CASCADE TECHNOLOGIES CORP
Form 10-Q
November 14, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2011

or

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

Commission File No. 000-52141

CASCADE TECHNOLOGIES CORP.

(Exact Name of Registrant as Specified in its Charter)

Wyoming	**98-0440633**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

250 N. Robertson Blvd.

Suite 427

Beverly Hills, California	**90211**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:
(310) 858-1670

Former name, former address and former fiscal year, if changed from last report.

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 þ No o

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

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):

Large accelerated filer o Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting companyþ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The number of shares outstanding of Registrant's common stock, par value $0.01, as of November 1, 2011, was 210,289,397.

CASCADE TECHNOLOGIES CORP.
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to the Securities and Exchange Commission

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Cascade Technologies Corp.

(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011	December 31, 2010
ASSETS	(unaudited)	
Current Assets		
Cash and cash equivalents	$ 97,891	$ 23,217
Prepaid expenses	22,611	12,697
Grant proceeds receivable	12,120	168,302
Other assets	3,646	6,349
Total current assets	136,268	210,565
Property and equipment, net of depreciation	65,594	76,916
Patents, net	-	-
Deferred debt issuance costs, net of amortization of $23,864 and $8,674, respectively	153,602	46,764
Deposits	3,350	3,350
Total Assets	$ 358,814	$ 337,595
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities		
Accounts payable and accrued expenses	$ 352,160	$ 218,639
Due to principal stockholder	36,741	22,709
Total Current Liabilities	388,901	241,348
Long-term Liabilities		
Notes payable, less discount of $588,777 and $659,564, respectively	371,223	90,436
Derivative liability	342,957	295,026
Total Long-term Liabilities	714,180	385,462
Total Liabilities	1,103,081	626,810
Commitments and Contingencies		
Stockholders deficit		
Common stock no par value, 750,000,000 shares authorized, 210,289,397 and 192,789,397 shares issued and outstanding in 2011 and	518,405	112,405

2010, respectively		
Additional paid-in capital	1,297,489	725,745
Accumulated deficit during development stage	(2,560,161)	(1,127,365)
Total Stockholders Deficit	(744,267)	(289,215)
Total Liabilities and Stockholders Deficit	$ 358,814	$ 337,595

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

Cascade Technologies Corp.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three month period ended September 30,		Nine month period ended September 30,		From February 25, 2004 (Inception) through September 30, 2011
	2011	**2010**	**2011**	**2010**	
Expenses					
Professional expenses	$ 29,175	$ 43,637	$ 245,825	$ 97,805	$ 408,886
Rent	10,050	10,060	30,155	30,160	73,715
Depreciation	3,774	2,827	11,322	4,888	21,395
Salary and other compensation expense	174,253	347,336	969,988	1,014,794	2,191,063
Impairment of intangible assets	-	-	-	-	19,450
Patent royalties	-	-	-	-	1,901
Other operating expenses	21,831	70,921	69,825	101,919	229,592
Total operating loss	(242,953)	(474,781)	(1,327,115)	(1,249,568)	(2,946,002)
Other Income and Expense					
Grant income	38,161	-	103,482	-	339,541
Interest income	-	315	-	535	562
Interest expense	(73,690)	(35,555)	(205,907)	(4,572,041)	(4,910,817)
Change in value of derivative liability	170,320	1,824,807	(3,256)	4,184,028	4,956,555
Total other income and expense	134,791	1,789,567	(105,681)	(387,478)	385,841
Net income (loss)	$ (108,162)	$ 1,314,786	$ (1,432,796)	$ (1,637,044)	$ (2,560,161)
Net loss per share applicable to common shareholders:					
basic	$ (0.00)	$ 0.01	$ (0.01)	$ (0.01)	-
diluted	$ (0.00)	$ 0.01	$ (0.01)	$ (0.01)	-
Weighted average number of shares used in computing net loss per share of Common Stock:					

basic	210,229,614	190,609,371	201,009,177	172,174,373	-
diluted	210,229,614	199,796,871	201,009,177	172,174,373	-

