

CASCADE CORP  
Form 10-Q  
November 30, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the Quarterly Period Ended October 31, 2012

OR

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

For the transition period from            to

Commission file number 1-12557

# CASCADE CORPORATION

(Exact name of registrant as specified in its charter)

|   |  |
|---|--|
| <b>Oregon</b><br>(State or other jurisdiction of<br>incorporation or organization)                | <b>93-0136592</b><br>(I.R.S. Employer<br>Identification No.) |
| <b>2201 N.E. 201st Ave.</b><br><b>Fairview, Oregon</b><br>(Address of principal executive office) | <b>97024-9718</b><br>(Zip Code)                              |
| <b>Registrant's telephone number, including area code: (503) 669-6300</b>                         |  |

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

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

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

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Large accelerated filer  Accelerated filer  x  
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No  x

The number of shares outstanding of the registrant's common stock as of November 15, 2012 was 11,199,400.

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**CASCADE CORPORATION**

**FORM 10-Q**

**Quarter Ended October 31, 2012**

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**Forward-Looking Statements**

This Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 2), contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements that do not constitute statements of historical fact are deemed forward-looking statements, including any projections or statements of expectations of market conditions, revenue, gross profit, expenses, earnings or losses from operations or other financial items; any discussion of expectations regarding future profitability of operations in particular regions or product lines; any statements of plans, strategies, and objectives of management for future operations; any statements regarding future economic conditions or performance; any statements of expectation or belief; any discussion of expectations or future occurrences with respect to our proposed acquisition by Toyota Industries Corporation (TICO); and any statements of assumptions underlying any of the foregoing. Risks, uncertainties, and assumptions that could cause material differences from expectations include, but are not limited to:

General business and economic conditions globally;

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

Risks and complexities associated with international operations, including foreign currency fluctuations and international tax considerations;

Impact of acquisitions;

Environmental matters;

Cost and availability of raw materials;

Assumptions relating to pension and other postretirement costs; and

The impact of our pending acquisition by TICO, including the potential for diversion of management attention and disruption of our operations and customer relationships, as well as the possibility that conditions to completion of the acquisition, including receipt of required regulatory and, if required by applicable law, shareholder approvals, may not be satisfied or waived, which could delay or prevent the acquisition.

We undertake no obligation to publicly revise or update forward-looking statements to reflect events or circumstances that arise after the date of this report. See Risk Factors under Item 1A in our Annual Report on Form 10-K for the year ended January 31, 2012, for additional information on risk factors with the potential to impact our financial results and business operations.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CASCADE CORPORATION****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited in thousands, except per share amounts)**

|  | <b>Three Months Ended</b> |                  | <b>Nine Months Ended</b> |                  |
|--|---------------------------|------------------|--------------------------|------------------|
|  | <b>October 31</b>         |                  | <b>October 31</b>        |                  |
|  | <b>2012</b>               | <b>2011</b>      | <b>2012</b>              | <b>2011</b>      |
| Net sales  | \$ 137,193                | \$ 138,024       | \$ 414,838               | \$ 409,843       |
| Cost of goods sold                                 | 95,105                    | 92,841           | 287,396                  | 276,976          |
| <b>Gross profit</b>                                | <b>42,088</b>             | <b>45,183</b>    | <b>127,442</b>           | <b>132,867</b>   |
| Selling and administrative expenses                | 23,678                    | 21,784           | 68,282                   | 63,984           |
| <b>Operating income</b>                            | <b>18,410</b>             | <b>23,399</b>    | <b>59,160</b>            | <b>68,883</b>    |
| Interest expense (income), net                     | (56)                      | 20               | 155                      | 477              |
| Foreign currency loss                              | 22                        | 378              | 257                      | 1,037            |
| Income before provision for income taxes           | 18,444                    | 23,001           | 58,748                   | 67,369           |
| Provision for income taxes                         | 5,153                     | 3,426            | 17,610                   | 17,519           |
| <b>Net income</b>                                  | <b>\$ 13,291</b>          | <b>\$ 19,575</b> | <b>\$ 41,138</b>         | <b>\$ 49,850</b> |
| <b>Basic earnings per share</b>                    | <b>\$ 1.19</b>            | <b>\$ 1.78</b>   | <b>\$ 3.71</b>           | <b>\$ 4.54</b>   |
| <b>Diluted earnings per share</b>                  | <b>\$ 1.16</b>            | <b>\$ 1.74</b>   | <b>\$ 3.61</b>           | <b>\$ 4.42</b>   |
| <b>Basic weighted average shares outstanding</b>   | <b>11,124</b>             | <b>11,016</b>    | <b>11,090</b>            | <b>10,979</b>    |
| <b>Diluted weighted average shares outstanding</b> | <b>11,423</b>             | <b>11,256</b>    | <b>11,392</b>            | <b>11,280</b>    |
| <b>Cash dividends per share</b>                    | <b>\$ .35</b>             | <b>\$ .25</b>    | <b>\$ 1.05</b>           | <b>\$ .65</b>    |

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

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**CASCADE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited - in thousands)

|   | Three Months Ended October 31 |           | Nine Months Ended October 31 |           |
|---|-------------------------------|-----------|------------------------------|-----------|
|   | 2012                          | 2011      | 2012                         | 2011      |
| Net income                              | \$ 13,291                     | \$ 19,575 | \$ 41,138                    | \$ 49,850 |
| Other comprehensive income, net of tax: |                               |           |                              |           |
| Currency translation adjustment         | 3,360                         | (6,733)   | (630)                        | 2,986     |
| Comprehensive income                    | \$ 16,651                     | \$ 12,842 | \$ 40,508                    | \$ 52,836 |

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

**Table of Contents****CASCADE CORPORATION****CONSOLIDATED BALANCE SHEETS****(Unaudited - in thousands, except per share amounts)**

|  | <b>October 31<br/>2012</b> | <b>January 31<br/>2012</b> |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| Current assets:  |                            |                            |
| Cash and cash equivalents  | \$ 35,248                  | \$ 24,928                  |
| Accounts receivable, less allowance for doubtful accounts of \$1,149 and \$1,211                         | 84,048                     | 77,752                     |
| Inventories  | 89,461                     | 86,660                     |
| Deferred income taxes  | 4,470                      | 3,822                      |
| Assets available for sale  |                            | 7,572                      |
| Prepaid expenses and other   | 13,635                     | 11,353                     |
| <b>Total current assets</b>  | <b>226,862</b>             | <b>212,087</b>             |
| Property, plant and equipment, net   | 80,510                     | 71,439                     |
| Goodwill   | 88,324                     | 88,174                     |
| Deferred income taxes  | 22,231                     | 18,964                     |
| Other assets   | 5,601                      | 3,895                      |
| <b>Total assets</b>  | <b>\$ 423,528</b>          | <b>\$ 394,559</b>          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                            |                            |
| Current liabilities:   |                            |                            |
| Notes payable to banks   | \$                         | \$ 99                      |
| Current portion of long-term debt  |                            | 590                        |
| Accounts payable   | 27,174                     | 28,280                     |
| Accrued payroll and payroll taxes  | 10,042                     | 9,473                      |
| Accrued incentive pay  | 2,119                      | 2,496                      |
| Other accrued expenses   | 12,821                     | 15,580                     |
| <b>Total current liabilities</b>   | <b>52,156</b>              | <b>56,518</b>              |
| Long-term debt, net of current portion   | 3,200                      | 4,950                      |
| Accrued environmental expenses   | 1,275                      | 2,279                      |
| Deferred income taxes and other tax liabilities  | 11,608                     | 8,626                      |
| Employee benefit obligations   | 8,384                      | 8,228                      |
| Other liabilities  | 2,831                      | 3,231                      |
| <b>Total liabilities</b>   | <b>79,454</b>              | <b>83,832</b>              |
| Commitments and contingencies (Note 7)   |                            |                            |
| Shareholders' equity:  |                            |                            |
| Common stock, \$.50 par value, 40,000 authorized shares; 11,199 and 11,088 shares issued and outstanding | 5,600                      | 5,544                      |
| Additional paid-in capital   | 17,753                     | 13,252                     |
| Retained earnings  | 280,700                    | 251,280                    |
| Accumulated other comprehensive income   | 40,021                     | 40,651                     |
| <b>Total shareholders' equity</b>  | <b>344,074</b>             | <b>310,727</b>             |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 423,528</b>          | <b>\$ 394,559</b>          |



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

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## CASCADE CORPORATION

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited in thousands, except per share amounts)

|  | Common Stock |          | Additional | Retained   | Accumulated   | Total        |
|--|--------------|----------|------------|------------|---------------|--------------|
|  | Shares       | Amount   | Paid-In    | Earnings   | Other         | Shareholders |
|  |              |          | Capital    |            | Comprehensive | Equity       |
|  |              |          |            |            | Income        |              |
| <b>Balance at January 31, 2012</b>     | 11,088       | \$ 5,544 | \$ 13,252  | \$ 251,280 | \$ 40,651     | \$ 310,727   |
| Net income                             |              |          |            | 41,138     |               | 41,138       |
| Dividends (\$1.05 per share)           |              |          |            | (11,718)   |               | (11,718)     |
| Common stock issued                    | 111          | 56       | 786        |            |               | 842          |
| Share-based compensation               |              |          | 2,141      |            |               | 2,141        |
| Tax effect on stock-based compensation |              |          | 1,574      |            |               | 1,574        |
| Currency translation adjustment        |              |          |            |            | (630)         | (630)        |
| <b>Balance at October 31, 2012</b>     | 11,199       | \$ 5,600 | \$ 17,753  | \$ 280,700 | \$ 40,021     | \$ 344,074   |

