANALYSIS

The 4.1% increase in the frozen beverage category in fiscal 2008 primarily related to sales of Jolly Rancher® frozen beverage. YoCream developed and introduced the Jolly Rancher® Frozen Beverage brand in mid-2006 and released new flavors in 2008, including Cherry Orange and Tropical Tremor™ Fruit Punch. The Company is pleased with the continued growth of these products and enjoys business with major chains and convenience stores throughout the nation.

As a result of intensive sales activity, total foodservice sales, exclusive of club and co-packing business, have grown at double digit rates or higher since the third quarter of 2006. In 2008, foodservice sales increased approximately 128%, exceeding expectations. Copacking sales were purposefully limited to meet the explosive growth of the Company's proprietary products.

YoCream is well positioned to build on its 2008 success in fiscal 2009, especially with the launch of new branded flavors. The Company believes that in a tightening economy, consumers seek products that delight them and deliver on their expectations of quality and value. YoCream's expertise in manufacturing frozen yogurt and frozen beverages is recognized throughout the industry, and the Company's reputation for bringing these products to market has allowed YoCream to secure the rights to market products with favorite and trusted national brands. In the fourth quarter of 2008 the Company introduced YoCream Select frozen yogurt exclusively featuring Hershey®'s branded flavors. This line features six popular flavor profiles: Hershey®'s Kisses™ chocolate, York™ chocolate peppermint, Heath™ toffee, Reese's™ Peanut Butter, Bubble Yum™, and Hershey®'s Kisses™ Chocolate Cherry Cordial. YoCream has developed new Rockstar® Original and Rockstar® Punched frozen beverage products for introduction in the second quarter of 2009. Rockstar® is the one of the top energy drink brands on the market. The frozen beverage line will be rounded out with Ice Breakers™ sugar free frozen beverages. Ice Breakers™ Peach Dragonfruit and Lime Coconut are available for purchase and two new flavors will be added in the spring. YoCream will also release a new Original Tart™ frozen yogurt flavor in the second quarter of 2009. The introductions of these products are expected to support the Company's leadership position in the industry and provide opportunity for incremental growth in the highly competitive frozen dessert and beverage markets.

Gross profit for fiscal 2008 increased 77.7% to \$18,343,000. As a percentage of sales, gross profit margins for the year were 42.7% compared with 36.6% in 2007. Forward commodities contracting and successful projects with several key suppliers were utilized as part of the Company's cost control measures to mitigate the effects of increases in ingredient costs. The improved gross margins, however, were primarily the result of increased sales volume.

Distribution expenses include both freight and storage costs. Distribution expenses for fiscal 2008 decreased to 10.8% of sales, compared with 12.6% of sales in 2007. Although fuel surcharges reached record levels during 2008, the Company was able to minimize the impact of these costs through new efficiencies in its product distribution system and an increase in buyer pickup sales. Storage costs were also minimized as the Company took full advantage of its new freezer, which was completed at the beginning of the previous fiscal year.

Increased sales, along with the cost efficiencies noted above, enabled the Company to hold the line on pricing during the period of escalating ingredient and transportation costs. No price increases were instituted in calendar 2008.

Sales and marketing expenses for fiscal 2008 decreased to 7.3% of sales compared to 10.0% of sales in 2007. Although there has been an intensive level of sales activity over the last two years, the decrease as a percentage of sales resulted primarily from the benefit of the increased volume.

General and administrative expenses for fiscal 2008 decreased to 6.9% of sales compared to 7.6% of sales in 2007. The decrease as a percentage of sales primarily relates to the increase in sales.

YOCREAM INTERNATIONAL, INC.

MANAGEMENT DISCUSSION AND ANALYSIS

Income from operations for fiscal 2008 increased 328% to \$7,621,000 from \$1,782,000 in 2007. As a percentage of sales, income from operations in 2008 increased to 17.7% compared with 6.3% in 2007. The increase was due to the increase in sales and the economies of scale resulting in reduced operating costs and expenses as a percent of sales. The Company expects the positive sales trend to continue as a result of its new product introductions and intense sales activity.

Restricted stock compensation in fiscal 2008 increased over 2007 due to more shares vesting during the year. Vesting is based on both time and performance factors.

The effective tax rate in fiscal 2008 was 34.7% compared with 33.2% in 2007.

Net income for fiscal year 2008 was \$4,380,000, or \$1.89 per share compared with \$619,000, or \$0.29 per share in 2007. Net income as a percentage of sales, was 10.2% in 2008 compared with 2.2% in 2007.

Earnings before interest, taxes, depreciation and non-cash restricted stock compensation (EBITDA) for fiscal 2008 increased 221% to \$8,575,000 compared with \$2,668,000 in 2007. EBITDA, as a percentage of sales was 20.0% in 2008 compared with 9.5% in 2007.

This review of operating results may contain certain forward-looking statements, which are based on management's current expectations. Factors that could cause future results to vary materially from these expectations include, but are not limited to, change in distribution abilities, level of customer acceptance of new products, change in co-packing relationships and strategic alliances and other economic, competitive, governmental, and regulatory factors affecting the Company's operations, pricing, products and service.