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

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Cascade Technologies Corp.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine month period ended September 30, 2011	2010	From February 25, 2004 (Inception) through September 30, 2011
OPERATING			
Net loss	$ (1,432,796)	$ (1,637,044)	$ (2,560,161)
Adjustments to reconcile net loss to cash flows used in operating activities:			
Depreciation	11,322	4,888	21,395
Patent amortization and impairment		-	19,629
Amortization of deferred issuance costs	15,190	5,978	31,001
Proceeds advanced (repaid) from stockholder	-	11,755	22,709
Excess value of derivative liability over related loan proceeds	-	4,493,960	4,493,960
Amortization of note discount	167,956	69,028	358,392
Stock based compensation	400,166	588,232	1,041,988
Common shares issued for services	306,000	-	315,000
Change in valuation of derivative liability	3,256	(4,184,028)	(4,956,555)
Decrease (increase) in grant proceeds receivable	156,182	-	(12,120)
(Increase) decrease in other assets	2,702	-	(3,647)
Decrease (increase) in prepaid expenses	(9,914)	(20,580)	(22,611)
Increase in deposits	-	-	(3,350)
Increase (decrease) in accounts payable and accrued expenses	144,610	59,146	361,454
Cash used in operating activities	(235,326)	(608,665)	(892,916)
INVESTING			
Purchase of property and equipment	-	(47,853)	(86,989)
Patent costs	-	-	(19,629)
Cash used in investing activities	-	(47,853)	(106,618)
FINANCING			
Net proceeds from issuance of convertible notes	310,000	787,425	1,097,425
Cash provided by financing activities	310,000	787,425	1,097,425
	74,674	130,907	97,891

Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents, beginning of period	23,217	-	-
Cash and cash equivalents, end of period	$ 97,891	$ 130,907	$ 97,891
Cash paid during the year for:			
Interest	$ -	$ -	$ -
Income taxes	$ -	$ -	$ -
Common stock issued for services	$ 306,000	$ -	$ 315,000

During October 2010, $100,000 of notes payable were converted to common shares.

During May and June, 2011, $75,000 of notes payable were converted to common shares.

During July 2011, $25,000 of notes payable were converted to common shares.

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

Cascade Technologies Corp.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS DEFICIT

(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Subscription Receivable	Total
	No. Shares	Amount				
Balance at February 25, 2004 (Inception)	115,549,157	$ 1	$ -	$ -	$ (1)	$ -
Net loss for the period from February 25, 2004 (inception) through December 31, 2007	-	-	-	(12,709)	-	(12,709)
Balance at December 31, 2007	115,549,157	1	-	(12,709)	-	(12,709)
Net loss for the year ended December 31, 2008	-	-	-	(8,137)	-	(8,137)
Balance at December 31, 2008	115,549,157	1	-	(20,846)	-	(20,846)
Net loss for the year ended December 31, 2009	-	-	-	(8,688)	-	(8,688)
Balance at December 31, 2009	115,549,157	1	-	(29,534)	-	(29,534)
Stock subscription received	-	-	-	-	1	1
Shares issued to employees for services	40,026	5,200	-	-	-	5,200
Stock based compensation	-	-	636,622	-	-	636,622
Shares issued in SMI acquisition	75,020,214	(1,796)	-	-	-	(1,796)
Shares issued for outside services	180,000	9,000	-	-	-	9,000
Shares issued for convertible notes	2,000,000	100,000	89,123	-	-	189,123
Net loss for the year ended December 31, 2010	-	-	-	(1,097,831)	-	(1,097,831)
Balance at December 31, 2010	192,789,397	112,405	725,745	(1,127,365)	-	(289,215)
Stock based compensation	-	-	400,166	-	-	400,166
Warrants issued for debt issuance costs	-	-	119,084	-	-	119,084
Shares issued to employee for services	6,000,000	192,000	-	-	-	192,000
Shares issued for outside services	9,500,000	114,000	-	-	-	114,000
Shares issued for convertible notes	2,000,000	100,000	52,494	-	-	152,494
Net loss for the nine month period ended September 30, 2011	-	-	-	(1,432,796)	-	(1,432,796)
	210,289,397	$ 518,405	$ 1,297,489	$ (2,560,161)	-	$ (744,267)

Balance at September 30, 2011
(unaudited)

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

Cascade Technologies Corp.