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

**Table of Contents****CASCADE CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - in thousands)

|   | Three Months Ended<br>October 31 |           | Nine Months Ended<br>October 31 |           |
|---|----------------------------------|-----------|---------------------------------|-----------|
|   | 2012                             | 2011      | 2012                            | 2011      |
| <b>Cash flows from operating activities:</b>                                      |                                  |           |                                 |           |
| Net income  | \$ 13,291                        | \$ 19,575 | \$ 41,138                       | \$ 49,850 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |           |                                 |           |
| Depreciation and amortization   | 2,673                            | 2,622     | 7,879                           | 7,508     |
| Share-based compensation  | 785                              | 571       | 2,141                           | 1,916     |
| Deferred income taxes   | (693)                            | (1,635)   | (3,983)                         | (1,445)   |
| Tax effect on share-based compensation  |                                  | 439       | (1,574)                         | (261)     |
| Gain on disposition of assets, net  | (6)                              | (10)      | (36)                            | (146)     |
| Changes in operating assets and liabilities, net of effects of acquisition:       |                                  |           |                                 |           |
| Accounts receivable   | (884)                            | (555)     | (8,396)                         | (17,794)  |
| Inventories   | 845                              | (4,622)   | (2,174)                         | (16,903)  |
| Prepaid expenses and other  | (692)                            | (2,148)   | (1,780)                         | (6,719)   |
| Accounts payable and accrued expenses   | 1,929                            | 906       | (934)                           | 8,679     |
| Income taxes payable and receivable   | (1,200)                          | 3,761     | (1,299)                         | 2,088     |
| Other assets and liabilities  | (366)                            | 804       | 1,854                           | 2,172     |
| Net cash provided by operating activities   | 15,682                           | 19,708    | 32,836                          | 28,945    |
| <b>Cash flows from investing activities:</b>                                      |                                  |           |                                 |           |
| Capital expenditures  | (3,604)                          | (3,482)   | (9,361)                         | (9,190)   |
| Proceeds from disposition of assets   | 45                               | 122       | 156                             | 1,174     |
| Business acquisition  | (68)                             |           | (1,266)                         |           |
| Net cash used in investing activities   | (3,627)                          | (3,360)   | (10,471)                        | (8,016)   |
| <b>Cash flows from financing activities:</b>                                      |                                  |           |                                 |           |
| Cash dividends paid   | (3,919)                          | (2,769)   | (11,718)                        | (7,190)   |
| Payments on long-term debt  | (20,821)                         | (37,146)  | (116,894)                       | (77,423)  |
| Proceeds from long-term debt  | 9,000                            | 10,500    | 114,700                         | 57,000    |
| Notes payable to banks, net   |                                  | 635       | (98)                            | 635       |
| Common stock issued under share-based compensation plans                          | 34                               |           | 842                             | 809       |
| Tax effect on share-based compensation  |                                  | (439)     | 1,574                           | 261       |
| Net cash used in financing activities   | (15,706)                         | (29,219)  | (11,594)                        | (25,908)  |
| Effect of exchange rate changes   | (450)                            | 523       | (451)                           | (263)     |
| Change in cash and cash equivalents   | (4,101)                          | (12,348)  | 10,320                          | (5,242)   |
| Cash and cash equivalents at beginning of period                                  | 39,349                           | 32,143    | 24,928                          | 25,037    |
| Cash and cash equivalents at end of period  | \$ 35,248                        | \$ 19,795 | \$ 35,248                       | \$ 19,795 |

**Supplemental disclosure of cash flow information:**

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See Note 9 to the consolidated financial statements

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

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**CASCADE CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1 Description of Business**

Cascade Corporation is an international company engaged in the manufacture of material handling products that are widely used on industrial fork lift trucks and, to a lesser extent, construction, mining and agricultural vehicles. Accordingly, our sales are largely dependent on sales of lift trucks and replacement parts. Our sales are made throughout the world. We are headquartered in Fairview, Oregon, employing approximately 1,900 people and maintaining operations in 17 countries outside the United States.

**Note 2 Interim Financial Information**

The accompanying consolidated financial statements for the interim periods ended October 31, 2012 and 2011 are unaudited. In the opinion of management, the accompanying consolidated financial statements reflect normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for those interim periods. Results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year, and these financial statements do not contain the detail or footnote disclosures concerning accounting policies and other matters that would be included in full fiscal year financial statements. Therefore, these statements should be read in conjunction with our audited financial statements included in our Form 10-K for the fiscal year ended January 31, 2012.

**Note 3 Segment Information**

Our operating units have several similar economic characteristics and attributes, including products, distribution patterns and classes of customers. As a result, we aggregate our operating units related to the manufacturing, distribution and servicing of material handling load engagement products into four geographic operating segments, which we identify as the Americas, Europe, Asia Pacific and China. We evaluate the performance of each of our operating segments based on income or loss before interest, foreign currency gains or losses and income taxes. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies contained in Note 2 of our consolidated financial statements included in our Form 10-K for the fiscal year ended January 31, 2012.

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

**Segment Information**

(In thousands)

| 2012                               | Three Months Ended October 31 |           |              |           |              | Consolidated |
|------------------------------------|-------------------------------|-----------|--------------|-----------|--------------|--------------|
|                                    | Americas                      | Europe    | Asia Pacific | China     | Eliminations |              |
| Net sales                          | \$ 78,857                     | \$ 22,495 | \$ 19,741    | \$ 16,100 | \$           | \$ 137,193   |
| Transfers between areas            | 5,299                         | 222       | 15           | 7,590     | (13,126)     |              |
| Net sales and transfers            | \$ 84,156                     | \$ 22,717 | \$ 19,756    | \$ 23,690 | \$ (13,126)  | \$ 137,193   |
| Gross profit                       | \$ 24,976                     | \$ 4,079  | \$ 5,752     | \$ 7,281  |              | \$ 42,088    |
| Selling and administrative         | 14,837                        | 4,014     | 3,111        | 1,716     |              | 23,678       |
| Operating income                   | \$ 10,139                     | \$ 65     | \$ 2,641     | \$ 5,565  |              | \$ 18,410    |
| Total assets                       | \$ 220,498                    | \$ 85,620 | \$ 53,892    | \$ 63,518 |              | \$ 423,528   |
| Property, plant and equipment, net | \$ 30,963                     | \$ 17,720 | \$ 12,232    | \$ 19,595 |              | \$ 80,510    |
| Capital expenditures               | \$ 2,245                      | \$ 566    | \$ 209       | \$ 584    |              | \$ 3,604     |
| Depreciation expense               | \$ 1,330                      | \$ 474    | \$ 247       | \$ 537    |              | \$ 2,588     |

| 2011                               | Three Months Ended October 31 |           |              |           |              | Consolidated |
|------------------------------------|-------------------------------|-----------|--------------|-----------|--------------|--------------|
|                                    | Americas                      | Europe    | Asia Pacific | China     | Eliminations |              |
| Net sales                          | \$ 73,309                     | \$ 27,184 | \$ 20,158    | \$ 17,373 | \$           | \$ 138,024   |
| Transfers between areas            | 6,946                         | 107       | 15           | 9,016     | (16,084)     |              |
| Net sales and transfers            | \$ 80,255                     | \$ 27,291 | \$ 20,173    | \$ 26,389 | \$ (16,084)  | \$ 138,024   |
| Gross profit                       | \$ 26,500                     | \$ 5,767  | \$ 5,912     | \$ 7,004  |              | \$ 45,183    |
| Selling and administrative         | 12,373                        | 4,658     | 3,007        | 1,746     |              | 21,784       |
| Operating income                   | \$ 14,127                     | \$ 1,109  | \$ 2,905     | \$ 5,258  |              | \$ 23,399    |
| Total assets                       | \$ 191,550                    | \$ 96,531 | \$ 49,493    | \$ 64,509 |              | \$ 402,083   |
| Property, plant and equipment, net | \$ 28,771                     | \$ 10,430 | \$ 11,174    | \$ 19,551 |              | \$ 69,926    |
| Capital expenditures               | \$ 1,528                      | \$ 495    | \$ 842       | \$ 617    |              | \$ 3,482     |
| Depreciation expense               | \$ 1,327                      | \$ 467    | \$ 187       | \$ 606    |              | \$ 2,587     |

| 2012                    | Nine Months Ended October 31 |           |              |           |              | Consolidated |
|-------------------------|------------------------------|-----------|--------------|-----------|--------------|--------------|
|                         | Americas                     | Europe    | Asia Pacific | China     | Eliminations |              |
| Net sales               | \$ 231,142                   | \$ 72,522 | \$ 62,134    | \$ 49,040 | \$           | \$ 414,838   |
| Transfers between areas | 18,995                       | 672       | 55           | 24,149    | (43,871)     |              |
| Net sales and transfers | \$ 250,137                   | \$ 73,194 | \$ 62,189    | \$ 73,189 | \$ (43,871)  | \$ 414,838   |