Liquidity and Capital Resources

In recent years, the Company has financed its operations and expansion from internally generated funds, bank loans, industrial revenue bonds and operating leases.

As presented in the Statement of Cash Flows, the Company's successful performance in fiscal 2008 resulted in cash and cash equivalents increasing by over \$7,000,000 to \$7,169,000 at October 31, 2008.

The Company has an unutilized bank line of credit of \$3,000,000, which matures in July 2010, and provides for an interest rate at prime. The unsecured revolving line of credit also provides the option to borrow an additional \$1,000,000 subject to certain limitations based on eligible receivables and inventory. The bank has also offered an additional \$500,000 term loan line for equipment purchases.

At October 31, 2008 and 2007, the Company had working capital of approximately \$7,806,000 and \$2,524,000 respectively.

The Company believes its existing assets, bank lines, and cash flow from operations will be sufficient to fund the Company's operations for at least the next twelve months.

Off Balance Sheet Arrangements

Through fiscal year 2008, the Company has entered into operating leases relating to certain assets utilized in its production process. (See Note M of the Notes to Financial Statements for a description of these off-balance sheet lease commitments.) The Company also leases its offices, production facility and warehouse from a related party with terms of 15 to 40 years. (See Notes M and O of Notes to Financial Statements for a description of the terms).

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of YoCream International, Inc.
Portland, Oregon

We have audited the accompanying balance sheets of YoCream International, Inc. as of October 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YoCream International, Inc. as of October 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mack, Roberts + Co., LLC
Mack, Roberts & Co., LLC
Portland, Oregon

January 19, 2009



YOCREAM INTERNATIONAL, INC.

BALANCE SHEETS

October 31,

ASSETS	2008	2007
Current assets		
Cash and cash equivalents	\$ 7,169,393	\$ 70,701
Accounts receivable, net of allowance for doubtful accounts of \$43,400 in 2008 and \$17,300 in 2007	2,346,555	1,562,955
Inventories	3,614,226	3,748,525
Other current assets	346,722	388,931
Deferred tax assets	218,877	172,708
Total current assets	13,695,773	5,943,820
Fixed assets, net	14,297,886	15,005,641
Intangible and other long-term assets, net	1,108,290	1,035,022
Deferred tax assets	191,900	101,100
	\$ 29,293,849	\$ 22,085,583
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Note payable – line of credit	\$ -	\$ 634,475
Current portion of long-term debt	616,155	569,588
Accounts payable	2,661,073	1,616,467
Income tax payable	1,778,606	125,882
Other accrued liabilities	833,459	473,633
Total current liabilities	5,889,293	3,420,045
Long-term debt, less current portion	7,720,045	7,996,013
Deferred tax liabilities	1,344,077	1,184,908
Other liabilities	119,376	100,895
Total liabilities	15,072,791	12,701,861
Shareholders' equity		
Preferred stock, no par value, 5,000,000 shares authorized, none issued or outstanding	-	-
Common stock, no par value, 30,000,000 shares authorized	6,618,865	6,426,965
Unearned compensation – restricted stock	(1,623,830)	(2,035,000)
Retained earnings	9,533,723	5,154,057
Accumulated other comprehensive income	(307,700)	(162,300)
Total shareholders' equity	14,221,058	9,383,722
	\$ 29,293,849	\$ 22,085,583

The accompanying notes are an integral part of these statements.

YOCREAM INTERNATIONAL, INC.

STATEMENTS OF INCOME
For the years ended October 31,

	<u>2008</u>	<u>2007</u>
Sales	\$ 42,971,072	\$ 28,190,440
Cost of goods sold	<u>24,628,048</u>	<u>17,866,468</u>
Gross profit	18,343,024	10,323,972
Operating costs and expenses		
Distribution expenses	4,623,787	3,560,245
Selling and marketing expenses	3,142,396	2,828,478
General and administrative expenses	<u>2,955,925</u>	<u>2,153,645</u>
Income from operations	7,620,916	1,781,604
Other income (expense)		
Interest income	21,997	14,516
Other, net	1,525	5,188
Interest expense	(529,602)	(501,588)
Restricted stock compensation	<u>(411,170)</u>	<u>(372,700)</u>
Income before income taxes	6,703,666	927,020
Income tax provision	<u>2,324,000</u>	<u>308,000</u>
Net income	<u>\$ 4,379,666</u>	<u>\$ 619,020</u>
Earnings per common share - basic	<u>\$1.99</u>	<u>\$0.29</u>
Earnings per common share - diluted	<u>\$1.89</u>	<u>\$0.29</u>
Shares used in basic earnings per share	<u>2,200,753</u>	<u>2,103,850</u>
Shares used in diluted earnings per share	<u>2,323,198</u>	<u>2,156,452</u>

The accompanying notes are an integral part of these statements.