(A Development Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

(unaudited)

1. Principal Business Activities and Summary of Significant Accounting Policies:

Interim Financial Statements

The unaudited condensed consolidated financial statements of Cascade Technologies Corp. (Cascade , or the Company), a development stage company, have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. However, the information included in these interim condensed consolidated financial statements reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full year. The balance sheet information as of December 31, 2010 was derived from the audited financial statements included in Form 10K filed March 11, 2011. These interim financial statements should be read in conjunction with that report.

Organization and Business

Cascade is a development-stage, medical imaging device company. All medical device operations are being conducted by Cascade s wholly owned subsidiary, Spectral Molecular Imaging, Inc. (SMI). Application of SMI s proprietary spectral-optical-imaging technology originally developed for satellite reconnaissance is expected by management to advance early diagnoses of cancer and precancerous conditions, in vivo. SMI is developing non-invasive devices that use its patented technology for improved clinical diagnostics and that operate in conjunction with surgical and/or evaluation procedures in real time. The Company was incorporated on February 25, 2004 in Nevada and to date has not generated any revenues.

The Company s financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

At September 30, 2011, the Company has an accumulated deficit of $(2,560,161) and anticipates that it will continue to incur net losses for the foreseeable future in the development and commercialization of its product line. From inception up through the merger, the Company has financed operations solely through short-term loans from a stockholder. In conjunction with the merger between Cascade and SMI in March 2010, additional working capital was obtained through the sale of $850,000 in convertible notes ($787,425 net of expenses) received on March 17, 2010. In May and July, 2011 an additional sale of $100,000 and $200,000 in convertible notes, respectively, provided net proceeds of $310,000. In October 2011, the Company entered into an agreement regarding the placement of $4,000,000 in 8% convertible notes See Note 11 Subsequent Events. Absent continuing to secure additional working capital, the Company may be unable to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that could result from the outcome of this uncertainty.

The Company also faces certain risks and uncertainties which are present in many emerging medical device companies regarding product development, future profitability, ability to obtain future capital, protection of patents and property rights, competition, rapid technological change, government regulations, changing health care marketplace, recruiting and retaining key personnel, and third party manufacturing organizations.

Merger with Spectral Molecular Imaging, Inc.

Pursuant to an Agreement and Plan of Merger (the Merger Agreement), entered into by and between Spectral Molecular Imaging, Inc. (SMI), Cascade Technologies Corp., a Wyoming corporation (Cascade), and SMI Merger Sub, a Nevada corporation and a wholly-owned subsidiary of Cascade (Merger Sub), dated as of March 8, 2010, Merger Sub merged into SMI effective on March 16, 2010, with SMI being the surviving entity (the Merger). As a result of the Merger, SMI became a wholly-owned subsidiary of Cascade. The transaction has been accounted for as a reverse acquisition and the accompanying condensed consolidated financial statements are those of SMI. As required by accounting guidance, authorized shares, issued and outstanding shares and per share amounts have been retroactively restated throughout these condensed consolidated financial statements and the accompanying notes to reflect Cascade s capital structure.

Business Segments

The Company s operations are confined to one business segment: the design and development of medical devices utilizing SMI s patented technology.

Cash and Cash Equivalents

The Company considers all highly liquid investment with a maturity at the date of purchase of three months or less to be cash equivalents.

Property and Equipment

Depreciation of property and equipment is provided for by the straight-line method over the five year estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the assets useful lives or the remaining term of the lease.

Intangible Assets

Our policy is to protect our intellectual property by licensing or obtaining U.S. and foreign patents to protect technology, inventions, and improvements important to the development of our business. Patents are carried at cost less accumulated amortization which is calculated on a straight-line basis over a period of 15 years.

The Company evaluates intangible assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets and other long-lived assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends, and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

Basis of Consolidation

Our consolidated financial statements include the accounts of the company and our wholly-owned subsidiary SMI. All intercompany transactions have been eliminated in consolidation.

Revenue Recognition

The Company has not yet commenced the FDA review process for its products.

Government Research Grants

Government research grants that provide for payments to the Company for work performed are recognized as income when the related expenses are incurred.