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|                            |           |           |           |           |            |
|----------------------------|-----------|-----------|-----------|-----------|------------|
| Gross profit               | \$ 74,023 | \$ 14,376 | \$ 17,647 | \$ 21,396 | \$ 127,442 |
| Selling and administrative | 41,867    | 12,444    | 8,917     | 5,054     | 68,282     |
| Operating income           | \$ 32,156 | \$ 1,932  | \$ 8,730  | \$ 16,342 | \$ 59,160  |
| Capital expenditures       | \$ 5,262  | \$ 1,207  | \$ 1,362  | \$ 1,530  | \$ 9,361   |
| Depreciation expense       | \$ 3,892  | \$ 1,376  | \$ 701    | \$ 1,667  | \$ 7,636   |

Nine Months Ended October 31

| 2011                       | Americas   | Europe    | Asia<br>Pacific | China     | Eliminations | Consolidated |
|----------------------------|------------|-----------|-----------------|-----------|--------------|--------------|
| Net sales                  | \$ 212,038 | \$ 83,967 | \$ 59,417       | \$ 54,421 | \$           | \$ 409,843   |
| Transfers between areas    | 22,975     | 748       | 103             | 25,075    | (48,901)     |              |
| Net sales and transfers    | \$ 235,013 | \$ 84,715 | \$ 59,520       | \$ 79,496 | \$ (48,901)  | \$ 409,843   |
| Gross profit               | \$ 73,189  | \$ 18,289 | \$ 18,985       | \$ 22,404 |              | \$ 132,867   |
| Selling and administrative | 37,015     | 14,073    | 8,168           | 4,728     |              | 63,984       |
| Operating income           | \$ 36,174  | \$ 4,216  | \$ 10,817       | \$ 17,676 |              | \$ 68,883    |
| Capital expenditures       | \$ 3,623   | \$ 1,267  | \$ 1,992        | \$ 2,308  |              | \$ 9,190     |
| Depreciation expense       | \$ 3,743   | \$ 1,396  | \$ 487          | \$ 1,776  |              | \$ 7,402     |

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During the nine months ended October 31, 2012, inventories increased primarily due to additional product needed to meet expected customer demand and a business acquisition in Brazil. Inventories stated at the lower of average cost or market are presented below by major class (in thousands):

|                              | October 31<br>2012 | January 31<br>2012 |
|------------------------------|--------------------|--------------------|
| Finished goods               | \$ 34,758          | \$ 31,913          |
| Raw materials and components | 54,703             | 54,747             |
|                              | \$ 89,461          | \$ 86,660          |

**Note 5 Goodwill**

During the nine months ended October 31, 2012, goodwill increased due to the impact of changes in foreign currencies. We have no goodwill recorded in China. The following table provides a breakdown of goodwill by geographic region (in thousands):

|              | October 31<br>2012 | January 31<br>2012 |
|--------------|--------------------|--------------------|
| Americas     | \$ 75,115          | \$ 74,914          |
| Europe       | 10,275             | 10,332             |
| Asia Pacific | 2,934              | 2,928              |
|              | \$ 88,324          | \$ 88,174          |

**Note 6 Share-Based Compensation Plans**

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

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

Restricted stock is a grant of common shares to a recipient, subject to restrictions on transfer and possible forfeiture until vesting conditions are satisfied. Regardless of vesting, restricted shares have full voting rights and any dividends declared will be paid to the restricted stock recipient free of restrictions. Restricted shares granted to officers vest ratably over a period of three years. Restricted shares granted to directors prior to June 1, 2010 vest ratably over a period of four years and grants after May 31, 2010 vest after one year.

Stock options provide the holder the right to receive our common shares at an established price. No additional stock options can be granted under the terms of our plans. All outstanding stock options are fully vested and have a term of ten years from date of grant.



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The following table provides the number of shares to be issued under our share-based plans, based on outstanding awards as of October 31, 2012 (in thousands):

|   | <b>Stock Options</b> | <b>SARS and<br/>Restricted Stock</b> |
|---|----------------------|--------------------------------------|
| Common stock previously issued  | 1,259                | 221                                  |
| Restricted stock previously issued  |                      | 203                                  |
| Shares issuable upon exercise of SARS, based on \$64.99 share price at October 31, 2012 |                      | 407                                  |
| Shares issuable upon exercise of stock options  | 92                   |                                      |
| <b>Estimated shares to be issued</b>  | <b>1,351</b>         | <b>831</b>                           |
| Maximum shares of common stock to be issued per plan document                           | 1,400                | 1,000                                |

A summary of the status of our plans at October 31, 2012, together with changes during the nine months then ended, is presented in the following tables (in thousands, except per share amounts):

|                                    | <b>Stock Options</b>      |  | <b>SARS</b>               |  |
|------------------------------------|---------------------------|--|---------------------------|--|
|                                    | <b>Outstanding Awards</b> | <b>Weighted Average Exercise Price Per Share</b> | <b>Outstanding Awards</b> | <b>Weighted Average Exercise Price Per Share</b> |
| Balance at January 31, 2012        | 151                       | \$ 14.72   | 855                       | \$ 35.85   |
| Granted                            |                           |  | 115                       | 50.12  |
| Exercised                          | (59)                      | 14.24  | (18)                      | 30.19  |
| Forfeited                          |                           |  | (5)                       | 73.73  |
| <b>Balance at October 31, 2012</b> | <b>92</b>                 | <b>\$ 15.03</b>                                  | <b>947</b>                | <b>\$ 37.50</b>                                  |

|  | <b>Restricted Stock Awards</b> |   |
|--|--------------------------------|---|
|  | <b>Number of Shares</b>        | <b>Weighted Average Grant Date Fair Value Per Share</b> |
| Unvested restricted stock at January 31, 2012        | 62                             | \$ 41.14  |
| Granted  | 44                             | 45.42   |
| Vested   | (33)                           | 39.44   |
| <b>Unvested restricted stock at October 31, 2012</b> | <b>73</b>                      | <b>\$ 44.52</b>   |

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

|  | <b>Granted in<br/>Fiscal 2013</b> | <b>Granted Prior to<br/>Fiscal 2013</b> |
|--|-----------------------------------|---|
| Risk-free interest rate                      | 1.6%                              | 2.1% - 5.1%                             |
| Expected volatility                          | 60.0%                             | 40.0% - 56.0%                           |
| Expected dividend yield                      | 2.8%                              | 0.6% - 2.8%                             |
| Expected life (in years)                     | 6                                 | 5 - 7                                   |
| Weighted average fair value at date of grant | \$ 22.44                          | \$4.16 - \$33.31                        |

We calculate share-based compensation cost for restricted stock by multiplying the fair market value of our common shares on the grant date by the number of restricted shares expected to vest. Share-based compensation is expensed ratably over the applicable vesting period. Additional information regarding the assumptions used to calculate fair value under our share-based compensation plans is presented in Note 2 to our consolidated financial statements included in our Form 10-K for the year ended January 31, 2012.

The following table shows the share-based compensation costs to be recognized in future periods for awards granted to date as of October 31, 2012 (in thousands):

| <b>Fiscal Year</b> | <b>Amount</b> |
|--------------------|---------------|
| 2013*              | \$ 757        |
| 2014               | 2,554         |
| 2015               | 1,782         |
| 2016               | 864           |
| 2017               | 96            |
|                    | \$ 6,053      |

\* Represents last three months of fiscal 2013.

**Note 7 Commitments and Contingencies****Environmental Matters**

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

It is reasonably possible that changes in estimates will occur in the near term and the related adjustments to environmental liabilities may have a material impact on our operating results. Unasserted claims are not currently reflected in our environmental remediation liabilities. It is also reasonably possible that these claims may also have a material impact on our operating results if asserted. We cannot predict when the additional expense will be necessary or the amount of any additional loss or range of loss that may reasonably be possible.

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Our specific environmental matters consist of the following:

### **Fairview, Oregon**

In 1996, the Oregon Department of Environmental Quality issued two Records of Decision affecting our Fairview, Oregon manufacturing facility. The Records of Decision required us to initiate remediation activities related to the cleanup of groundwater contamination at and near the facility. Remediation activities have been conducted since 1996 and current estimates provide for some level of activity to continue through 2019. Costs of certain remediation activities at the facility are shared with The Boeing Company, with Cascade paying 70% of these costs. The recorded liability for ongoing remediation activities at our Fairview facility was \$1.6 million at October 31, 2012 and \$2.4 million at January 31, 2012.

### **Springfield, Ohio**

In March 2010, we signed a Facility Lead Corrective Action Agreement ( Action Agreement ) with the Ohio Environmental Protection Agency, which outlines a more comprehensive remediation plan at our Springfield, Ohio facility. We had previously been performing our remediation activities under a consent order signed in 1994, which had required the installation of remediation systems for the cleanup of groundwater contamination. The Action Agreement specifies an action plan that would allow us to be more proactive in our environmental cleanup efforts. The current estimate is that the remediation activities will continue through 2019. The recorded liability for ongoing remediation activities in Springfield was \$1 million at October 31, 2012 and \$1.1 million at January 31, 2012.

As of October 31, 2012 and January 31, 2012, a total of \$1.3 million of environmental costs are included on the consolidated balance sheet as a component of other accrued expenses.

## **Legal Proceedings**

We are subject to legal proceedings, claims and litigation, in addition to the items discussed, arising in the ordinary course of business. While the outcome of these matters is currently not determinable, management does not expect the ultimate costs to be material to our consolidated financial position, results of operations, or cash flows.