YOCREAM INTERNATIONAL, INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shares	Amounts	Unearned Compensation - Restricted Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, October 31, 2006	2,095,752	\$ 6,354,965	\$ (2,407,700)	\$ 4,535,037	\$ (3,400)	\$ 8,478,902
Comprehensive income:						
Net income	-	-	-	619,020	-	619,020
Change in fair value of derivative financial instruments, net of income taxes of (\$99,100)	-	-	-	-	(158,900)	(158,900)
Comprehensive income						460,120
Restricted stock vested	78,854	-	372,700	-	-	372,700
Excess tax benefit of restricted stock vested	-	72,000	-	-	-	72,000
Balance, October 31, 2007	2,174,606	\$ 6,426,965	\$ (2,035,000)	\$ 5,154,057	\$ (162,300)	\$ 9,383,722
Comprehensive income:						
Net income	-	-	-	4,379,666	-	4,379,666
Change in fair value of derivative financial instruments, net of income taxes of (\$90,800)	-	-	-	-	(145,400)	(145,400)
Comprehensive income						4,234,266
Stock options exercised	5,000	23,150	-	-	-	23,150
Common stock purchased	(5,000)	(46,250)	-	-	-	(46,250)
Restricted stock vested	87,604	-	411,170	-	-	411,170
Excess tax benefit of stock options and restricted stock vested	-	215,000	-	-	-	215,000
Balance, October 31, 2008	<u>2,262,210</u>	<u>\$ 6,618,865</u>	<u>\$ (1,623,830)</u>	<u>\$ 9,533,723</u>	<u>\$ (307,700)</u>	<u>\$ 14,221,058</u>

The accompanying notes are an integral part of these statements.

YOCREAM INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

For the years ended October 31,

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net income	\$ 4,379,666	\$ 619,020
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	954,034	886,724
Deferred income taxes	113,000	29,000
Change in assets and liabilities		
Accounts receivable	(783,600)	(225,351)
Inventories	134,299	(359,371)
Other assets	(31,059)	(190,732)
Accounts payable	1,044,606	(639,551)
Income taxes receivable and payable	1,652,724	95,385
Restricted stock compensation	411,170	372,700
Other accrued liabilities	<u>378,307</u>	<u>192,770</u>
Net cash provided by operating activities	<u>8,253,147</u>	<u>780,594</u>
Cash flows from investing activities		
Proceeds from sale and lease back of equipment	1,000,314	-
Expenditures for fixed assets	<u>(1,336,593)</u>	<u>(3,514,614)</u>
Net cash used in investing activities	<u>(336,279)</u>	<u>(3,514,614)</u>
Cash flows from financing activities		
Proceeds from (payments on) line of credit	(634,475)	634,475
Proceeds from term loan	-	139,393
Proceeds from long-term debt	90,000	-
Proceeds from development grant	90,000	-
Proceeds from stock options	23,150	-
Repurchase of common stock	(46,250)	-
Principal payments on long-term debt	(555,601)	(427,792)
Excess tax benefits of options and restricted stock	<u>215,000</u>	<u>72,000</u>
Net cash provided by (used in) financing activities	<u>(818,176)</u>	<u>418,076</u>
Net increase (decrease) in cash and cash equivalents	7,098,692	(2,315,944)
Cash and cash equivalents, beginning of year	<u>70,701</u>	<u>2,386,645</u>
Cash and cash equivalents, end of year	<u>\$ 7,169,393</u>	<u>\$ 70,701</u>

The accompanying notes are an integral part of these statements.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YoCream International, Inc., with headquarters and manufacturing facility in Portland, OR, was founded in 1977. The Company produces, markets and sells frozen yogurt, ice cream and frozen custard mixes as well as fruit and dairy smoothies and frozen beverages. The Company is an established food service vendor and private label co-packer with a proven history of providing high-quality products and solution-based customer service.

On January 3, 2006, the Company filed Form 15 with the Securities and Exchange Commission to provide notice of the voluntary termination of its registration under Section 12(g) of Securities and Exchange Act of 1934 due to the number of shareholders being under 300. Concurrently the Company also voluntarily delisted its shares with NASDAQ. Several significant shareholders recommended that the Company consider alternatives to reduce the escalating costs of being registered with the SEC. The Board of Directors took this recommendation into consideration and decided that voluntarily delisting was the most cost effective alternative, as well as allowing management to intensify its focus on business opportunities. The Company's stock is currently listed on the Pink Sheets.

1. Significant Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and cash equivalents

Cash and cash equivalents include money market and U.S. Treasury bill investments with a remaining maturity of three months or less when purchased. The Company maintains cash balances at several banks. All accounts are fully insured by the Federal Deposit Insurance Corporation.

3. Accounts receivable

The majority of the Company's accounts receivable are due from companies in the retail and wholesale food service industries. Credit is extended based on evaluation of a customers' financial condition and, the Company periodically performs credit evaluations of its customers. Credit insurance is obtained on selected accounts. Accounts receivable are generally due within 15 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customers' current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Historically the Company's credit losses have been insignificant.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

4. Inventories

Inventories are stated at the lower of cost or market. The Company determines cost based on the first-in, first-out (FIFO) method for raw materials, packaging materials and supplies, and based on standard costs for finished goods, which approximates cost based on the first-in, first-out method. The Company also follows FASB Statement 151 "Inventory Costs, which is an amendment of Accounting Research Bulletin (ARB) 43. Statement 151 retains the general principal of ARB 43, that inventories are presumed to be stated at cost; however it amends ARB 43 to clarify that abnormal amounts of idle facilities, freight, handling costs, and spoilage should be recognized as charges of the current period. Furthermore, the allocation of fixed production overheads should be based on the normal capacity of the production facilities.