Income Taxes

The Company accounts for income taxes using the asset and liability method of accounting for deferred income taxes (see also Note 8).

The provision for income taxes includes federal and state income taxes currently payable and deferred taxes resulting from temporary differences between the financial statement and tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

With respect to uncertain tax positions, the Company would recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits to be recognized in the financial statements from such a position would be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The Company s reassessment of its tax positions did not have a material impact on its results of operations and financial position.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions by management that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition exceeds its carrying amount. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value.

Research and Development

Research and development costs are expensed as incurred. Total research and development costs for the three and nine month periods ended September 30, 2011 and 2010 and the period from February 25, 2004 (inception) to September 30, 2011 were as follows.

	Three month period ended September 30,		**Nine month period ended September 30,**		**From February 25, 2004 (Inception) through September 30, 2011**
	2011	**2010**	**2011**	**2010**	
Research and development costs	$ 213,778	$ 431,134	$ 1,081,290	$ 1,151,763	$ 2,537,116

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Additionally, the Company is required to provide disclosure and categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

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Level 1 quoted prices in active markets for identical assets or liabilities,

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Level 2   other significant observable inputs for the assets or liabilities through corroboration with market data at the measurement date,

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Level 3   significant unobservable inputs that reflect management s best estimate of what market participants would use to price the assets or liabilities at the measurement date.

The following table summarizes fair value measurements by level at September 30, 2011 and December 31, 2010 for assets and liabilities measured at fair value on a recurring basis:

	September 30, 2011			**December 31, 2010**		
	Level I	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Derivative liability	$ -	$ -	$ 342,957	$ -	$ -	$ 295,026

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The carrying amount of certain financial instruments, including cash and cash equivalents and accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments. The fair value of borrowings is not considered to be significantly different than its carry amount because the stated rates for such debt reflect current market rates.

The following table sets forth a summary of changes in the fair value of the Company s level 3 assets (conversion feature of notes payable) for the nine month periods ended September 30, 2011 and 2010.

	Nine month periods ended September 30,	
Level 3 Assets - Derivative Liability	**2011**	**2010**
Beginning Balance	$ 295,026	$ -
Conversion feature issued	97,169	5,343,960
Changes in derivative liability	3,256	(4,184,028)
Reclassification of derivative liability	(52,494)	-
Ending balance	$ 342,957	$ 1,159,932

The Company used the Black-Scholes option pricing model for estimating the fair value of the note conversion feature with the following assumptions: expected remaining life of 1.13 - 5.26 years; risk-free interest rate of 0.13%; dividend yield of 0%; and expected volatility of 233%.

Stock-based compensation

The Company records stock-based compensation in accordance with the provisions of ASC 718 Compensation Stock Compensation .

Net Loss per Common Share

Basic and diluted net loss per share is computed by dividing loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. The number of shares has been retrospectively restated to consider the effect of the stock dividend in March 2010.

2. Property and Equipment

Property and equipment, at cost, consists of the following:

	September 30, 2011	December 31, 2010
Furniture	$ 5,254	$ 5,254
Computer equipment	81,735	81,735
	86,989	86,989

Accumulated depreciation	(21,395)	(10,073)
	$ 65,594	$ 76,916

Depreciation expense was $3,774 and $2,827 for the three month periods ended September 30, 2011 and 2010, and $11,322 and $4,888 for the nine month periods ended September 30, 2011 and 2010, respectively.

3. Other Assets

Deposits consist of one month s prepaid rent for the corporate office.

4. Patents

The Company has a license agreement with Carnegie Mellon University (Carnegie Mellon) under which SMI is the exclusive worldwide licensee of certain rights for two patents issued to Carnegie Mellon: U.S. Patent No. 5796512 covers an optical-imaging system with an acousto-optic-tunable filter, and U.S. Patent No. 5841577 covers a light microscope having an acousto-optic-tunable filter. The uses licensed to SMI include spectral imaging for all clinical medical applications, including endoscopy and dermoscopy. The terms of the license agreement require an initial royalty of $400 per unit decreasing $20 per unit each year to a minimum of $200 per unit. The license agreement also provided for the issuance of 2% of SMI s common stock upon signing in May 2005 and provides for up to a 50% reduction of royalty payments for any amounts payable to third parties in order to utilize the licensed technology.