Two lawsuits have been filed against Cascade in connection with the proposed acquisition of Cascade by TICO as follows:

On November 1, 2012, a shareholder class action complaint was filed in the Circuit Court of the State of Oregon for the County of Multnomah, captioned IBEW Local 98 Pension Fund v. Cascade Corporation, et al., Case No. 1211-13867. The complaint names as defendants Cascade, TICO, Purchaser, and each of the Cascade directors ( Individual Defendants ). The complaint alleges generally that the Individual Defendants have breached their fiduciary duties and that Cascade, TICO and Purchaser aided and abetted the purported breaches of fiduciary duties. The complaint includes, among others, allegations that the Individual Defendants breached their fiduciary duties by initiating a sales process that undervalued Cascade, vesting themselves with benefits not shared equally by Cascade or the public shareholders, capping the price of Cascade at a level that does not adequately reflect Cascade's true value and failing to ensure a fair process and maximization of shareholder value. The relief sought includes, among other things, an injunction prohibiting consummation of the proposed transaction, rescission (to the extent the proposed transaction has already been consummated) and the payment of plaintiffs' attorneys' fees and costs. Because this complaint is at a very early stage, it is not possible for us to determine whether there is a reasonable possibility that a loss has been incurred nor can we estimate the amount or range of potential loss.

On November 2, 2012, a second shareholder class action complaint was filed in the Circuit Court of the State of Oregon for the County of Multnomah, captioned Joseph Polyak v. Robert C. Warren, Jr., et al., Case No. 1211-13933. On November 9, 2012, an amended complaint was filed in this matter alleging generally that Individual Defendants breached their fiduciary duties and that Cascade, TICO, and Purchaser aided and abetted the purported breaches of fiduciary duties. The amended complaint includes, among others, allegations that the Individual Defendants breached their fiduciary duties by attempting to sell Cascade to TICO by means of an unfair process and for an unfair price. The amended complaint also generally alleges that the Individual Defendants breached their fiduciary duties by failing to disclose in the Schedule 14D-9 all information material to the decisions confronting Cascade's shareholders in the Schedule 14D-9. The relief sought includes, among other things, an injunction prohibiting the consummation of the proposed transaction, rescission (to the extent that the proposed transaction has already been consummated), an accounting to plaintiff and other members of the class for damages resulting from any breach of fiduciary duties, and the payment of plaintiffs' attorneys' fees and costs. Because this complaint is at a very early stage, it is not possible for us to determine whether there is a reasonable possibility that a loss has been incurred nor can we estimate the amount or range of potential loss.



**Table of Contents****Note 8 Earnings Per Share**

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

|   | Three Months Ended October 31 |           | Nine Months Ended October 31 |           |
|---|-------------------------------|-----------|------------------------------|-----------|
|   | 2012                          | 2011      | 2012                         | 2011      |
| <b>Basic earnings per share:</b>            |                               |           |                              |           |
| Net income                                  | \$ 13,291                     | \$ 19,575 | \$ 41,138                    | \$ 49,850 |
| Weighted average shares outstanding         | 11,124                        | 11,016    | 11,090                       | 10,979    |
|   | \$ 1.19                       | \$ 1.78   | \$ 3.71                      | \$ 4.54   |
| <b>Diluted earnings per share:</b>          |                               |           |                              |           |
| Net income                                  | \$ 13,291                     | \$ 19,575 | \$ 41,138                    | \$ 49,850 |
| Weighted average shares outstanding         | 11,124                        | 11,016    | 11,090                       | 10,979    |
| Dilutive effect of stock awards             | 299                           | 240       | 302                          | 301       |
| Diluted weighted average shares outstanding | 11,423                        | 11,256    | 11,392                       | 11,280    |
|   | \$ 1.16                       | \$ 1.74   | \$ 3.61                      | \$ 4.42   |

Basic earnings per share is based on the weighted average number of common shares outstanding for the period. Diluted weighted average common shares includes the incremental shares that would be issued upon the assumed exercise of stock options and SARS and the amount of unvested restricted stock. All unvested restricted stock was included in our calculation of incremental shares for the three and nine months ended October 31, 2012 because they were dilutive. The number of unexercised SARS that were not included in the calculation as the impact would be antidilutive are as follows (in thousands):

|                         | Three Months Ended October 31 |      | Nine Months Ended October 31 |      |
|-------------------------|-------------------------------|------|------------------------------|------|
|                         | 2012                          | 2011 | 2012                         | 2011 |
| <b>Excluded Awards:</b> |                               |      |                              |      |
| Unexercised SARS awards | 259                           | 231  | 259                          | 188  |

**Note 9 Supplemental Cash Flow Information**

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

|   | Three Months Ended October 31 |         | Nine Months Ended October 31 |           |
|---|-------------------------------|---------|------------------------------|-----------|
|   | 2012                          | 2011    | 2012                         | 2011      |
| <b>Cash paid during the period for:</b> |                               |         |                              |           |
| Interest                                | \$ 109                        | \$ 225  | \$ 468                       | \$ 851    |
| Income taxes                            | \$ 6,938                      | \$ (93) | \$ 19,984                    | \$ 14,058 |

**Table of Contents****Note 10 Benefit Plans**

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

|                                | Defined Benefit                    |                                    | Postretirement Benefit             |                                    |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                | Three Months Ended October 31 2012 | Three Months Ended October 31 2011 | Three Months Ended October 31 2012 | Three Months Ended October 31 2011 |
| Net periodic benefit cost:     |                                    |                                    |                                    |                                    |
| Service cost                   | \$ 4                               | \$ 4                               | \$ 27                              | \$ 22                              |
| Interest cost                  | 96                                 | 115                                | 85                                 | 95                                 |
| Expected return on plan assets | (119)                              | (118)                              |                                    |                                    |
| Recognized prior service cost  |                                    |                                    | (19)                               | (19)                               |
| Recognized net actuarial loss  | 8                                  | 29                                 | 6                                  |                                    |
|                                | \$ (11)                            | \$ 30                              | \$ 99                              | \$ 98                              |

|                                | Defined Benefit                   |                                   | Postretirement Benefit            |                                   |
|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                                | Nine Months Ended October 31 2012 | Nine Months Ended October 31 2011 | Nine Months Ended October 31 2012 | Nine Months Ended October 31 2011 |
| Net periodic benefit cost:     |                                   |                                   |                                   |                                   |
| Service cost                   | \$ 12                             | \$ 12                             | \$ 81                             | \$ 66                             |
| Interest cost                  | 285                               | 348                               | 255                               | 285                               |
| Expected return on plan assets | (353)                             | (357)                             |                                   |                                   |
| Recognized prior service cost  |                                   |                                   | (57)                              | (57)                              |
| Recognized net actuarial loss  | 24                                | 88                                | 18                                |                                   |
|                                | \$ (32)                           | \$ 91                             | \$ 297                            | \$ 294                            |

**Note 11 Recent Accounting Pronouncements****Impairment Test of Indefinite-Lived Intangible Asset**

In July 2012, the Financial Accounting Standards Board issued an accounting update which amended how entities test for impairment of indefinite-lived intangible assets. The new guidance permits a company to assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the annual impairment test. This guidance is effective for fiscal years beginning after September 15, 2012, and is effective for our first quarter of fiscal 2014. The adoption of the guidance is not expected to have an impact on our results of operations or financial position.

**Note 12 Warranty Obligations**

We record a liability on our consolidated balance sheet for costs related to warranties with the sales of our products. This liability is estimated through historical customer claims, product failure rates, material usage and service delivery costs incurred in correcting defective products. Our warranty obligations, which are recorded in other accrued expenses on the consolidated balance sheets, were as follows (in thousands):

|  | 2012     | 2011     |
|--|----------|----------|
| Balance at January 31                            | \$ 1,723 | \$ 1,339 |
| Accruals for warranties issued during the period | 2,119    | 1,950    |
| Accruals for pre-existing warranties             | 129      | 102      |
| Settlements during the period                    | (2,377)  | (1,759)  |

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|                          |          |          |
|--------------------------|----------|----------|
| Foreign currency changes | (9)      | 15       |
| Balance at October 31    | \$ 1,585 | \$ 1,647 |

**Table of Contents****Note 13 Accumulated Other Comprehensive Income**

During the nine months ended October 31, 2012, accumulated other comprehensive income decreased due to fluctuations in foreign currencies. The following table presents the changes in and the components of accumulated other comprehensive income (in thousands):

|                                 | Accumulated Other Comprehensive Income (Loss) |                                      |           |
|---------------------------------|---|--------------------------------------|-----------|
|                                 | Translation Adjustment                        | Minimum Pension Liability Adjustment | Total     |
| Balance at January 31, 2012     | \$ 41,530                                     | \$ (879)                             | \$ 40,651 |
| Currency translation adjustment | (614)   | (16)                                 | (630)     |
| Balance at October 31, 2012     | \$ 40,916                                     | \$ (895)                             | \$ 40,021 |

**Note 14 Income Taxes**

The effective tax rate for the nine months ended October 31, 2012 was 30% compared with 26% for the nine months ended October 31, 2011 and 27% for the fiscal year ended January 31, 2012. For the first nine months of fiscal 2013, our effective tax rate was less than the US tax rate of 35% primarily due to lower tax rates in foreign jurisdictions where we earned income, and the first quarter release of a \$1.7 million valuation allowance recorded against deferred tax assets in The Netherlands. The effective tax for the nine months ended October 31, 2012 is higher than the effective tax rate for the full year ended January 31, 2012 mostly due to the release of a \$3.6 million valuation allowance relating to improved financial performance in The Netherlands in fiscal 2012, compared to the release of \$1.7 million in tax valuation allowance in The Netherlands during the current year.