5. Fixed Assets

Fixed assets are stated at cost. Expenditures for replacements and improvements are capitalized, and expenditures for repairs and maintenance and routine replacements are charged to operating expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in operations. Depreciation is provided for on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the life of the lease or the service life of the improvement, whichever is shorter. Property, plant and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." The recoverability of property, plant and equipment to be held and used is evaluated by comparing the carrying amount of an asset to the estimated future net undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. The estimated lives used in calculating depreciation and amortization are as follows:

Plant facilities expansion	40 years
Plant equipment	10-25 years
Office equipment and furnishings	3-10 years
Leasehold improvements	5-14 years

6. Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable and payable, approximate fair value because of the relatively short maturity of these instruments. The carrying value of notes payable and long-term debt approximate fair values based upon the interest rates available to the Company for similar instruments.

7. Other Comprehensive Income

Other comprehensive income, which is related to interest rate swaps at fair value, are accounted for in accordance with SFAS No. 130 "Reporting Comprehensive Income" that establishes standards for reporting and display of comprehensive income and its components in the financial statements.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

8. Revenue Recognition and Sales Incentives

Revenue from the sale of products is generally recognized at the time of shipment to the customer. Pursuant to EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products" certain promotional payments paid to wholesalers or retailers by a vendor for the sale of its products must be shown as a reduction of the revenues in the period they are provided. For the years ended October 31, 2008, and 2007 the total of rebates and promotional costs charged against sales were approximately \$1,972,000 and \$2,308,000, respectively.

9. Shipping and Handling Costs

Pursuant to EITF 00-10, "Accounting for Shipping and Handling Fees and Costs" such costs are separately classified as distribution expenses. Payments received from customers for shipping and handling costs are classified as part of net sales upon recognition of the related sale.

10. Research and Development Costs

Research and development costs are expensed as incurred. For the years ended October 31, 2008, and 2007 such costs aggregated approximately \$848,000 and \$465,000, respectively, and are classified in the financial statements as part of cost of sales, selling, general and administrative expenses, as appropriate.

11. Earnings Per Share (EPS)

Basic EPS is computed using the weighted average number of shares of common stock outstanding for the period. Diluted EPS is computed using the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the period. Common equivalent shares from restricted stock are excluded from the computation when their effect is antidilutive.

12. Stock Based Compensation Plans

The Company has a stock-based employee compensation plan which is more fully described in Note K. The plan is accounted for in accordance with the provisions of Financial Accounting Standard No. 123(R), "Accounting for Stock-Based Compensation".

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

13. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended October 31, are as follows:

	<u>2008</u>	<u>2007</u>
Cash paid during the period for income taxes	\$ 343,000	\$ 112,000
Cash paid during the period for interest	\$ 408,000	\$ 456,000
Fair value of interest rate swap, net of taxes	\$ (145,400)	\$ (158,900)
Payment of vendor payables used to acquire capital assets	\$ -	\$ 1,192,269
Deferred taxes related to interest rate swap	\$ 90,800	\$ 99,100

14. Concentrations of Credit Risk and Major Customers

At October 31, 2007, one customer accounted for 54.1% of accounts receivable and 53.6% of gross sales. At October 31, 2008 that same customer accounted for 41.7% of accounts receivable and 41.9% of gross sales. Two other customers at October 31, 2008 accounted for 34.2% of accounts receivable and 27.6% of gross sales.

NOTE B – ADOPTION OF ACCOUNTING PRONOUNCEMENTS

SFAS No. 159

On February 15, 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities,” (SFAS 159). The Fair value option established by SFAS 159 permits, but does not require, all entities to choose to measure eligible items at fair value at specified election dates. An entity would report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal year 2009. The Company has not assessed the impact of the adoption of this standard would have on its financial position and/or results of operations.

FIN No. 48

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (“FIN 48”). This Statement addresses uncertainty in tax positions recognized in a company’s financial statements and stipulates a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for similar companies in fiscal year 2009. The Company has not assessed the impact that the adoption of this SFAS would have on its financial position and/or results of operations.

NOTE C – COMPREHENSIVE INCOME

Comprehensive income is net income, plus certain other items that are recorded directly to shareholder’s equity. For the years ended October 31, 2008 and 2007, the change in fair value of derivative financial instruments, net of income taxes is the only component applied to net income to calculate the Company’s comprehensive income.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D - INVENTORIES

Inventories consist of the following at October 31,:

	<u>2008</u>	<u>2007</u>
Finished goods	\$ 2,484,833	\$ 2,673,372
Raw materials	775,644	737,424
Packaging material and supplies	<u>353,749</u>	<u>337,729</u>
	<u>\$ 3,614,226</u>	<u>\$ 3,748,525</u>

NOTE E - FIXED ASSETS

Fixed assets consist of the following at October 31,:

