# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1997-07-25** | Period of Report: **1997-06-29**
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## FILER

**INTERLAKE CORP**

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SIC: **2540** Partitions, shelvg, lockers, & office & store fixtures

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

# FORM 10-Q

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

For the quarterly period ended June 29, 1997
Commission file number 1-9149

THE INTERLAKE CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 36-3428543 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 550 Warrenville Road, Lisle, Illinois | 60532-4387 |
| (Address of Principal Executive Offices) | (Zip Code) |

(630) 852-8800
(Registrant's telephone number, including area code)

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 X No

As of July 15, 1997, 23,151,792 shares of the Registrant's common stock were outstanding.

THE INTERLAKE CORPORATION

## PART 1. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

The following consolidated financial statements as of June 29, 1997 and for the periods ended June 29, 1997 and June 30, 1996 are unaudited, but include all adjustments which the Registrant considers necessary for a fair presentation of results of operations and financial position for the applicable periods. Except as noted, all adjustments are of a normal recurring nature.

<TABLE>

THE INTERLAKE CORPORATION
Consolidated Statement of Operations
For the Periods Ended
June 29, 1997 and June 30, 1996
(In thousands except per share amounts)

| | Second Quarter 1997 | Second Quarter 1996 | Six Months 1997 | Six Months 1996 |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Net Sales from Continuing Operations | $185,845 | $174,651 | $356,019 | $339,873 |
| Cost of Products Sold | 144,745 | 134,971 | 276,577 | 262,680 |
| Selling & Administrative Expense | 25,080 | 25,467 | 49,515 | 50,263 |
| Operating Profit | 16,020 | 14,213 | 29,927 | 26,930 |
| Non-operating (Income) Expense | (78) | (1,064) | (533) | (1,279) |
| Earnings Before Interest & Taxes | 16,098 | 15,277 | 30,460 | 28,209 |
| Interest Expense | 11,421 | 11,760 | 22,961 | 23,663 |
| Interest Income | (621) | (339) | (1,389) | (829) |
| Income from Continuing Operations Before Taxes, Minority Interest, Extraordinary Loss & Accounting Change | 5,298 | 3,856 | 8,888 | 5,375 |
| Provision for Income Taxes | 3,364 | 2,168 | 5,609 | 3,590 |
| Income from Continuing Operations Before Minority Interest, Extraordinary Loss & Accounting Change | 1,934 | 1,688 | 3,279 | 1,785 |
| Minority Interest in Net Income of Subsidiaries | 1,266 | 1,080 | 2,530 | 2,043 |
| Income (Loss) from Continuing Operations Before Extraordinary Loss & Accounting Change | 668 | 608 | 749 | (258) |
| Income from Discontinued Operations, Net of Income Taxes | - | 1,184 | 1,484 | 2,494 |
| Extraordinary Loss, Net of Income Taxes | - | - | (1,482) | - |
| Cumulative Effect of Change in Accounting Principle | - | - | - | 1,610 |
| Net Income | $ 668 | $ 1,792 | $ 751 | $ 3,846 |
| Net Income (Loss) Per Share of Common Stock: | | | | |
| Continuing Operations Before Extraordinary Loss & Accounting Change | $ .02 | $ .01 | $ .02 | $ (.01) |
| Discontinued Operations, Net of Income Taxes | - | .04 | .05 | .08 |
| Extraordinary Loss, Net of Income Taxes | - | - | (.05) | - |
| Cumulative Effect of Change in Accounting Principle | - | - | - | .05 |
| Net Income | $ .02 | $ .05 | $ .02 | $ .12 |
| Average Shares Outstanding | 32,319 | 31,456 | 32,319 | 31,456 |

</TABLE>

<TABLE>

THE INTERLAKE CORPORATION
Consolidated Balance Sheet
June 29, 1997 and December 29, 1996
(Dollars in thousands)

| Assets | 1997 | 1996 |
|---|---|---|
| <S> | <C> | <C> |
| Current Assets: | | |
| Cash and cash equivalents | $ 40,289 | $ 70,228 |
| Receivables, less allowances for doubtful accounts of $1,950 at June 29, 1997 and $2,037 at December 29, 1996 | 124,281 | 128,990 |
| Inventories - Raw materials and supplies | 19,405 | 22,144 |
| - Semi-finished and finished products | 41,054 | 37,842 |
| Other current assets | 13,687 | 12,893 |
| Total Current Assets | 238,716 | 272,097 |
| Other Assets | 44,878 | 40,527 |
| Property, Plant and Equipment, at cost | 392,494 | 387,546 |
| Less - Depreciation and amortization | (247,334) | (242,447) |
| | 145,160 | 145,099 |
| Total Assets | $428,754 | $457,723 |
| Liabilities and Shareholders' Equity (Deficit) | | |
| Current Liabilities: | | |
| Accounts payable | $ 63,489 | $ 65,366 |
| Accrued liabilities | 29,223 | 33,921 |
| Interest payable | 10,584 | 10,824 |
| Accrued salaries and wages | 13,904 | 15,675 |
| Income taxes payable | 32,252 | 29,591 |
| Debt due within one year | 3,765 | 3,759 |
| Total Current Liabilities | 153,217 | 159,136 |
| Long-Term Debt | 375,785 | 395,060 |
| Other Long-Term Liabilities and Deferred Credits | 90,558 | 92,506 |
| Preferred Stock - 2,000,000 shares authorized | | |
| Convertible Exchangeable Preferred Stock - Redeemable, par value $1 per share, issued 40,000 shares (liquidation value $62,310 at June 29, 1997 and $59,626 at December 29, 1996) | 39,155 | 39,155 |
| Shareholders' Equity (Deficit): | | |
| Common stock, par value $1 per share, authorized 100,000,000 shares, issued 23,228,695 shares | 23,229 | 23,229 |
| Additional paid-in capital | 2,296 | 3,741 |
| Cost of common stock held in treasury (76,903 shares at June 29, 1997 and 115,696 shares at December 29, 1996) | (1,794) | (2,700) |
| Accumulated deficit | (237,204) | (237,955) |
| Unearned compensation | (3,882) | (5,102) |
| Accumulated foreign currency translation adjustments | (12,606) | (9,347) |
| | (229,961) | (228,134) |
| Total Liabilities and Shareholders' Equity (Deficit) | $428,754 | $457,723 |