In recent years, we have recorded significant deferred tax assets related to net operating losses in Europe. In assessing the ability to realize these deferred tax assets, we considered whether it is more-likely-than-not that some portion or all of our deferred tax assets will not be realized through the generation of future taxable income. Management quarterly assesses the need for valuation allowances on deferred tax assets based on all available positive and negative evidence. The primary negative evidence is continuing operating losses. Positive evidence consists of improved financial performance over time due to market conditions, restructuring activities and expected future taxable income. If the estimates of future taxable income vary from actual results, our assessment regarding the realization of these deferred tax assets could change. Future changes in the estimated amount of deferred taxes expected to be realized will be reflected in the Company's financial statements in the period the estimate is changed, with a corresponding adjustment to operating results. Changes in estimates may occur often and can have a significant favorable or unfavorable impact on the Company's operating results period-to-period.

At October 31, 2012, we continue to provide valuation allowances of \$25 million against deferred tax assets relating to net operating loss carryforwards generated in Europe that we currently do not expect to realize.

As of October 31, 2012, our liability for uncertain tax positions was \$5.8 million, excluding interest and penalties. We recognize interest and penalties related to uncertain tax positions in income tax expense. As of October 31, 2012, we had approximately \$2.3 million of accrued interest and penalties related to uncertain tax positions.



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We are subject to taxation primarily in the jurisdictions where we have operations. As of October 31, 2012, we remain subject to examination in various state and foreign jurisdictions for the 2003 – 2011 fiscal tax years.

**Note 15 Australia Flood**

Our operations in Brisbane, Australia, were significantly disrupted in January 2011 due to damage from flooding caused by heavy rainfall in the Queensland, Australia region. During fiscal 2012, we restored our operations to pre-flood conditions.

The flood resulted in charges of \$2.8 million during the first nine months of fiscal 2012. We have not incurred any charges during fiscal 2013. We received \$5.1 million of insurance proceeds during the first nine months of fiscal 2012. We may receive additional insurance proceeds in the fourth quarter of up to \$4 million for capital expenditures related to equipment not yet placed in service. We have not yet received any insurance proceeds during the current year.

The following table shows flood-related costs and insurance proceeds recorded during fiscal 2012 (in thousands):

|   | Three Months Ended<br>October 31,<br>2011 | Nine Months Ended<br>October 31,<br>2011 |
|---|---|--|
| <b><u>Cost of Goods Sold Related</u></b>                    |   |  |
| Flood-related costs   | \$ (9)                                    | \$ 630                                   |
| Insurance proceeds  |   | (2,666)                                  |
| Net recovery  | (9)                                       | (2,036)                                  |
| <b><u>Selling, General &amp; Administrative Related</u></b> |   |  |
| Flood-related costs   | 132                                       | 2,131                                    |
| Insurance proceeds  |   | (2,397)                                  |
| Net expense (recovery)                                      | 132                                       | (266)                                    |
| <b><u>Total Flood Related</u></b>                           |   |  |
| Flood-related costs   | 123                                       | 2,761                                    |
| Insurance proceeds  |   | (5,063)                                  |
| Net recovery  | \$ 123                                    | \$ (2,302)                               |

**Note 16 Fair Value of Financial Assets and Liabilities**

The fair value of our financial instruments represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The carrying amount of our cash equivalents, trade receivables and payables and notes payable to banks approximates fair value due to the short maturity of these instruments. The long-term debt balance recorded on the Company's balance sheet as of October 31, 2012 and January 31, 2012 approximates fair value, due to the variable interest rate on the debt and consideration of credit risk, and is a level 2 liability in the fair value hierarchy.

**Note 17 Acquisition**

In March 2012, we purchased the assets, including inventory, accounts receivable and intangible assets, of our exclusive distributor located in Santos, Brazil. The total purchase price was \$1.2 million.

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**Note 18 Proposed Sale of Cascade Corporation**

On October 22, 2012, Cascade entered into a definitive agreement and plan of merger with TICO and Industrial Components and Attachments II, Inc., an indirect wholly owned subsidiary of TICO ( Purchaser ), pursuant to which TICO has agreed, subject to the terms and conditions of the merger agreement, to acquire 100 percent of Cascade s outstanding shares of common stock for \$65 per share in cash, in a transaction with a total value of approximately \$759 million.

The merger agreement provides that the acquisition will be effected first through a tender offer by Purchaser (the Offer ) to acquire all of the outstanding shares of common stock, par value \$0.50 per share, of Cascade, for \$65.00 per share (the Offer Price ), followed by a second-step merger of Purchaser into Cascade, with Cascade surviving as an indirect wholly owned subsidiary of TICO. As a consequence of the merger, all Cascade shares not accepted for tender in the Offer will be converted into the right to receive the Offer Price.

Pursuant to the terms of the merger agreement, Purchaser commenced the Offer on November 2, 2012, and the Offer was originally scheduled to expire on December 3, 2012; however, the Offer is now expected to expire no earlier than December 4, 2012, due to TICO s withdrawal and re-filing of regulatory filings in the United States, unless extended beyond that date in accordance with the terms of the merger agreement.

The closing of the Offer is conditioned upon satisfaction or waiver of customary closing conditions, including, without limitation, Cascade s shareholders validly tendering at least a majority of Cascade s outstanding common shares (on a fully diluted basis), there being no legal restraints prohibiting the Offer, the second-step merger, or the other transaction contemplated by the merger agreement, and expiration or termination of the applicable waiting periods under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the German Act Against Restraints on Competition.

The merger agreement includes customary termination provisions in favor of both Cascade and TICO and provides that, in connection with the termination of the merger agreement, under certain circumstances, Cascade must pay TICO a termination fee.

On November 2, 2012, TICO filed with the SEC a tender offer statement on Schedule TO and the Company filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 regarding the Offer. These filings include additional important and detailed information regarding the proposed acquisition of Cascade by TICO.

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

Our businesses globally manufacture and distribute material handling load engagement products primarily for the lift truck industry and to a lesser extent the construction industry. We operate in four geographic segments: Americas, Europe, Asia Pacific and China. The Americas region includes activity in North, Central and South America.

All references to fiscal years are defined as the year ended January 31, 2012 ( fiscal 2012 ) and the year ending January 31, 2013 ( fiscal 2013 ).

**RECENT TRENDS AND DEVELOPMENTS AFFECTING OUR RESULTS****Proposed Sale of Cascade Corporation**

On October 22, 2012, Cascade entered into a definitive agreement and plan of merger with TICO and Industrial Components and Attachments II, Inc., an indirect wholly owned subsidiary of TICO ( Purchaser ), pursuant to which TICO has agreed, subject to the terms and conditions of the merger agreement, to acquire 100 percent of Cascade's outstanding shares of common stock for \$65 per share in cash, in a transaction with a total value of approximately \$759 million.

The merger agreement provides that the acquisition will be effected first through a tender offer by Purchaser (the Offer ) to acquire all of the outstanding shares of common stock, par value \$0.50 per share, of Cascade, for \$65.00 per share (the Offer Price ), followed by a second-step merger of Purchaser into Cascade, with Cascade surviving as an indirect wholly owned subsidiary of TICO. As a consequence of the merger, all Cascade shares not accepted for tender in the Offer will be converted into the right to receive the Offer Price.

Pursuant to the terms of the merger agreement, Purchaser commenced the Offer on November 2, 2012, and the Offer was originally scheduled to expire on December 3, 2012; however, the Offer is now expected to expire no earlier than December 4, 2012, due to TICO's withdrawal and re-filing of regulatory filings in the United States, unless extended beyond that date in accordance with the terms of the merger agreement.

The closing of the Offer is conditioned upon satisfaction or waiver of customary closing conditions, including, without limitation, Cascade's shareholders validly tendering at least a majority of Cascade's outstanding common shares (on a fully diluted basis), there being no legal restraints prohibiting the Offer, the second-step merger, or the other transaction contemplated by the merger agreement, and expiration or termination of the applicable waiting periods under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the German Act Against Restraints on Competition.

The merger agreement includes customary termination provisions in favor of both Cascade and TICO and provides that, in connection with the termination of the merger agreement, under certain circumstances, Cascade must pay TICO a termination fee.

On November 2, 2012, TICO filed with the SEC a tender offer statement on Schedule TO and the Company filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 regarding the Offer. These filings include additional important and detailed information regarding the proposed acquisition of Cascade by TICO.

**Global Economic & Lift Truck Market Conditions**

Volatility in the global lift truck market is continuing. The Americas, Europe and Asia Pacific markets experienced flat to moderate growth. China's shipments were well below prior year shipments, which were at record levels.

The following tables show the quarter-over-quarter percent change in global lift truck shipments and orders by region:

|              | <b>Lift Truck Shipments</b>   | <b>Lift Truck Orders</b>      |
|--------------|-------------------------------|-------------------------------|
|              | <b>Q3 Fiscal 2013 vs 2012</b> | <b>Q3 Fiscal 2013 vs 2012</b> |
| Americas     | (1%)                          | 5%                            |
| Europe       | (4%)                          | 1%                            |
| Asia Pacific | 0%                            | (1%)                          |
| China        | (15%)                         | (8%)                          |
| Global       | (5%)                          | (1%)                          |

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Currently, the lift truck market is the only direct economic or industrial indicator we have available for our markets. While results across this market do not correlate exactly with our business levels over the short term, since customers in the various end markets use our products to differing degrees, it does give us a good indication of trends over the year.