	<u>2008</u>	<u>2007</u>
Machinery and equipment	\$ 10,115,283	\$ 10,009,466
Plant facilities expansion	7,984,683	7,984,683
Leasehold improvements	1,818,795	1,656,125
Office equipment and furnishings	551,876	505,530
Construction in process	<u>264,183</u>	<u>353,201</u>
	20,734,820	20,509,005
Less accumulated depreciation	<u>(6,436,934)</u>	<u>(5,503,364)</u>
	<u>\$ 14,297,886</u>	<u>\$ 15,005,641</u>

Late in fiscal 2005 the Company began the planning for an expansion of its production facilities. The construction and equipping of a new approximately 21,000 square foot facility, and the improvement and equipping of an approximately 19,000 square foot facility, both to be utilized in the Company's manufacturing operations took place during 2006 and was completed in the first quarter of fiscal 2007. The project was initially financed with internal cash flow, and bank borrowings, with long-term financing provided through the sale of industrial revenue bonds. After the expansion, the Company's headquarters and manufacturing facilities total approximately 76,000 square feet.

For the year ended October 31, 2007, capitalized interest relating to the facilities expansion project amounted to \$50,400. Payroll, also relating to the project was capitalized in the amount of \$70,500.

In fiscal 2007 the Company obtained approval from Portland Development Commission for a five-year enterprise zone property tax exemption on additions of real and personal property during the three year period from 2007 through 2009, subject to compliance with certain conditions.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F - INTANGIBLE AND OTHER LONG-TERM ASSETS

Intangible and other long-term assets consist of the following at October 31,:

	<u>2008</u>	<u>2007</u>
Other assets	\$ 8,268	\$ 8,268
Trademarks	108,733	96,344
Lease deposits (see Note O)	330,013	285,434
Bond financing costs (see Note G)	336,657	347,301
Insurance policy premium advances (see Note O)	<u>324,619</u>	<u>297,675</u>
	<u>\$ 1,108,290</u>	<u>\$ 1,035,022</u>

NOTE G – CURRENT AND LONG-TERM DEBT

In December 2003, the Company finalized the terms of the master finance lease facility in the amount of \$2,952,553. The facility provides for payments over seven years with interest at 30-day LIBOR plus 175 basis points (4.92% at October 31, 2008). In November 2004, the Company exercised its option to enter into a swap arrangement to fix the rate at 5.88% for the term of the lease. The facility is collateralized by the initial aseptic system project assets, and by certain other equipment and fixtures.

On October 30, 2006, the Company closed the financing of multi-mode variable rate industrial revenue bonds in the amount of \$6,700,000. Initially the bonds provided for a taxable interest rate of 5.36%. On January 4, 2007, the bonds were subsequently converted to tax-exempt bonds. The Company has also entered into a swap arrangement to fix the tax-exempt rate at 4.08% for ten years. The bonds provide for monthly interest payments based on the weekly tax-exempt interest rate. Principal payments began February 1, 2008 and continue in varying amounts through February 1, 2038. The bonds are secured by a direct pay letter of credit provided by KeyBank National Association, which provides for an annual fee of 1.35% of the bonds outstanding. The direct pay letter of credit is for a rolling period of five years and is subject to review and extension each year. It is expected that the term will be extended upon completion of the annual audit. The collateral for the direct pay letter of credit is a reimbursement agreement, leasehold deed of trust on one of the parcels of property leased by the Company, an assignment of the lease on the other parcel leased by the Company, and a security interest in certain equipment with a cost of \$1,345,000, which was financed with bond proceeds. The bond financing costs are being amortized over the term of the bonds (see Note F).

In March 2007, the Company arranged a five year finance lease and a related interim non-revolving line of credit for \$272,000 to purchase certain technology equipment, and software. At October 31, 2008 the balance on the line was \$139,000. In January 2009 this line was converted to a two year term note with interest at prime plus 1.00%. The collateral for the term note is a security interest in certain technology equipment.

In November 2007, the Company closed a financing arrangement with the Portland Development Commission, which provides a grant of \$90,000 and a loan of \$90,000. The loan does not require any interest or principal payments during the first two years. The remaining term is 8 years, with payments based on a 20 year amortization schedule and a low interest rate subject to complying with certain requirements to add jobs. The financing was arranged in conjunction with adding a new energy efficient roof on the main plant building.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

The Company has an unsecured bank line of credit which permits borrowing up to \$3,000,000. The line bears interest at the bank's commercial lending rate, 4.00% at October 31, 2008. The line is subject to renewal by July 2010. There were no amounts drawn on this line at October 31, 2008.

The unsecured revolving line of credit also provides the option to borrow an additional \$1,000,000 subject to certain limitations based on eligible receivables and inventory.