</TABLE>

<TABLE>

THE INTERLAKE CORPORATION
Consolidated Statement of Cash Flows
For the Periods Ended June 29, 1997 and June 30, 1996
(In thousands)

| | 1997 | 1996 |
|---|---|---|
| <S> | <C> | <C> |
| Cash flows from (for) operating activities: | | |
| Net income | $ 751 | $ 3,846 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,851 | 10,294 |
| Discontinued operations | (1,484) | - |
| Extraordinary loss | 1,482 | - |
| Cumulative effect of change in accounting principle | - | (1,876) |
| Other operating adjustments | 1,232 | 822 |
| (Increase) decrease in working capital: | | |
| Accounts receivable | 4,269 | 159 |
| Inventories | (634) | (1,068) |
| Other current assets | (810) | (842) |
| Accounts payable | (3,057) | (2,914) |
| Other accrued liabilities | (7,851) | (10,247) |
| Income taxes payable | 2,601 | 73 |
| Total working capital change | (5,482) | (14,839) |
| Net cash provided (used) by operating activities | 6,350 | (1,753) |
| Cash flows from (for) investing activities: | | |
| Capital expenditures | (9,918) | (10,013) |
| Proceeds from disposal of PP&E | 70 | 135 |
| Acquisitions | (4,853) | (310) |
| Divestitures | 1,703 | - |
| Other investment flows | 194 | 266 |
| Net cash provided (used) by investing activities | (12,804) | (9,922) |
| Cash flows from (for) financing activities: | | |
| Retirements of long-term debt | (21,682) | (2,028) |
| Debt retirement costs | (1,504) | - |
| Other financing flows | 345 | 1,005 |
| Net cash provided (used) by financing activities | (22,841) | (1,023) |
| Effect of exchange rate changes | (644) | 342 |
| Increase (Decrease) in cash and cash equivalents | (29,939) | (12,356) |
| Cash and cash equivalents, beginning of period | 70,228 | 41,562 |
| Cash and cash equivalents, end of period | $ 40,289 | $ 29,206 |

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Financial Statements

The interim information furnished in these financial statements is unaudited.

The Registrant and its subsidiaries are referred to herein on a consolidated basis as the Company.

Note 2 - Discontinued Operations

In the first quarter of 1997, the Company received additional proceeds from the October, 1996 sale of its packaging businesses resulting in income from discontinued operations of $1.5 million, net of applicable income taxes.

Note 3 - Extraordinary Loss

In the first quarter of 1997, the Company repurchased $14.5 million in principal amount of its 12% Senior Notes at a premium of $1.5 million.  In addition, deferred debt issuance costs of $.3 million related to the repurchased Notes were written off.  An extraordinary loss of $1.5 million, net of applicable income taxes, was reported in the quarter.

Note 4 - Accounting Change

In the second quarter of 1996, the Company changed its method of amortizing unrecognized actuarial gains and losses with respect to its postretirement benefits to amortize them over a five-year period.  The method previously used was to amortize any unrecognized gain or loss in excess of 10% of the Accumulated Postretirement Benefit Obligation amount over 15 years.  This change was accounted for as a change in accounting principle, the cumulative effect of which was recorded as of the beginning of 1996.  As a result, net income for the first quarter of 1996 was increased by $1.6 million for continuing operations and $.3 million for discontinued operations.

Note 5 - Computation of Common Share Data

The weighted average number of common shares outstanding used to compute net income per share was 32,319,000 for 1997 and 31,456,000 for 1996.

Note 6 - Income Taxes

The effective tax rate on income from continuing operations was 63.1% and 66.8% for the 1997 and 1996 six month periods, respectively.  Because most of the Company's interest expense is borne in the United States at the parent company, the Company had substantial taxable income in foreign and state jurisdictions.  Taxes due to foreign authorities were not offset by U.S. federal income tax benefits.

Note 7 - Acquisitions

In the first quarter of 1997, the Company acquired the assets of ARC Metals Inc. for $5.0 million in cash and a promissory note in the amount of $2.8 million.

Note 8 - Environmental Matters

In connection with the reorganization of the old Interlake, Inc. (now Acme Steel Company ("Acme")) in 1986, the Company, then newly-formed, indemnified Acme against certain environmental liabilities relating to properties which had been shut down or disposed of by Acme's iron and steel division prior to the 1986 reorganization. As of June 29, 1997, the Company's reserves for environmental liabilities totaled $1.6 million, most of which relates to the Acme indemnification.

Based on its current estimate of its potential environmental liabilities, including all contingent liabilities, individually and in the aggregate, asserted and unasserted, the Company believes that, subject to the uncertainty with respect to the Duluth Site discussed below, the costs of environmental matters have been fully provided for or are unlikely to have a material adverse effect on the Company's business, future results of operations, liquidity or financial condition. In arriving at its current estimate of its potential environmental liabilities, the Company has relied upon the estimates and analysis of its environmental consultants and legal advisors, as well as its own evaluation, and has considered: the probable scope and cost of investigations and remediations for which the Company expects to have liability; the likelihood of the Company being found liable for the claims asserted or threatened against it; and the risk of other responsible parties not being able to meet their obligations with respect to clean-ups. The Company's estimate has not been discounted to reflect the time-value of money, although a significant delay in implementation of certain of the remedies thought to be probable could result in cost estimates increasing due to inflation.