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

**Table of Contents****COMPARISON OF THIRD QUARTER OF FISCAL 2013 AND FISCAL 2012****Executive Summary**

|                            | Three Months Ended October 31           |            | Change     | Change % |
|----------------------------|---|------------|------------|----------|
|                            | 2012                                    | 2011       |            |          |
|                            | (In thousands except per share amounts) |            |            |          |
| Net sales                  | \$ 137,193                              | \$ 138,024 | \$ (831)   | (1%)     |
| Gross profit %             | 31%                                     | 33%        |            |          |
| Operating income           | \$ 18,410                               | \$ 23,399  | \$ (4,989) | (21%)    |
| Operating income %         | 13%                                     | 17%        |            |          |
| Income before taxes        | \$ 18,444                               | \$ 23,001  | \$ (4,557) | (20%)    |
| Provision for income taxes | 5,153                                   | \$ 3,426   | \$ 1,727   | 50%      |
| Effective tax rate         | 28%                                     | 15%        |            |          |
| Net income                 | \$ 13,291                               | \$ 19,575  | \$ (6,284) | (32%)    |
| Diluted earnings per share | \$ 1.16                                 | \$ 1.74    | \$ (0.58)  | (33%)    |

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

|                         | Amount          | Change %    |
|-------------------------|-----------------|-------------|
| Net sales change        | \$ 1,105        | 1%          |
| Foreign currency change | (1,936)         | (2%)        |
| <b>Total</b>            | <b>\$ (831)</b> | <b>(1%)</b> |

The following is an overview for the three months ended October 31, 2012 and 2011. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Consolidated net sales increased slightly due to higher sales of products related to the construction industry in the Americas region.

Our consolidated gross profit percentage decreased to 31% during the third quarter of fiscal 2013 primarily due to proportionately higher sales of lower margin products.

Selling and administrative expense increased due primarily to approximately \$1.9 million of costs related to the pending acquisition by Toyota Industries Corporation.

Operating income decreased 21% primarily due to the combined effects of our lower gross profit percentage and increases in selling and administrative expenses primarily related to our proposed acquisition by TICO.

The effective tax rate of 28% during the third quarter of fiscal 2013 was higher than the effective tax rate of 15% in the third quarter of fiscal 2012 primarily due to the release of a \$3.6 million tax valuation allowance in The Netherlands in the prior period.

**Table of Contents****Americas**

|                            | Three Months Ended October 31 |           |            |          |
|----------------------------|-------------------------------|-----------|------------|----------|
|                            | 2012                          | 2011      | Change     | Change % |
| Net sales                  | \$ 78,857                     | \$ 73,309 | \$ 5,548   | 8%       |
| Transfers between areas    | 5,299                         | 6,946     | (1,647)    | (24%)    |
| Net sales and transfers    | 84,156                        | 80,255    | 3,901      | 5%       |
| Cost of goods sold         | 59,180                        | 53,755    | 5,425      | 10%      |
| Gross profit               | 24,976                        | 26,500    | (1,524)    | (6%)     |
| Gross profit %             | 30%                           | 33%       |            |          |
| Selling and administrative | 14,837                        | 12,373    | 2,464      | 20%      |
| Operating income           | \$ 10,139                     | \$ 14,127 | \$ (3,988) | (28%)    |
| Operating income %         | 12%                           | 18%       |            |          |

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

|                         | Amount   | Change % |
|-------------------------|----------|----------|
| Net sales change        | \$ 5,499 | 8%       |
| Foreign currency change | 49       | 0%       |
| Total                   | \$ 5,548 | 8%       |

The following summarizes financial results for the Americas for the third quarter of fiscal 2013. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Net sales increased 8% primarily due to higher sales volumes of products to the construction industry.

Our gross profit percentage was lower compared to the prior year due to proportionately higher sales of lower margin products, including to the construction industry.

Selling and administrative expense increased due primarily to approximately \$1.9 million of costs related to the pending acquisition by Toyota Industries Corporation.

**Table of Contents****Europe**

|                            | Three Months Ended October 31 |           | Change     | Change % |
|----------------------------|-------------------------------|-----------|------------|----------|
|                            | 2012                          | 2011      |            |          |
| Net sales                  | \$ 22,495                     | \$ 27,184 | \$ (4,689) | (17%)    |
| Transfers between areas    | 222                           | 107       | 115        | 107%     |
| Net sales and transfers    | 22,717                        | 27,291    | (4,574)    | (17%)    |
| Cost of goods sold         | 18,638                        | 21,524    | (2,886)    | (13%)    |
| Gross profit               | 4,079                         | 5,767     | (1,688)    | (29%)    |
| Gross profit %             | 18%                           | 21%       |            |          |
| Selling and administrative | 4,014                         | 4,658     | (644)      | (14%)    |
| Operating income           | \$ 65                         | \$ 1,109  | \$ (1,044) | (94%)    |
| Operating income %         | 0%                            | 4%        |            |          |

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

|                         | Amount     | Change % |
|-------------------------|------------|----------|
| Net sales change        | \$ (2,813) | (10%)    |
| Foreign currency change | (1,876)    | (7%)     |
| Total                   | \$ (4,689) | (17%)    |

The following summarizes financial results for Europe for the third quarter of fiscal 2013. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Net sales decreased 10% primarily as a result of a weakening lift truck market reflective of economic conditions in Europe.

The decrease in our gross profit percentage is a result of lower cost absorption due to decreased sales volumes and higher product costs.

Selling and administrative costs decreased during the current year primarily due to foreign currency rate changes and lower personnel and consulting costs.

**Table of Contents****Asia Pacific**

|                            | Three Months Ended October 31 |           | Change   | Change % |
|----------------------------|-------------------------------|-----------|----------|----------|
|                            | 2012                          | 2011      |          |          |
| Net sales                  | \$ 19,741                     | \$ 20,158 | \$ (417) | (2%)     |
| Transfers between areas    | 15                            | 15        |          | 0%       |
| Net sales and transfers    | 19,756                        | 20,173    | (417)    | (2%)     |
| Cost of goods sold         | 14,004                        | 14,261    | (257)    | (2%)     |
| Gross profit               | 5,752                         | 5,912     | (160)    | (3%)     |
| Gross profit %             | 29%                           | 29%       |          |          |
| Selling and administrative | 3,111                         | 3,007     | 104      | 3%       |
| Operating income           | \$ 2,641                      | \$ 2,905  | \$ (264) | (9%)     |
| Operating income %         | 13%                           | 14%       |          |          |

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

|                         | Amount   | Change % |
|-------------------------|----------|----------|
| Net sales change        | \$ (104) | 0%       |
| Foreign currency change | (313)    | (2%)     |
| Total                   | \$ (417) | (2%)     |

The following summarizes financial results for Asia Pacific for the third quarter of fiscal 2013. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Net sales in the region remained flat as an increase in sales in Australia was offset by sales decreases in Japan and Korea.

In general, operating results during the third quarter of fiscal 2012 were relatively consistent with the prior year as economic conditions in this region remained stable.



**Table of Contents****China**

|                            | Three Months Ended October 31 |           | Change     | Change % |
|----------------------------|-------------------------------|-----------|------------|----------|
|                            | 2012                          | 2011      |            |          |
| Net sales                  | \$ 16,100                     | \$ 17,373 | \$ (1,273) | (7%)     |
| Transfers between areas    | 7,590                         | 9,016     | (1,426)    | (16%)    |
| Net sales and transfers    | 23,690                        | 26,389    | (2,699)    | (10%)    |
| Cost of goods sold         | 16,409                        | 19,385    | (2,976)    | (15%)    |
| Gross profit               | 7,281                         | 7,004     | 277        | 4%       |
| Gross profit %             | 31%                           | 27%       |            |          |
| Selling and administrative | 1,716                         | 1,746     | (30)       | (2%)     |
| Operating income           | \$ 5,565                      | \$ 5,258  | \$ 307     | 6%       |
| Operating income %         | 23%                           | 20%       |            |          |

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

|                         | Amount     | Change % |
|-------------------------|------------|----------|
| Net sales change        | \$ (1,477) | (8%)     |
| Foreign currency change | 204        | 1%       |
| Total                   | \$ (1,273) | (7%)     |

The following summarizes financial results for China for the third quarter of fiscal 2013. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Net sales decreased 8% primarily due to a slowdown in the Chinese economy and the lift truck industry.

Our gross profit percentage increased due to an increased percentage of higher margin product sales and a reduction in the cost of steel.

**Table of Contents****COMPARISON OF THE FIRST NINE MONTHS OF FISCAL 2013 AND FISCAL 2012****Executive Summary**

|                            | Nine Months Ended October 31            |            | Change     | Change % |
|----------------------------|---|------------|------------|----------|
|                            | 2012                                    | 2011       |            |          |
|                            | (In thousands except per share amounts) |            |            |          |
| Net sales                  | \$ 414,838                              | \$ 409,843 | \$ 4,995   | 1%       |
| Gross profit %             | 31%                                     | 32%        |            |          |
| Operating income           | \$ 59,160                               | \$ 68,883  | \$ (9,723) | (14%)    |
| Operating income %         | 14%                                     | 17%        |            |          |
| Income before taxes        | \$ 58,748                               | \$ 67,369  | \$ (8,621) | (13%)    |
| Provision for income taxes | \$ 17,610                               | \$ 17,519  | \$ 91      | 1%       |
| Effective tax rate         | 30%                                     | 26%        |            |          |
| Net income                 | \$ 41,138                               | \$ 49,850  | \$ (8,712) | (17%)    |
| Diluted earnings per share | \$ 3.61                                 | \$ 4.42    | \$ (0.81)  | (18%)    |

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

|                         | Amount          | Change %  |
|-------------------------|-----------------|-----------|
| Net sales change        | \$ 11,666       | 3%        |
| Foreign currency change | (6,671)         | (2%)      |
| <b>Total</b>            | <b>\$ 4,995</b> | <b>1%</b> |

The following is an overview for the nine months ended October 31, 2012 and 2011. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Consolidated net sales increased 3% due to higher sales volumes as a result of increased demand in the construction industry and a strong lift truck market in the Americas and Asia Pacific regions.