In addition, SMI owns the rights to U.S. Patent No. 7428048 covering a non-invasive technique for the potential early detection of cancer and other abnormal tissues in the field of imaging-elastic-scattering spectroscopy.

The cost of these patents to date amounted to $19,629, and due to the high uncertainty of future cash flows from these patents and the lack of operating history, the Company recorded impairment charges for the unamortized balance of $19,450 during the period from February 25, 2004 (inception) through December 31, 2008.

5. Notes Payable

Series 2011 Convertible Notes

The Series 2011 convertible notes bear interest at the rate of 15% and are due 18 months from the date of issuance. The notes are convertible at the option of the holder into Common Stock at an conversion price of $0.05 per share, subject to adjustments in the event of stock splits, dividends or the like, and new share issuance by reclassification of the Company s shares. Interest is payable on maturity, or earlier upon conversion, acceleration, or redemption.

The Series 2011 convertible notes were sold pursuant to a referral agreement that provided for a cash payment equal to 10% of each note and 2,000,000 common stock warrant exercisable for $0.05 per share for a period of five years for each $100,000 increment of Series 2011 convertible notes. A total of $300,000 in convertible notes were placed pursuant to this referral agreement and, accordingly, the Company paid $30,000 in referral fees and committed to issue 6,000,000 common stock warrants exercisable for $0.05 per share. With respect to the $200,000 in notes placed on August 10, 2011, Gene Scher, the Company s President and Chief Operating and Financial Officer, received $20,000 in referral fees related to his assistance in placing the notes. See Note 9: Related Party Transactions.

Series 2010 Convertible Notes

The Series 2010 convertible notes bear interest at the rate of 0.08% and are due December 31, 2016. The notes are convertible at the option of each holder into Common Stock at an initial conversion price of $0.182 per share, subject to adjustments in the event of stock splits, dividends or the like, and new share issuance. Pursuant to the terms of the Merger Agreement between Cascade and SMI, on April 1, 2010 Cascade effected a share dividend of 2.64 additional shares of Cascade Common Stock for each one outstanding share of Cascade Common Stock (the Stock Dividend). The Stock Dividend increased the shares of common stock issued and outstanding from 52,354,223 to approximately 190,569,371 (after giving effect to share roundups). After completing the Stock Dividend the conversion price on the convertible notes adjusted from approximately $0.182 per share to $0.05 per share.

The Series 2010 convertible notes are automatically converted into Common Stock on the first trading day following the date on which all of the following shall have occurred (and, as applicable, be continuing):

(i)

six months shall have elapsed from the initial issuance of the convertible notes (the Restricted Period) and

(ii)

either:

(a)

the closing price of the Common Stock on the principal exchange or inter-dealer quotation system on which it is traded shall be $0.25 (after giving effect to the Stock Dividend) or greater for 22 consecutive trading days (with the earliest such testing period commencing after the end of the Restricted Period) during which period the arithmetic mean of the trading volume of shares of Common Stock shall be at least 100,000 per trading day, or

(b)

a transaction shall have been consummated in which not less than $15 million in aggregate amount of Common Stock shall be issued by Cascade for consideration, the fair market value of which is not less than $15 million; provided, in each case that the Common Stock so issued to the Holder may be transferred without limitation as to amount pursuant to Rule 144 or pursuant to an effective resale registration statement under the Securities Act of 1933.

In October, 2010, $100,000 of Series 2010 convertible notes payable elected to convert their notes to common stock and were issued a total of 2,000,000 shares of common stock. In May and July, 2011, an additional $100,000 of Series 2010 convertible notes payable elected to convert their notes to common stock and were issued a total of 2,000,000 shares of common stock.

6. Commitments and Contingencies

Facility lease - The Company has a one year lease commencing November 15, 2009 on its corporate offices with monthly rental of $3,350 for an aggregate annual rent expense of $40,210.

Cash concentration - The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 through December 31, 2013. The company has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on cash.