In May 1994, the Company instituted an action seeking a declaratory judgment against and recoveries from insurers under policies covering nearly 30 years. This action has been stayed pending appeal of a ruling that the Company's notice to the insurers of environmental claims in connection with the Duluth Site was late. The Company has entered into settlement agreements with certain of the defendants in the litigation pursuant to which the Company has recovered certain amounts.

The Company's current estimates of its potential environmental liabilities are subject to considerable uncertainty due to continuing uncertainty surrounding one of the sites for which the Company is responsible pursuant to its indemnity of Acme -- namely, the Superfund site on the St. Louis River in Duluth, Minnesota (the "Duluth Site"). These uncertainties primarily relate to whether remediation of certain underwater sediments will be required and, if so, the nature of any remedy. In the light of these uncertainties, the Company's estimates could be subject to change in the future. The Minnesota Pollution Control Agency ("MPCA") has requested the Company to undertake an investigation and to evaluate remedial alternatives for the underwater sediments. The Company's consultants have substantially completed their initial investigation. Based on this investigation, the Company is reviewing possible remedial alternatives for the underwater sediments. The Company believes that, until this review is completed, any estimate of remediating the underwater sediments will not be meaningful. The Company also continues to believe that the range of reasonable remedial alternatives for the underwater sediments includes that of taking no action, thereby avoiding the disruption of the natural remediation of the underwater sediments which has been underway for over 30 years. Thus, the Company believes the minimum of the range of costs of remedial alternatives to be zero, and to date has made provision for only the investigation, and not for the clean-up, of underwater sediments. If a clean-up is ultimately determined to be appropriate, the range of costs would likely be dependent in part upon the extent to which the remedy selected called for the removal and/or treatment of contaminated sediments and could run from several millions to tens of millions of dollars.

In March 1996, the citizens' board of the MPCA named the successors to certain coal tar processors at the Duluth Site (the "tar companies") as additional responsible parties for a portion of the underwater sediments operable unit. The Company believes that the tar companies are the cause of a significant portion of the underwater contamination at the site, while the tar companies to date have maintained that their contributions were minimal.

The Company's current expectation is that cash outlays related to its outstanding reserves for environmental matters largely will be made during 1997 and 1998. If the Company ultimately determines that additional charges are necessary in connection with the underwater sediments at the Duluth Site, the Company believes it is likely that cash outlays would occur near the end of the decade, or later.

Note 9 - Commitments and Contingencies

The Company is engaged in certain routine litigation arising in the ordinary course of business. Based upon its evaluation of available information, management does not believe that any such matters are likely, individually or in the aggregate, to have a material adverse effect upon the Company's business, future results of operations, liquidity or financial condition.

On July 9, 1990, the City of Toledo, Ohio (the "City"), brought an action (the "Primary Action") in federal district court (the "Court") in Toledo against the Company, Acme (together with the Company, the "Interlake defendants"), Beazer Materials and Services, Inc., succeeded by Beazer East, Inc. ("Beazer") and Toledo Coke Corporation ("Toledo Coke") in connection with the alleged contamination of a 1.7 acre parcel of land the City had purchased from Toledo Coke for purposes of widening a road. Pursuant to a memorandum of understanding dated September 30, 1996, among Beazer, the City, and the Toledo-Lucas County Port Authority (the "Port Authority"), setting forth certain obligations of Beazer, the City and the Port Authority for the completion and funding of the road widening project and related environmental work, the City, Beazer and the Interlake defendants entered into a settlement agreement pursuant to which the City released the Interlake defendants and Beazer from, and agreed to dismiss with prejudice, all claims in the Primary Action. On October 10, 1996, the Court entered a consent order dismissing with prejudice all claims in the Primary Action, leaving only pending cross-claims between Beazer and the Interlake defendants at issue in the litigation. In May 1997, Beazer and the Interlake defendants reached a tentative settlement of their cross-claims, which if finalized would not have a material effect on the financial condition of the Company.

On March 10, 1995, SC Holdings, Inc., a subsidiary of Waste Management International Plc ("SC Holdings"), filed a complaint in federal district court in Trenton, New Jersey, against Hoeganaes Corporation, an Interlake subsidiary, and numerous other defendants, seeking to recover amounts expended or to be expended in the remediation of the Cinnaminson Groundwater Contamination Site in Burlington County, New Jersey. SC Holdings claims to have spent approximately $10 million in investigation and remediation, and purportedly estimates the total costs of investigation and remediation to be approximately $60 million. The site is a broadly-defined Superfund site which encompasses a landfill formerly operated by SC Holdings and may also include the groundwater under Hoeganaes' Riverton, New Jersey facility. Hoeganaes may have shipped certain materials to the landfill. SC Holdings alleges that Hoeganaes has liability as both an owner/operator and a generator. The parties to the litigation are presently engaged in a court-supervised non-binding allocation process which is presently expected to be completed in late 1997. The Company believes Hoeganaes has meritorious defenses to both of the alleged bases of liability.

Note 10 - Possible Sale of Handling Businesses

As previously announced, the Company is presently exploring the sale of all of its Handling businesses.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### Results of Operations
Second Quarter 1997 Compared with Second Quarter 1996

Net sales from continuing operations of $185.8 million in the quarter ended June 29,1997 compared with sales of $174.7 million in the prior year period. Sales in the Engineered Materials segment grew by 15% to $77.4 million, due to increased sales of metal powder at Special Materials and higher fabrication sales at Aerospace Components. In the Handling segment, sales increased 1% to $108.4 million. Operating profit increased 13% to $16.0 million, from $14.2 million in 1996. Income from continuing operations was $.7 million, compared with $.6 million in the 1996 quarter. Net income of $.7 million for the 1997 quarter compared to $1.8 million in 1996. The 1996 quarter included income from discontinued operations of $1.2 million.