The bank line of credit, master finance lease, and reimbursement agreement related to the bond financing all contain the same financial covenants, including ones related to the ratio of senior liabilities (as defined) to adjusted tangible capital, current ratio and operating cash flow to fixed charge as well as limits on the amount of common stock which can be repurchased by the Company. At October 31, 2008, the Company was in compliance with all of these ratios and covenants.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

Long-term debt consists of the following at October 31,:

	<u>2008</u>	<u>2007</u>
Multi-mode industrial revenue bonds; with interest payable monthly at a rate of 4.08%, which is fixed through a swap agreement that matures October 30, 2016; principal payable annually in various amounts beginning February 2008 through 2038; secured by a direct pay letter of credit, which is collateralized by a leasehold deed of trust on one lot, an assignment of lease on the other lot, and by a security interest in certain equipment financed with bond proceeds	\$ 6,585,000	\$ 6,700,000
Interest rate swap fair value	480,400	271,900
Master finance lease obligation to a bank; payable in monthly installments of \$38,880 through January 2011, plus interest at a 30 day LIBOR plus 1.75% (4.92% and 6.50% at October 31, 2008 and 2007); variable rate adjusts to a rate of 5.88%, which is fixed through a swap agreement that matures in 2011; collateralized by certain equipment financed with lease proceeds	1,015,058	1,445,393
Interest rate swap fair value	19,200	(8,500)
Term loan to a bank, payable in monthly installments of \$6,066, including interest at prime plus 1.00% (5.00% at October 31, 2008) through December 2010; collateralized by certain equipment	139,393	139,393
Term loan, payable in monthly installments beginning April 1, 2010, including interest at a nominal rate to be determined based on employment levels, with final maturity in November 2017; collateralized by certain equipment	90,000	-
Note payable in monthly installments of \$913 through June 2009, including interest at 5.25%; collateralized by certain equipment	7,149	17,415
	<u>8,336,200</u>	<u>8,565,601</u>
Less portion due within one year	<u>(616,155)</u>	<u>(569,588)</u>
	<u>\$ 7,720,045</u>	<u>\$ 7,996,013</u>

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

Maturities of long-term debt are as follows:

<u>Year ending October 31,</u>	
2009	\$ 616,155
2010	647,545
2011	261,093
2012	132,152
2013	137,262
Thereafter	6,042,393
Plus interest rate swap fair value	<u>499,600</u>
	<u>\$ 8,336,200</u>

NOTE H – FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

In October 2006, the Company entered into an interest rate swap agreement relating to the multi-mode industrial revenue bonds, which converted the variable interest rate to a tax-exempt fixed rate of 4.08%. This agreement will terminate on October 30, 2016. The mark-to-market adjustments were \$480,400, and \$271,900, and the related tax effects were \$(184,500) and \$(104,400) at October 31, 2008 and 2007, respectively.

In November 2004, the Company entered into an interest rate swap agreement relating to the master finance lease obligation, which converted the variable interest rate paid on its debt to a fixed rate of 5.88%. This agreement will terminate on January 1, 2011. The mark-to-market adjustments were \$19,200 and \$(8,500), and the related tax effect was \$(7,400) and \$3,300, at October 31, 2008 and 2007 respectively.

It is the Company's policy to enter into agreements when management deems them useful in reducing risks to the Company. To the extent that the fixed rate is higher than the interest rates provided for in the lease or bond facilities, payment is due from the Company for the difference. To the extent that the fixed rate is below the interest rates provided for in the lease or bond facilities, the Company is entitled to receive the difference. In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, the Company has reviewed and designated its interest rate swap agreement as a cash flow hedge and recognizes the fair value of its interest rate swap agreement on the balance sheet. Changes in the fair value of this agreement are recorded, net of taxes, in accumulated other comprehensive income. The hedge ineffectiveness, if any, is recorded in earnings. There was no hedge ineffectiveness for the years ended October 31, 2008 and 2007.

NOTE I- ADVERTISING COSTS

Advertising costs are charged to operations in the year incurred. For the years ended October 31, 2008 and 2007 advertising costs aggregated approximately \$655,000 and \$485,000, respectively.

NOTE J - EMPLOYEE BENEFIT PLANS

The Company has a 401(k) Employee Savings Plan and Trust (the Plan) which requires the Company to make contributions to the Plan in the amount of 3% of eligible employee compensation. The Plan allows that the required contributions may be invested in common stock of the Company. The Company made contributions to

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

the Plan of approximately \$176,000 and \$91,000 during the years ended October 31, 2008 and 2007, respectively. All such contributions have been made in the form of common stock of the Company, which has been purchased on the open market. Employees who have met the eligibility requirements are required to contribute a minimum amount to the Plan, subject to certain Internal Revenue Code requirements. In addition, employees may elect to sell the contributed common stock of the Company and request that the proceeds be transferred to their own account in the Plan.

Additionally, the Company has a profit-sharing plan for eligible employees. Under the provisions of the plan, the Company may, at its discretion, make contributions of a sum not in excess of the amount permitted under the Internal Revenue Code as a deductible expense. The Company has not made any contributions to this plan.

NOTE K - STOCK INCENTIVE PLAN

In April 2005, the shareholders approved the amendment and restatement of the Company's 2000 Stock Option Plan. The plan was renamed the 2005 Stock Incentive Plan; and was amended to provide for stock settled SARs, performance share awards, restricted share awards and nonqualified stock options as the types of equity awards that may be granted to employees, non-employee directors and other persons who contribute to the long-term success of the Company. The total number of shares authorized for grants under the stock incentive plan was also increased from 400,000 to 650,000. The plan will terminate February 25, 2015.