Our consolidated gross profit percentage decreased during fiscal 2013 as a result of increased sales of lower margin product.

Operating income was impacted during the current year by a 9% increase in selling and administrative expenses primarily due to \$1.9 million of costs associated with the pending sale of the Company to Toyota Industries Corporation and higher personnel costs, professional and legal expenses, consulting fees, product liability costs and warranty charges.

The higher effective tax rate in the current year is primarily due to the release of a \$3.6 million tax valuation allowance in The Netherlands during the prior year, compared to the release of \$1.7 million in tax valuation allowance in The Netherlands during the current year.

**Table of Contents****Americas**

|                            | Nine Months Ended October 31 |            |            |          |
|----------------------------|------------------------------|------------|------------|----------|
|                            | 2012                         | 2011       | Change     | Change % |
| Net sales                  | \$ 231,142                   | \$ 212,038 | \$ 19,104  | 9%       |
| Transfers between areas    | 18,995                       | 22,975     | (3,980)    | (17%)    |
| Net sales and transfers    | 250,137                      | 235,013    | 15,124     | 6%       |
| Cost of goods sold         | 176,114                      | 161,824    | 14,290     | 9%       |
| Gross profit               | 74,023                       | 73,189     | 834        | 1%       |
| Gross profit %             | 30%                          | 31%        |            |          |
| Selling and administrative | 41,867                       | 37,015     | 4,852      | 13%      |
| Operating income           | \$ 32,156                    | \$ 36,174  | \$ (4,018) | (11%)    |
| Operating income %         | 13%                          | 15%        |            |          |

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

|                         | Amount    | Change % |
|-------------------------|-----------|----------|
| Net sales change        | \$ 19,679 | 9%       |
| Foreign currency change | (575)     | 0%       |
| Total                   | \$ 19,104 | 9%       |

The following summarizes financial results for the Americas for the first nine months of fiscal 2013. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Net sales increased 9% due to higher sales volumes as a result of a strong lift truck market in the Americas, higher sales of products to the construction industry and sales price increases.

Our gross profit percentage decreased slightly compared to the prior year as the benefit of higher sales volumes was more than offset by higher sales of lower margin product.

Selling and administrative expense increased due to \$1.9 million of costs associated with the pending sale of the Company to Toyota Industries Corporation and higher consulting, personnel, insurance and product liability costs.

**Table of Contents****Europe**

|                            | Nine Months Ended October 31 |           | Change      | Change % |
|----------------------------|------------------------------|-----------|-------------|----------|
|                            | 2012                         | 2011      |             |          |
| Net sales                  | \$ 72,522                    | \$ 83,967 | \$ (11,445) | (14%)    |
| Transfers between areas    | 672                          | 748       | (76)        | (10%)    |
| Net sales and transfers    | 73,194                       | 84,715    | (11,521)    | (14%)    |
| Cost of goods sold         | 58,818                       | 66,426    | (7,608)     | (11%)    |
| Gross profit               | 14,376                       | 18,289    | (3,913)     | (21%)    |
| Gross profit %             | 20%                          | 22%       |             |          |
| Selling and administrative | 12,444                       | 14,073    | (1,629)     | (12%)    |
| Operating income           | \$ 1,932                     | \$ 4,216  | \$ (2,284)  | (54%)    |
| Operating income %         | 3%                           | 5%        |             |          |

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

|                         | Amount      | Change % |
|-------------------------|-------------|----------|
| Net sales change        | \$ (5,052)  | (6%)     |
| Foreign currency change | (6,393)     | (8%)     |
| Total                   | \$ (11,445) | (14%)    |

The following summarizes financial results for Europe for the first nine months of fiscal 2013. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Net sales decreased 6% primarily as a result of a weakening lift truck market, due to economic conditions in the region.

The decrease in our gross profit percentage is a result of lower cost absorption due to decreased sales volumes and higher product costs from changes in foreign currency rates.

**Asia Pacific**

|                         | Nine Months Ended October 31 |           | Change   | Change % |
|-------------------------|------------------------------|-----------|----------|----------|
|                         | 2012                         | 2011      |          |          |
| Net sales               | \$ 62,134                    | \$ 59,417 | \$ 2,717 | 5%       |
| Transfers between areas | 55                           | 103       | (48)     | (47%)    |
| Net sales and transfers | 62,189                       | 59,520    | 2,669    | 4%       |
| Cost of goods sold      | 44,542                       | 40,535    | 4,007    | 10%      |
| Gross profit            | 17,647                       | 18,985    | (1,338)  | (7%)     |
| Gross profit %          | 28%                          | 32%       |          |          |

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|                            |            |            |            |       |
|----------------------------|------------|------------|------------|-------|
| Selling and administrative | 8,917      | 8,168      | 749        | 9%    |
| Operating income           | \$ 8,730   | \$ 10,817  | \$ (2,087) | (19%) |
| <i>Operating income %</i>  | <i>14%</i> | <i>18%</i> |            |       |

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

|                         | Amount          | Change %  |
|-------------------------|-----------------|-----------|
| Net sales change        | \$ 3,543        | 6%        |
| Foreign currency change | (826)           | (1%)      |
| <b>Total</b>            | <b>\$ 2,717</b> | <b>5%</b> |

The following summarizes financial results for Asia Pacific for the first nine months of fiscal 2013. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Net sales increased 6% primarily due to higher sales volumes as a result of a strong lift truck market throughout the region.

Our prior year gross profit percentage included net insurance proceeds of \$2 million related to the Australia flood. Without these insurance proceeds, the gross profit percentage would have been 28% for both years.

During the first nine months of fiscal 2012, operating income reflects \$2.3 million from net flood insurance proceeds related to the Australia flood. We did not receive any insurance proceeds and did not incur any significant flood related costs during the first nine months of fiscal 2013.

**China**

|                                | Nine Months Ended October 31 |               | Change         | Change %    |
|--------------------------------|------------------------------|---------------|----------------|-------------|
|                                | 2012                         | 2011          |                |             |
| Net sales                      | \$ 49,040                    | \$ 54,421     | \$ (5,381)     | (10%)       |
| Transfers between areas        | 24,149                       | 25,075        | (926)          | (4%)        |
| <b>Net sales and transfers</b> | <b>73,189</b>                | <b>79,496</b> | <b>(6,307)</b> | <b>(8%)</b> |
| Cost of goods sold             | 51,793                       | 57,092        | (5,299)        | (9%)        |
| Gross profit                   | 21,396                       | 22,404        | (1,008)        | (4%)        |
| Gross profit %                 | 29%                          | 28%           |                |             |
| Selling and administrative     | 5,054                        | 4,728         | 326            | 7%          |
| Operating income               | \$ 16,342                    | \$ 17,676     | \$ (1,334)     | (8%)        |
| <b>Operating income %</b>      | <b>22%</b>                   | <b>22%</b>    |                |             |

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

|                         | Amount            | Change %     |
|-------------------------|-------------------|--------------|
| Net sales change        | \$ (6,504)        | (12%)        |
| Foreign currency change | 1,123             | 2%           |
| <b>Total</b>            | <b>\$ (5,381)</b> | <b>(10%)</b> |

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The following summarizes financial results for China for the first nine months of fiscal 2013. All percentage change comparisons to the prior year exclude the impact of foreign currencies:

Net sales decreased 12% primarily due to a slowdown in the Chinese economy and lift truck industry.

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Our gross profit percentage increased compared to the prior year as the impact of lower cost absorption due to decreased sales volumes was more than offset by decreased sales volumes of lower margin product and decreases in steel prices.

**CASH FLOWS****Statements of Cash Flows**

The statements of cash flows reflect the changes in cash and cash equivalents for the three and nine months ended October 31, 2012 and October 31, 2011 by classifying transactions into three major categories of activities: operating, investing and financing.

The following table presents a summary of our cash flows:

|   | Three Months Ended October 31 |             | Nine Months Ended October 31 |            |
|---|-------------------------------|-------------|------------------------------|------------|
|   | 2012                          | 2011        | 2012                         | 2011       |
|   | (In thousands)                |             | (In thousands)               |            |
| Operating activities                    | \$ 15,682                     | \$ 19,708   | \$ 32,836                    | \$ 28,945  |
| Investing activities                    | (3,627)                       | (3,360)     | (10,471)                     | (8,016)    |
| Financing activities                    | (15,706)                      | (29,219)    | (11,594)                     | (25,908)   |
| Effect of exchange rate changes         | (450)                         | 523         | (451)                        | (263)      |
| Net change in cash and cash equivalents | \$ (4,101)                    | \$ (12,348) | \$ 10,320                    | \$ (5,242) |

**Operating Activities**

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

The following are operating activity highlights:

Net income was lower during fiscal 2013 compared to fiscal 2012 primarily due to higher gross profit and lower selling and administrative costs during fiscal 2012 and flood insurance proceeds received in the prior year.