### Segment Results

The Company's businesses are organized into two segments: Engineered Materials and Handling. Businesses in Engineered Materials are Special Materials (ferrous metal powders) and Aerospace Components (precision aerospace component fabrication and aviation repair). Businesses in Handling are North American, European and Asia Pacific handling operations.

| | Second Quarter Segment Results | | | |
|---|---|---|---|---|
| | Net Sales | | Operating Profit | |
| | 1997 | 1996 | 1997 | 1996 |

| | | | | |
|---|---|---|---|---|
| | (in millions) | | | |
| Engineered Materials | | | | |
| Special Materials | $ 50.7 | $ 43.8 | | |
| Aerospace Components | 26.7 | 23.7 | | |
| | 77.4 | 67.5 | $13.6 | $11.0 |
| Handling | 108.4 | 107.2 | 2.5 | 4.2 |
| Corporate Items | | | (.1) | (1.0) |
| Consolidated Totals | $185.8 | $174.7 | $ 16.0 | $ 14.2 |

Engineered Materials

Sales in the Engineered Materials segment for the second quarter increased 15% to $77.4 million, due to stronger metal powder sales at Special Materials and higher fabrication sales at Aerospace Components.

Special Materials' metal powder sales increased 16% compared with the same period last year, reflecting increased industry demand. Earnings increased 16% in the quarter as flowthrough from the additional volume was somewhat offset by lower selling prices.

Aerospace Components' sales improved 13% compared with the 1996 period, as shipments increased on several engine programs in the fabricated components business. Profit for the quarter increased 39%, reflecting additional volume and lower manufacturing costs in the fabrication business.

Order backlogs in this segment were $176.7 million at the end of the quarter, up from $151.3 million at the end of the second quarter of 1996. Special Materials' backlog, which is generally short term in nature, was up 11%. Aerospace Components' backlog increased 18%, to a record level, with new and follow-on orders on a number of commercial, military and space programs.

Handling

Second quarter sales in the Handling segment increased 1% to $108.4 million, due mainly to higher sales in the Asia Pacific region. Lower prices were partially offset by higher volume in North America and Europe leading to a 1% decline in sales at each location. Sales in the Asia Pacific region increased 14% due mainly to higher shipments within Australia.

Handling's profit declined 40% compared with the second quarter of 1996. North American profit was down 73% as a result of lower prices which were somewhat mitigated by higher volume. European profits improved 75% as lower steel costs, reduced selling and administrative costs and higher volume more than offset lower prices. Changes in exchange rates did not have a material impact on profits during the quarter.

Order backlogs in this segment were $121.7 million at the end of the second quarter, up 30% from $93.9 million at the end of the second quarter of 1996. Backlog at North America increased 12% and Europe 10%, while Asia Pacific was up 88% to a record level.

First Half 1997 Compared with First Half 1996

For the first six months of 1997, net sales from continuing operations of $356.0 million were up 5% , compared with net sales of $339.9 million in the 1996 period. Sales in the Engineered Materials segment grew by 16% to $150.2 million, due to increased sales of metal powder at Special Materials and higher fabrication sales at Aerospace Components. In the Handling segment, sales declined 2% to $205.8 million, due to lower sales in North America and Europe somewhat offset by higher sales in Asia Pacific. Operating profit increased 11% to $29.9 million, from $26.9 million in 1996. Income from continuing operations was $.7 million, compared with a loss of $.3 million in the 1996 period. Selling, general and administrative expenses were 13.9% of sales for the first half of 1997 as compared to 14.8% in the 1996 period. Net income of $.8 million, or $.02 per share compared, with net income of $3.8 million or $.12 per share for the 1996 period. Net income in the 1997 period included income from discontinued operations of $1.5 million and an extraordinary loss of $1.5 million on the early retirement of a portion of the Company's debt. Net income in the first half of 1996 included $2.5 million income from discontinued operations and a $1.6 million benefit from the cumulative effect of a change in accounting principle.

Segment Results

| | First Half Segment Results | | | |
|---|---|---|---|---|
| | Net Sales | | Operating Profit | |
| | 1997 | 1996 | 1997 | 1996 |
| | (in millions) | | | |
| Engineered Materials | | | | |
| Special Materials | $101.2 | $ 87.1 | | |
| Aerospace Components | 49.0 | 42.1 | | |
| | 150.2 | 129.2 | $25.8 | $19.8 |
| Handling | 205.8 | 210.7 | 4.6 | 8.2 |
| Corporate Items | | | (.5) | (1.1) |
| Consolidated Totals | $356.0 | $339.9 | $29.9 | $26.9 |

Engineered Materials

Sales in the Engineered Materials segment for the first half of 1997 increased 16% to $150.2 million, due to stronger metal powder sales at Special Materials and higher fabrication sales at Aerospace Components. Profit for the segment increased 30%.

Special Materials' metal powder sales increased 16% compared with the same period last year, reflecting increased industry demand. Profits increased 25% for the first half of 1997 as flowthrough from the additional volume was partially offset by lower prices.

Aerospace Components' sales improved 16% compared with the 1996 period, as shipments increased on several engine programs in the fabricated components business. Profit for the first half increased 30%, reflecting additional volume and lower manufacturing costs.

Handling

Sales in the Handling segment for the first half of 1997 declined 2% to $205.8 million, due mainly to lower prices in North America and Europe partially offset by higher volumes in North America and Asia Pacific. Lower prices more than offset higher volume in North America and, as a result, sales declined 6%. Sales in Europe were down 3% because of lower prices and volumes. Sales in the Asia Pacific region increased 11% due mainly to higher shipments within Australia.