A summary of option transactions relating to the Stock Incentive Plan is as follows:

	<u>Shares Under Option</u>	<u>Weighted Average Exercise Price</u>
Balance, October 31, 2007 (average remaining life 0.8 years)	5,000	\$4.63
Options exercised	<u>(5,000)</u>	
Balance, October 31, 2008	<u><u>-</u></u>	

On September 19, 2005, restricted shares of common stock aggregating 300,000 shares were awarded, to directors, officers and senior managers pursuant to the terms of the 2005 Stock Incentive Plan. The shares vest ratably equal to one-seventh of the original grant on the anniversary date of the award. The related compensation cost will be recognized as the shares vest. The fair value on the date of the award was \$5.00 per share. In 2008 and 2007, 42,854 of the above shares vested each year, and compensation expense of \$214,300 and \$214,300 was recognized, respectively. At October 31, 2008, 171,438 shares relating to this award have not vested.

On June 23, 2006, the Board of Directors approved conversion of stock options previously granted to directors, officers and senior managers for 255,000 shares of common stock to awards of restricted shares of common stock on a one-for-one basis. Vesting of such restricted stock is based on a combination of performance and time vesting criteria. One-third of the shares will vest over a period of ten years on the anniversary date. In addition to the shares vesting based on time, up to 25% of the shares may vest annually if certain performance criteria based on sales and EBITDA are achieved. The related compensation cost will be recognized as the shares vest. The fair value on the date of the award was \$4.40 per share. In October 2007 the vesting agreements were modified to establish the vesting date for the previous fiscal year's performance awards as the end of February each year. At October 31, 2008, 174,250 shares relating to this award have not vested.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

Both awards also provide that vesting could occur under certain circumstances as a result of a sale of the Company, involuntary change of control, or death or disability of the recipient.

A summary of the above shares vesting and related compensation expense for the years ended October 31, is as follows:

	<u>2008</u>	<u>2007</u>
Shares vesting	44,750	36,000
Compensation expense	\$ 196,900	\$ 158,400

At October 31, 2008 and 2007, there were 15,000 shares of common stock available for issuance under the Company's stock incentive plan.

NOTE L - INCOME TAXES

The provision for income taxes for the years ended October 31, consists of the following:

	<u>2008</u>	<u>2007</u>
Current	\$ 2,211,000	\$ 279,000
Deferred	<u>113,000</u>	<u>29,000</u>
	<u>\$ 2,324,000</u>	<u>\$ 308,000</u>

The effective tax rate differed from the statutory federal tax rate for the years ended October 31, due to the following:

	<u>2008</u>	<u>2007</u>
Statutory federal tax rate (graduated)	34.0%	34.0%
State taxes, net of federal benefit	3.3	3.9
State and federal tax credits	(1.4)	(3.7)
Other	<u>(1.2)</u>	<u>(1.0)</u>
	<u>34.7%</u>	<u>33.2%</u>

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

Deferred tax assets (liabilities) consist of the following at October 31,:

	<u>2008</u>	<u>2007</u>
Current deferred tax assets		
Accrued expenses	\$ 43,200	\$ 35,600
Allowance for doubtful accounts	16,700	6,600
State and federal credits carryforward	70,700	90,000
Other	<u>88,277</u>	<u>40,508</u>
Deferred tax assets	218,877	172,708
Non-current deferred tax assets		
Mark-to-market effect	<u>191,900</u>	<u>101,100</u>
	<u>\$ 410,777</u>	<u>\$ 273,808</u>
Deferred tax liabilities		
Fixed assets	<u>\$ (1,344,077)</u>	<u>\$ (1,184,908)</u>

State energy tax credits expire in 2010.

NOTE M - OPERATING LEASE COMMITMENTS

The Company leases its production, warehouse and office facilities under operating lease agreements with related parties (see Note O). The Company also leases a warehouse, and equipment under non-cancelable operating leases with unrelated third parties.

Minimum lease payments required under these operating leases are as follows:

<u>Year ending October 31,</u>	
2009	\$ 981,000
2010	1,068,000
2011	1,076,000
2012	1,091,000
2013	1,124,000
Thereafter	<u>10,981,000</u>
	<u>\$ 16,321,000</u>

Operating lease expense for the years ended October 31, 2008 and 2007 approximated \$800,000 and \$706,000, respectively. Operating lease expenses are allocated between manufacturing costs, general and administrative, and sales and marketing expenses in the accompanying statements of income.

In October 2006, the Company entered into a sale-leaseback arrangement. Under this arrangement, the Company sold certain manufacturing equipment for \$1,039,603 and leased it back for a period of seven years. The lease has been accounted for as an operating lease. The gain of approximately \$31,500 was reported as other income.

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

In October 2008, the Company entered into a sale-leaseback arrangement. Under this arrangement, the Company sold certain manufacturing equipment for \$1,000,314 and leased it back for a period of five years. The lease has been accounted for as an operating lease. There was no gain on the transaction.

As described in Note O, the lease on the lot on which the new production facility is located runs for a period of 40 years. Lease payments from November 2013 through October 2016 are based on the scheduled payments. Although the actual lease payments thereafter will be redetermined at the fair rental value based on the terms of the lease, for purposes of the above disclosure of minimum lease payments, these payments are assumed to remain constant at the fiscal 2016 level for the remaining 30 years of the lease.