Inventories increased \$2 million during fiscal 2013 primarily due to product needed to meet expected customer demand and a business acquisition in Brazil, compared to an increase of \$17 million during fiscal 2012 as a result of a significant increase in customer demand.

During the first nine months of fiscal 2013 and fiscal 2012, accounts receivable increased primarily as a result of higher sales. However, the accounts receivable increase during fiscal 2012 was significantly higher.



**Table of Contents****Investing Activities**

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

|              | Three Months Ended October 31 |          | Nine Months Ended October 31 |          |
|--------------|-------------------------------|----------|------------------------------|----------|
|              | 2012                          | 2011     | 2012                         | 2011     |
| Americas     | \$ 2,245                      | \$ 1,528 | \$ 5,262                     | \$ 3,623 |
| Europe       | 566                           | 495      | 1,207                        | 1,267    |
| Asia Pacific | 209                           | 842      | 1,362                        | 1,992    |
| China        | 584                           | 617      | 1,530                        | 2,308    |
|              | \$ 3,604                      | \$ 3,482 | \$ 9,361                     | \$ 9,190 |

The following are investing activity highlights:

We expect capital expenditures for the remainder of fiscal 2013 to be approximately \$6 million. This includes \$4 million for routine expenditures and \$2 million to replace equipment damaged in the Australia flood last year.

We acquired the assets, primarily inventory, accounts receivable and intangible assets, of our Brazilian distributor during the first quarter of fiscal 2013 for \$1.2 million.

**Financing Activities**

The following are financing activity highlights:

We declared and paid dividends totaling \$11.7 million (\$1.05 per share) during fiscal 2013 and \$7.2 million (\$0.65 per share) during fiscal 2012.

**FINANCIAL CONDITION AND LIQUIDITY**

The following are highlights regarding our financial condition and liquidity for the first nine months of fiscal 2013:

Total outstanding debt at October 31, 2012, was \$3.2 million, a decrease of approximately \$2.4 million compared to our January 31, 2012 debt balance. Our cash balance at October 31, 2012 was \$35 million, an increase of \$10 million compared to our January 31, 2012 cash balance. We anticipate paying down long-term debt during the remainder of fiscal 2013.

As of October 31, 2012, outstanding borrowings under our \$100 million credit facility totaled \$3.2 million with an additional \$0.7 million used to issue letters of credit. Based on these borrowings, the additional amount that may be borrowed under our credit facility is \$96.1 million.

We were in compliance with our debt covenants at October 31, 2012. We believe our cash and cash equivalents, existing credit facilities and cash flows from operations will be sufficient to satisfy our expected working capital, capital expenditures and debt payment requirements for at least the next twelve months.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the

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disclosure of contingent assets and liabilities. We evaluate our estimates and judgments on an on-going basis, including those related to inventory reserves, impairment of long-lived assets, impairment of goodwill, environmental liabilities, benefit plans, share-based compensation and income taxes. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A description of our critical accounting policies and related judgments and estimates that affect the preparation of our consolidated financial statements is set forth in our Annual Report on Form 10-K for the year ended January 31, 2012.

### **OFF BALANCE SHEET ARRANGEMENTS**

At October 31, 2012, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

#### **Impairment Test of Indefinite-Lived Intangible Asset**

In July 2012, the Financial Accounting Standards Board issued an accounting update which amended how entities test for impairment of indefinite-lived intangible assets. The new guidance permits a company to assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the annual impairment test. This guidance is effective for fiscal years beginning after September 15, 2012, and is effective for our first quarter of fiscal 2014. The adoption of the guidance is not expected to have an impact on our results of operations or financial position.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

The following table represents the three-month percentage change from July 31, 2012 to October 31, 2012 and the nine-month percentage change from January 31, 2012 to October 31, 2012 in the end of month foreign currency rates compared to the U.S. dollar used by our significant operations. As a result of these changes, foreign currency translation adjustments increased shareholders' equity by \$3.4 million during the quarter ended October 31, 2012 and decreased shareholders' equity by \$0.6 million during the first nine months of fiscal 2013.

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| Currency          | Change for<br>Three Months Ended<br>October 31,<br>2012 | Change for<br>Nine Months Ended<br>October 31,<br>2012 |
|-------------------|---|--|
| Euro              | 5%  | (1%)   |
| Korean Won        | 4%  | 3%   |
| British Pound     | 3%  | 2%   |
| Chinese Yuan      | 2%  | 1%   |
| Canadian Dollar   | 0%  | 0%   |
| Australian Dollar | (1%)  | (2%)   |
| Japanese Yen      | (2%)  | (4%)   |

The table below illustrates the hypothetical increase in net sales for the third quarter of fiscal 2013 resulting from a 10% weaker U.S. dollar against foreign currencies which impact our operations (in millions):

|  |        |
|--|--------|
| Euro   | \$ 1.7 |
| Chinese Yuan   | 1.6    |
| Australian Dollar  | 0.8    |
| Canadian Dollar  | 0.7    |
| Japanese Yen   | 0.7    |
| British Pound  | 0.4    |
| Korean Won   | 0.4    |
| Other currencies (representing 2% of consolidated net sales) | 0.2    |
|  | \$ 6.5 |

A 10% weaker U.S. dollar during the quarter, measured against foreign currencies that affect our operations, would have increased our operating income by approximately \$1.4 million.

We enter into foreign currency forward exchange contracts to offset the impact of currency fluctuations on certain nonfunctional currency assets and liabilities. The principal currencies hedged are denominated in Japanese Yen, Canadian Dollars, Euros, Australian Dollars and British Pounds. Our foreign currency forward exchange contracts have terms lasting up to three months, but generally less than one month. We do not enter into derivatives or other financial instruments for trading or speculative purposes and we do not record our derivatives under hedge accounting.

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

Presuming that the full impact of steel price increases is reflected in all steel and steel based component purchases, we estimate our gross profit percentage would decrease by approximately 0.4% for each 1.0% increase in steel prices. Based on our statement of income for the three months ended October 31, 2012, a 1.0% increase in steel prices would have decreased consolidated gross profit by approximately \$0.5 million.

**Item 4. Controls and Procedures****Evaluation of Disclosure Controls and Procedures**

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act).

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Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

There has been no change in the internal control over financial reporting that occurred during the three months ended October 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

Two lawsuits have been filed against Cascade in connection with the proposed acquisition of Cascade by TICO as follows:

On November 1, 2012, a shareholder class action complaint was filed in the Circuit Court of the State of Oregon for the County of Multnomah, captioned IBEW Local 98 Pension Fund v. Cascade Corporation, et al., Case No. 1211-13867. The complaint names as defendants Cascade, TICO, Purchaser, and each of the Cascade directors ( Individual Defendants ). The complaint alleges generally that the Individual Defendants have breached their fiduciary duties and that Cascade, TICO and Purchaser aided and abetted the purported breaches of fiduciary duties. The complaint includes, among others, allegations that the Individual Defendants breached their fiduciary duties by initiating a sales process that undervalued Cascade, vesting themselves with benefits not shared equally by Cascade or the public shareholders, capping the price of Cascade at a level that does not adequately reflect Cascade s true value and failing to ensure a fair process and maximization of shareholder value. The relief sought includes, among other things, an injunction prohibiting consummation of the proposed transaction, rescission (to the extent the proposed transaction has already been consummated) and the payment of plaintiffs attorneys fees and costs.

On November 2, 2012, a second shareholder class action complaint was filed in the Circuit Court of the State of Oregon for the County of Multnomah, captioned Joseph Polyak v. Robert C. Warren, Jr., et al., Case No. 1211-13933. On November 9, 2012, an amended complaint was filed in this matter alleging generally that Individual Defendants breached their fiduciary duties and that Cascade, TICO, and Purchaser aided and abetted the purported breaches of fiduciary duties. The amended complaint includes, among others, allegations that the Individual Defendants breached their fiduciary duties by attempting to sell Cascade to TICO by means of an unfair process and for an unfair price. The amended complaint also generally alleges that the Individual Defendants breached their fiduciary duties by failing to disclose in the Schedule 14D-9 all information material to the decisions confronting Cascade s shareholders in the Schedule 14D-9. The relief sought includes, among other things, an injunction prohibiting the consummation of the proposed transaction, rescission (to the extent that the proposed transaction has already been consummated), an accounting to plaintiff and other members of the class for damages resulting from any breach of fiduciary duties, and the payment of plaintiffs attorneys fees and costs.

**Item 1A. Risk Factors**

There are no material changes from risk factors previously disclosed in our Form 10-K for the year ended January 31, 2012.

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

None

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

None

**Item 5. Other Information**

None

**Item 6. Exhibits**

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

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SIGNATURES

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

CASCADE CORPORATION

November 30, 2012

/s/ JOSEPH G. POINTER  
Joseph G. Pointer  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

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**EXHIBIT INDEX**

| <b>Exhibit</b> |   |
|----------------|---|
| <b>No.</b>     | <b>Description</b>  |
| 2.1            | Agreement and Plan of Merger dated October 22, 2012, by and among Cascade Corporation, Toyota Industries Corporation, and Industrial Components and Attachments II, Inc., filed as Exhibit 2.1 to Cascade's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 23, 2012. (1) |
| 31.1           | Certification of Chief Executive Officer.   |
| 31.2           | Certification of Chief Financial Officer.   |
| 32             | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.  |
| 101.INS        | XBRL Instance Document*   |
| 101.SCH        | XBRL Taxonomy Extension Schema Document*  |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document*  |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document*   |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document*  |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document*   |

\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

(1) Incorporated by Reference