Handling's profit declined 44% compared with the first half of 1996. North American profit declined 63% because of lower selling prices and a less profitable mix of business partially offset by higher volume and lower costs. European profits improved 80% as lower steel costs and reduced selling and administrative costs were somewhat offset by lower prices. Changes in exchange rates did not have a material effect on profits during the period.

Discontinued Operations

In the first quarter of 1997, the Company received additional proceeds from the October 1996 sale of its packaging businesses resulting in income from discontinued operations of $1.5 million, net of applicable income taxes.

Extraordinary Loss

An extraordinary loss of $1.5 million, net of applicable income taxes, was recorded in the first quarter of 1997 for the premium incurred and the write-off of deferred debt issuance costs related to the repurchase and early retirement of $14.5 million in principal amount of the Company's 12% Senior Notes.

Financial Condition

The Company's total debt at the end of the second quarter was $379.6 million, down $19.3 million from year-end 1996. Cash totaled $40.3 million at the end of the quarter, compared with $70.2 million at the end of 1996, principally due to the repurchase of $14.5 million of 12% Senior Notes in the open market, the acquisition of ARC Metals by Special Materials, the repayment of bank debt, increased working capital requirements and capital expenditures. Capital expenditures of $9.9 million during the first half of 1997 were comparable with capital spending in the 1996 period. The Company anticipates that 1997 capital spending will be approximately $25.0 million.

Under its bank credit agreement, the Company has available revolving facilities of up to an additional $22.1 million over the June 29, 1997 revolving indebtedness. If current levels of performance are maintained, the Company anticipates it will be in compliance with the covenants under its bank credit agreement. The Company believes that it will have adequate liquidity to meet its debt service and operating requirements in 1997, based on expected operating cash flow, cash on hand, and the availability of additional revolver borrowings under the Company's bank credit agreement.

Sale of Handling Businesses

As previously announced, the Company is presently exploring the sale of all of its Handling businesses.

## PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The nature of the Company's business is such that it is regularly involved in legal proceedings incidental to its business. None of these proceedings is material within the meaning of regulations of the Securities and Exchange Commission.

The Company is a party in certain litigation and a proceeding before a governmental agency which relate to the contamination of the environment. These matters are described in Note 8 and Note 9 of Notes to Consolidated Financial Statements included herein. Reference is also made to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, Part I, Item 3--Legal Proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On April 24, 1997, at the annual meeting of the Corporation, Frederick C. Langenberg, William G. Mitchell and Erwin E. Schulze were reelected as directors to serve until the year 2000 annual meeting of the Corporation. The vote tally was:

| Election of Directors: | For | Withheld | Broker non-votes |
|---|---|---|---|
| Frederick C. Langenberg | 15,471,391 | 1,594,238 | 0 |
| William G. Mitchell | 15,668,043 | 1,457,986 | 0 |
| Erwin E. Schulze | 15,663,763 | 1,462,266 | 0 |

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 4.1 Eleventh Amendment, dated as of January 10, 1997, to the Amended and Restated Credit Agreement

Exhibit 4.2 Twelfth Amendment, dated as of June 27, 1997, to the Amended and Restated Credit Agreement

Exhibit 27 Financial Data Schedule for the quarter ended June 29, 1997

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the quarter for which this report is filed.

## SIGNATURE

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.

THE INTERLAKE CORPORATION

July 25, 1997

/s/STEPHEN GREGORY

Stephen Gregory
Vice President - Finance
and Chief Financial Officer

Exhibit 4.1

ELEVENTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT

ELEVENTH AMENDMENT (the "Amendment"), dated as of January 10, 1997 among THE INTERLAKE CORPORATION, a Delaware corporation (the "Company"), each Subsidiary Borrower party to the Credit Agreement referred to below, The Interlake Corporation Employee Stock Ownership Trust (the "ESOP Borrower"), acting by and through the LaSalle National Trust, N.A. (successor to LaSalle National Bank), not in its individual or corporate capacity, but solely in its capacity as trustee of the ESOP Trust (the "ESOP Trustee" and together with the Company and the Subsidiary Borrowers, the "Credit Parties"), THE CHASE MANHATTAN BANK (as successor to CHEMICAL BANK), individually and as Administrative Agent (the "Administrative Agent"), THE FIRST NATIONAL BANK OF CHICAGO, individually and as Co-Agent (the "Co-Agent"), and the financial institutions party to the Credit Agreement referred to below and listed on the signature pages hereto (the "Banks"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, each of the Credit Parties, the Banks, the Administrative Agent and the Co-Agent are parties to that certain Amended and Restated Credit Agreement dated as of September 27, 1989 and amended and restated as of May 28, 1992 and as further amended by the First Amendment dated as of August 14, 1992, the Second Amendment and Waiver dated as of October 30, 1992, the Third Amendment and Waiver dated as of August 20, 1993, the Fourth Amendment dated as of December 22, 1993, the Fifth Amendment dated as of February 23, 1994, the Sixth Amendment dated as of August 16, 1994, the Seventh Amendment dated as of January 24, 1995, the Eighth Amendment dated as of February 1, 1995 and the Ninth Amendment dated as of June 1, 1995 and the Tenth Amendment dated as of September 25, 1996 (as so amended and restated and further amended and as the same may hereafter be amended, modified or supplemented from time to time, the "Credit Agreement"); and

WHEREAS, the Company, the Subsidiary Borrowers and the Banks wish to amend the Credit Agreement as herein provided;

NOW THEREFORE, it is agreed:

1. On the Eleventh Amendment Effective Date, Section 3.01 of the Credit Agreement is hereby amended by deleting the number "150" on the first line of clause (i) and inserting "210" in lieu thereof.