NOTE N – EARNINGS PER SHARE

The following table is a reconciliation of the numerators and denominators of the basic and diluted per share computations for each of the years ended October 31,:

	<u>2008</u>	<u>2007</u>
Numerator		
Net income	<u>\$ 4,379,666</u>	<u>\$ 619,020</u>
Denominator		
Weighted-average shares outstanding, excluding unvested restricted stock	2,200,753	2,103,850
Effect of dilutive options and restricted stock	<u>122,445</u>	<u>52,602</u>
Denominator for diluted earnings per share	<u>2,323,198</u>	<u>2,156,452</u>
Basic earnings per share	\$1.99	\$0.29
Diluted earnings per share	\$1.89	\$0.29

NOTE O – RELATED PARTY TRANSACTIONS

The Company leases its production and office facilities from a company that is owned by the Company's chief executive officer, its former president, two directors, and another shareholder of the Company. The lease, which was renewed in June 2008 has a term of 15 years and currently provides for a base rent of \$20,000 per month for the period from July 2008 to June 2009. The lease payments increase three percent per year over the term of the lease.

In October 2003, the Company entered into an agreement to lease an adjoining warehouse facility from the same company described above. The lease provided for a base rent of \$12,848 per month. The lease was revised in October 2006 as described in the following paragraph.

In October 2006, to facilitate the bond financing, the Company entered into a new agreement to lease the adjoining warehouse facility from the same company described above. The lease has a remaining term of 38 years and currently provides for a base rent of \$14,772 per month for the period from November 2008 to October 2009. Thereafter the scheduled lease payments increase approximately 2.4% annually for the next seven years. At the end of each ten year period the base rent for the first year of the succeeding ten-year period shall be determined based on the then-current fair market rental rates. The annual rent for each

YOCREAM INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

succeeding year during each ten year period will be increased by 3% over the preceding year. The lease agreement provides for an additional security deposit of \$200,000 (see Note F).

Payments under the leases for the years ended October 31, 2008 and 2007 were approximately \$376,000 and \$365,000, respectively.

The Company has retained the services of a law firm in which a director of the Company is a shareholder. The law firm has served as the Company's general counsel and for the years ended October 31, 2008 and 2007 billed the Company fees of approximately \$77,000 and \$40,000, respectively.

In August 2003, the Company entered into an agreement with its former president, upon his retirement after 27 years of service. As part of this agreement the Company continues to fund a \$500,000 split dollar life insurance policy until the policy is paid in full, or the event of death. The policy has been assigned to the Company as collateral for the repayment of the premiums. In the event of the death of the former employee and his spouse, the Company would be paid the amount of its premium advances. The Company's premium advances since the inception of this policy are approximately \$146,000 and \$134,000 at October 31, 2008 and 2007, respectively, and are classified as part of Intangible and Other Long-Term Assets (see Note F).

The Company also maintains a \$500,000 split dollar life insurance policy on its chief executive officer under which the Company pays the premiums. The policy is assigned to the Company as collateral for the repayment of the premiums. In the event of the death of the employee, the Company would be paid the amount of its premium advances. Since the inception of this policy such advances are approximately \$178,000 and \$163,000 at October 31, 2008 and 2007, respectively, and are classified as part of Intangible and Other Long-Term Assets (see Note F).

Shareholder Information

Terry Lusetti, Director of Investor Relations
YoCream International, Inc.
5858 NE 87th Avenue
Portland, Oregon 97220-1312
(503) 256-3754 Ext 206

Transfer Agent and Registrar
Computer Share Trust Company, Inc.
350 Indiana Street Suite 800
Golden, Colorado 80401
(303) 262-0714

General Counsel
Hanna Strader PC
1300 SW Sixth Avenue, Suite 300
Portland, Oregon 97201

Securities Counsel
AterWynne LLP
The Lovejoy Building
1331 NW Lovejoy St., Suite 900
Portland, Oregon 97209

YoCream International, Inc. stock is publicly traded on the Pink Sheets
www.pinksheets.com YOCM

Market Makers

Hill Thompson Magid & Co.

Huntleigh Securities Corporation

Knight Equity Markets LP

McAdams Wright Ragen

Millet Tabak Roberts Securities LLC

Independent Certified Public Accountants
Mack, Roberts & Co., LLC
111 SW Columbia St., Suite 700
Portland, Oregon 97201

Annual Report
This report is available to shareholders of record upon written request to :
Terry Lusetti, Director of Investor Relations

Directors & Officers

<u>Name</u>	<u>Age</u>	<u>Position held with Company and Principal Occupation During the Past Five Years</u>	<u>Director Since</u>
John N. Hanna	68	Director; Chairman; Chief Executive Officer	1977
James S. Hanna	75	Director; Secretary	1977
William J. Rush	74	Director; Partner in Rush, Hannula, Harkins, & Kyler, LLP Attorneys at Law	1987
Carl G. Behnke	63	Director; President R.E.B. Enterprises; Chairman of Sur La Table	1994
Joseph J. Hanna, Jr.	70	Director; President of Hanna Strader PC Tax Attorney	2001
Fred M. Kinyon	70	Director; Owner of Capital Values Northwest	2004
W. Douglas Caudell	65	Chief Financial Officer	NA
Matthew Hanna		Assistant Secretary	NA