2. On the Eleventh Amendment Effective Date, Section 4.02(d) of the Credit Agreement is hereby amended by deleting the number "150" which appears in the proviso in the last sentence thereof and inserting in lieu thereof the number "210".

3. On the Eleventh Amendment Effective Date, Section 7 of the Credit Agreement is hereby amended by inserting a new Section 7.17 as follows:

"7.17. Consent Solicitation. (a) In the event that the Consent Solicitation shall have become effective, the Company will have satisfied all of the requirements of the Consent Solicitation in accordance with the terms thereof and to the reasonable satisfaction of the Administrative Agent, which Consent Solicitation will have been completed or terminated in accordance with its terms by the Expiration Date (as defined in the Consent Solicitation Statement).

4. On the Eleventh Amendment Effective Date, Section 8.05 is hereby amended by (i) deleting the number "5,000,000" appearing in clause (g)(v)(x) thereof and inserting in lieu thereof the number "10,000,000" and (ii)(A) deleting the "and" at the end of clause (l), (B) deleting the period at the end of clause (m) and inserting "; and" in lieu thereof and (C) adding the following clause (n) at the end thereof:

"(n) the Company's Thai Subsidiary shall be permitted to incur Indebtedness of up to $1,500,000.

5. On the Eleventh Amendment Effective Date, Section 8.06(xix) and (xx) of the Credit Agreement is hereby amended by deleting the number "150" contained therein and inserting in lieu thereof the number "210".

6. On the Eleventh Amendment Effective Date, Section 8.13 is hereby amended by adding the following proviso at the end of clause (ii) thereof:

"provided, that the Company shall be permitted to amend the Senior Note Indenture as set forth in the Consent Solicitation,"

7. On the Eleventh Amendment Effective Date, Section 10 of the Credit Agreement is hereby amended by adding the following definitions in alphabetical order:

"Consent Solicitation" shall mean the Consent Solicitation of the Company with respect to the Senior Notes soliciting the consent of a majority of the holders of the Senior Notes to amendments to the Senior Notes Indenture which would allow the Company to repay Indebtedness subordinate in right of payment to the Senior Notes.

"Consent Solicitation Statement" shall mean the Consent Solicitation Statement issued in connection with the Consent Solicitation.

"Senior Note Indenture" shall mean the indenture, dated as of June 26, 1995, to the 12% Senior Notes, due 2001 between the Company and Bank One, Columbus, N.A., as Trustee.

8. In order to induce the Banks to enter into this Amendment, each of the Credit Parties (other than the ESOP Trustee) hereby (a) certifies that no Default or Event of Default exists and that each of the representations, warranties and agreements contained in Section 6 of the Credit Agreement on the Eleventh Amendment Effective Date, both before and after giving effect to this Amendment, is true and correct in all material respects, and (b) confirms that it has and will continue to comply with all of its obligations contained in the Credit Agreement and the other Credit Documents including with respect to each of the Borrowers, but not limited to, all of its obligations contained in Section 7.10(b) of the Credit Agreement.

9. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement or any other Credit Document.

10. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Company and the Administrative Agent.

11. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

12. This Amendment shall become effective on the date (the "Eleventh Amendment Effective Date") when each of the following conditions shall have been satisfied:

(a) On or prior to the Eleventh Amendment Effective Date, the Company, the Subsidiary Borrowers, the ESOP Trustee, the Administrative Agent, the Co-Agents and the Required Banks shall have signed a copy hereof (whether the same or different copies) and shall have delivered (including by way of telecopier) such copies to the Administrative Agent; and

(b) The Company shall have paid all fees and expenses (including legal fees and expenses) then due and owing to the Administrative Agent.

13. From and after the Eleventh Amendment Effective Date, all references in the Credit Agreement and each of the Credit Documents or

any other agreement to the Credit Agreement shall be deemed to be references to such Credit Agreement as amended hereby.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

THE INTERLAKE CORPORATION

By /s/Stephen Gregory
Title: Vice President-Finance

SUBSIDIARY BORROWERS

DEXION (AUSTRALIA) PTY. LTD.
A.C.N. 000 083 956

By /s/Stephen R. Smith
Title: Authorized Agent

S.A. DEXION-REDIRACK N.V.

By /s/Stephen R. Smith
Title: Authorized Agent

DEXION INTERNATIONAL LIMITED

By /s/Stephen R. Smith
Title: Authorized Agent

DEXION GmbH

By /s/Stephen Gregory

Title: Authorized Agent

THE INTERLAKE CORPORATION EMPLOYEE STOCK OWNERSHIP TRUST, acting by and through the LASALLE NATIONAL TRUST, N.A. (successor to LaSalle National Bank), not in its individual or corporate capacity (except for the representations and warranties contained in Section 6.01(b)(y) of the Credit Agreement) but solely in its capacity as ESOP Trustee

By /s/
Title:Assistant Vice President

BANKS

THE CHASE MANHATTAN BANK
Individually, and as
Administrative Agent

By /s/Ann Kurinskas
Title:Managing Director

THE FIRST NATIONAL BANK
OF CHICAGO
Individually, and as Co-Agent

By_________________________
Title:

THE MITSUI TRUST AND BANKING
COMPANY LIMITED

By /S/Margaret Holloway
  Title: Vice President & Manager

NATIONAL BANK OF CANADA

By /s/C. F. Martin, Jr.
  Title: VP & Manager

By /s/William W. Mucker
  Title:Asst. Vice President

NATIONAL WESTMINSTER BANK PLC

By /s/
  Title: Senior Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By /s/
  Title: SVP

BANK OF AMERICA ILLINOIS

By /s/
  Title: SVP

THE FUJI BANK, LIMITED

By /s/ Peter L. Chinnici
  Title: Joint General Manager

THE NIPPON CREDIT BANK, LTD.

By /s/
Title: Senior Manager

THE BANK OF NOVA SCOTIA

By /s/F.C.H. Ashby
Title:Senior Manager Loan Operations

BANK OF YOKOHAMA

By_______________________
Title:

GIROCREDIT BANK AG
DER SPARKASSEN,
CAYMAN ISLAND BRANCH

By /s/
Title:

By /s/
Title:

SENIOR DEBT PORTFOLIO

By Boston Management and
Research, as Investment Advisor

By /s/
Title:Vice President

LEHMAN COMMERCIAL PAPER INC.

By /s/ Michele Swanson
Title: Authorized Signatory

RESTRUCTURED OBLIGATIONS
BACKED BY SENIOR ASSETS, B.V.

By Chancellor LGT Senior Secured
Management, Inc. as Portfolio
Advisor

By /s/ Christopher A. Bondy
Title: Vice President

STICHTING RESTRUCTURED
OBLIGATIONS BACKED BY SENIOR
ASSETS 2, (ROSA 2)

By Chancellor LGT Senior Secured
Management, Inc. as Portfolio
Advisor

By /s/ Christopher A. Bondy
Title: Vice President

CERES FINANCE LTD.

By /s/
Title: Director

MFS HIGH INCOME FUND

By________________________
Title:

ACCEPTED AND CONSENTED TO:

INTERLAKE DRC LIMITED

By /s/ Stephen Gregory
  Title: Authorized Agent

DEXION GROUP PLC

By /s/ Stephen R. Smith
  Title: Authorized Agent

Exhibit 4.2

TWELFTH AMENDMENT AND WAIVER TO
AMENDED AND RESTATED CREDIT AGREEMENT

TWELFTH AMENDMENT AND WAIVER (the "Amendment"), dated as of June 27, 1997 among THE INTERLAKE CORPORATION, a Delaware corporation (the "Company"), each Subsidiary Borrower party to the Credit Agreement referred to below, The Interlake Corporation Employee Stock Ownership Trust (the "ESOP Borrower"), acting by and through the LaSalle National Trust, N.A. (successor to LaSalle National Bank), not in its individual or corporate capacity, but solely in its capacity as trustee of the ESOP Trust (the "ESOP Trustee" and together with the Company and the Subsidiary Borrowers, the "Credit Parties"), THE CHASE MANHATTAN BANK (as successor to CHEMICAL BANK), individually and as Administrative Agent (the "Administrative Agent"), THE FIRST NATIONAL BANK OF CHICAGO, individually and as Co-Agent (the "Co-Agent"), and the financial institutions party to the Credit Agreement referred to below and listed on the signature pages hereto (the "Banks"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, each of the Credit Parties, the Banks, the Administrative Agent and the Co-Agent are parties to that certain Amended and Restated Credit Agreement dated as of September 27, 1989 and amended and restated as of May 28, 1992 and as further amended by the First Amendment dated as of August 14, 1992, the Second Amendment and Waiver dated as of October 30, 1992, the Third Amendment and Waiver dated as of August 20, 1993, the Fourth Amendment dated as of December 22, 1993, the Fifth Amendment dated as of February 23, 1994, the Sixth Amendment dated as of August 16, 1994, the Seventh Amendment dated as of January 24, 1995, the Eighth Amendment dated as of February 1, 1995, the Ninth Amendment dated as of June 1, 1995, the Tenth Amendment dated as of September 25, 1996 and the Eleventh Amendment dated as of January 10, 1997 (as so amended and restated and further amended and as the same may hereafter be amended, modified or supplemented from time to time, the "Credit Agreement"); and

WHEREAS, the Company, the Subsidiary Borrowers and the Banks wish to amend the Credit Agreement as herein provided;

NOW THEREFORE, it is agreed:

1. On the Twelfth Amendment Effective Date, Section 4.02(h) of the Credit Agreement is hereby waived with respect to Dexion (Australia) Pty. Ltd. to the extent necessary to allow Dexion (Australia) Pty. Ltd. to repay (i) first, its outstanding Subsidiary Revolver B Loan and then (ii) second, its Subsidiary Term Loan, with proceeds received from its incurrence of Indebtedness pursuant to Section 8.05(n).

2. On the Twelfth Amendment Effective Date, Section 8.01 of the Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (viii) thereof, (ii) deleting the period appearing at the end of clause (ix) and inserting "; and" in lieu thereof and (iii) inserting the following new clause (x) after clause (ix):

"(x) Liens securing Indebtedness incurred by Dexion (Australia) Pty. Ltd. pursuant to Section 8.05(n)."

3. On the Twelfth Amendment Effective Date, Section 8.05 of the Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (l) thereof, (ii) deleting the period appearing at the end of clause (m) and inserting "; and" in lieu thereof and (iii) inserting the following new clause (n) after clause (m):

"(n) Indebtedness incurred by Dexion (Australia) Pty. Ltd., not to exceed AUS$17,250,000 at any one time outstanding, from the time after the Twelfth Amendment Effective Date, so long as in connection with the first incurrence of such Indebtedness, Dexion (Australia) Pty. Ltd. shall pay off its outstanding Subsidiary Revolving B Loan (and which such Subsidiary Revolving B Loan may not be reborrowed) and its outstanding Subsidiary Term Loan, and upon the repayment by Dexion (Australia) Pty. Ltd. of such Loans, (i) it shall cease to be a Subsidiary Borrower under this Agreement and (ii) any security interests in collateral of Dexion (Australia) Pty. Ltd. securing such Loans shall be released and the Administrative Agent shall be authorized to execute all necessary documentation to effect such releases."

4. On the Twelfth Amendment Effective Date, Section 8.14 of the Credit Agreement is hereby amended by (i) inserting the following parenthetical immediately after the first appearance of the word "Subsidiaries" in clause (II) thereof:

"(other than Dexion (Australia) Pty. Ltd.)".

5. On the Twelfth Amendment Effective Date, Section 10 of the Credit Agreement is hereby amended by adding the following definitions in alphabetical order:

"Australian Dollars" and the sign "AUS$" shall each mean freely transferable lawful money of Australia (expressed in Australian dollars).

"Twelfth Amendment Effective Date" shall have the meaning provided in the Twelfth Amendment to the Credit Agreement dated as of June 27, 1997."

6. In order to induce the Banks to enter into this Amendment, each of the Credit Parties (other than the ESOP Trustee) hereby (a) certifies that no Default or Event of Default exists and that each of the representations, warranties and agreements contained in Section 6 of the Credit Agreement on the Twelfth Amendment Effective Date as defined in Section 10 below, both before and after giving effect to this Amendment, is true and correct in all material respects, and (b) confirms that it has and will continue to comply with all of its obligations contained in the Credit Agreement and the other Credit Documents including with respect to each of the Borrowers, but not limited to, all of its obligations contained in Section 7.10(b) of the Credit Agreement.

7. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement or any other Credit Document.

8. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Company and the Administrative Agent.

9. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

10. This Amendment shall become effective on the date (the "Twelfth Amendment Effective Date") when each of the following conditions shall have been satisfied:

(a) On or prior to the Twelfth Amendment Effective Date, the Company, the Subsidiary Borrowers, the ESOP Trustee, the Administrative Agent, the Co-Agents and the Required Banks shall have signed a copy hereof (whether the same or different copies) and shall have delivered (including by way of telecopier) such copies to the Administrative Agent; and

(b) The Company shall have paid all fees and expenses (including legal fees and expenses) then due and owing to the Administrative Agent.

11. From and after the Twelfth Amendment Effective Date, all references in the Credit Agreement and each of the Credit Documents or any other agreement to the Credit Agreement shall be deemed to be references to such Credit Agreement as amended hereby.

* * *

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

THE INTERLAKE CORPORATION

By /s/Stephen Gregory
Title: Vice President-Finance

SUBSIDIARY BORROWERS

DEXION (AUSTRALIA) PTY. LTD.
A.C.N. 000 083 956

By /s/ Stephen R. Smith
Title: Authorized Agent

S.A. DEXION-REDIRACK N.V.

By /s/Stephen R. Smith
Title: Authorized Agent

DEXION INTERNATIONAL LIMITED

By /s/Stephen R. Smith
Title: Authorized Agent

DEXION GmbH

By /s/Stephen Gregory
Title: Authorized Agent

THE INTERLAKE CORPORATION EMPLOYEE
STOCK OWNERSHIP TRUST, acting by

and through the LASALLE NATIONAL BANK, not in its individual or corporate capacity (except for the representations and warranties contained in Section 6.01(b)(y) of the Credit Agreement) but solely in its capacity as ESOP Trustee

By /s/ Jeffrey S. Schiedemeyer
Title: Vice President

BANKS

THE CHASE MANHATTAN BANK
Individually, and as
Administrative Agent

By /s/Timothy Storms
Title: Managing Director

THE FIRST NATIONAL BANK
OF CHICAGO
Individually, and as Co-Agent

By Karen F. Kizer
Title: Senior Vice President

THE MITSUI TRUST AND BANKING
COMPANY LIMITED

By /s/Yoshiki Karatau
Title: Deputy General Manager

NATIONAL BANK OF CANADA

By /s/Leroy A. Irvin

Title: Vice President

/s/C.F.(Boot) Martin, Jr.
Vice President & Manager

By__________________________
Title:

NATIONAL WESTMINSTER BANK PLC

By /s/David Yewer
Title:Senior Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By /s/Lewis W. Solimene, Jr.
Title:Senior Vice President

BANK OF AMERICA ILLINOIS

By /s/Lewis W. Solimene,Jr.
Title:Senior Vice President

THE FUJI BANK, LIMITED

By /s/Tetsuo Kamatsu(K-219)
Title:Joint General Manager

THE NIPPON CREDIT BANK, LTD.

By________________________
Title:

THE BANK OF NOVA SCOTIA

By /s/A.S. Norsworthy
Title:Sr. Team Leader-Loan Operations

BANK OF YOKOHAMA

By________________________
Title:

GIROCREDIT BANK AG
DER SPARKASSEN,
CAYMAN ISLAND BRANCH

By/s/John Redding
Title: VP

By/s/Richard Stone
Title: FVP

By________________________
Title:

SENIOR DEBT PORTFOLIO

By Boston Management and
Research, as Investment Advisor

By /s/Scott Page
Title:Vice President

LEHMAN COMMERCIAL PAPER INC.

By /s/Michele Swanson
Title:Authorized Signatory

RESTRUCTURED OBLIGATIONS
BACKED BY SENIOR ASSETS, B.V.

By Chancellor LGT Senior Secured Management, Inc. as Portfolio Advisor

By /s/Christopher A. Bondy
Title:Vice President

STICHTING RESTRUCTURED OBLIGATIONS BACKED BY SENIOR ASSETS 2, (ROSA 2)

By Chancellor LGT Senior Secured Management, Inc. as Portfolio Advisor

By_________________________
Title:

CERES FINANCE LTD.

By /s/John M. Cullinane
Title:Director

MFS HIGH INCOME FUND

By_______________________
Title:

ACCEPTED AND CONSENTED TO:

INTERLAKE DRC LIMITED

By/s/ Stephen Gregory
Title: Authorized Agent

DEXION GROUP PLC

By /s/ Stephen R. Smith
Title: Authorized Agent

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