7. Share Capital

a) Authorized, issued and outstanding

The Company has authorized 750,000,000 common shares, no par value. As of September 30, 2011 there were 210,289,397 common shares were issued and outstanding.

b) Loss per share

For the three and nine month periods ended September 30, 2011, the weighted average number of basic and diluted common shares outstanding was 210,229,614 and 201,009,177, respectively. For the three month period ended September 30, 2010, the weighted average number of basic and diluted common shares outstanding was 190,609,371 and 199,796,871, respectively. For the nine month period ended September 30, 2010, the weighted average number of basic and diluted common shares outstanding was 172,174,373.

8. Income Taxes

The Company provides deferred income taxes for differences between the tax reporting bases and the financial reporting bases of assets and liabilities. The Company follows the accounting procedures established by FASB ASC 740, Income Taxes .

At September 30, 2011 and 2010, the Company had no increase or decrease in unrecognized income tax benefits for the preceding periods. There was no accrued interest or penalties relating to tax uncertainties at September 30, 2011 or December 31, 2010. Unrecognized tax benefits are not expected to increase or decrease within the next twelve months. Should the Company incur interest and penalties relating to tax uncertainties, such amounts would be classified as a component of interest expense and operating expense, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and California. There are currently no income tax examinations underway for these jurisdictions, although the tax years ended December 31, 2010, 2009, 2008, 2007, and 2006 are all still open for examination.

The Company does not recognize the deferred income tax asset at this time because the realization of the asset is less likely than not. The components of the Company s deferred income tax asset are related to loss carryforwards and impairment of intangible assets. A valuation allowance has been recorded for 100% of the deferred tax assets.

The Company is in the process of determining the amount of net operating loss that can be used to offset future taxable income. Such benefits may be limited due to change in ownership.

9. Related Party Transactions

Gene Scher, the Company s President and Chief Operating and Financial Officer, received $20,000 in referral fees related to his assistance in placing $200,000 in convertible notes on August 10, 2011.

A principal stockholder has advanced funds to the Company on an as needed basis. The balance due on these advances at September 30, 2011 and December 31, 2010 are $32,741 and $22,709, respectively, and are payable on demand with no interest.

10. Stock-Based Compensation

The Company's Board of Directors adopted the 2010 Stock Option Plan (the Plan) in June 2010. The Plan provides long-term incentives to employees, members of the Board, and advisers and consultants of the Company who are able to contribute towards the creation of or have created stockholder value by providing them stock options and other stock and cash incentives. Provisions such as vesting repurchase and exercise conditions and limitations are determined by the Board of Directors on the grant date. The total number of shares that may be issued pursuant to the Plan shall not exceed 30,000,000 shares, subject to adjustment in the event of certain recapitalizations, reorganizations, and similar transactions. Generally, shares that are forfeited or canceled from awards under the Plan also will be available for future awards.

As of September 30, 2011, 16,200,000 shares of common stock are available for issuance under the Plan.

Stock options

During the nine month period ended September 30, 2011, the Company granted 10,000,000 stock options under the Plan to certain employees, directors, and consultants. All of the stock options granted were vested immediately.

During the year ended December 31, 2010 the Company granted 3,800,000 stock options under the Plan to certain employees, directors, and consultants. A total of 2,400,000 of the stock options were vested immediately and the balance vest monthly over a 24 month period.

The exercise price and vesting period of each stock option is specified by the Board of Directors at the time of grant. The stock options expire five years after the grant date.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The expected life assumption is based on the expected life assumptions of similar entities. Expected volatility is based on actual share price volatility the preceding twelve months. The risk-free interest rate is the yield currently available on U.S. Treasury zero-coupon issues with an expected term ranging from 2.5 to 5 years used as the input to the Black-Scholes model. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods as options vest, if actual forfeitures differ from those estimates. During the year ended December 31, 2010 and the nine month period ended September 30, 2011, the Company experienced no forfeitures.

As of September 30, 2011 there was $85,404 of total unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of approximately 0.7 years and 1.4 years, respectively.

10. Unregistered Sales of Equity Securities

On May 5, 2011, the Company announced that it issued a total of 9,500,000 shares of common stock pursuant to an agreement with members of the Law Offices of Aaron A. Grunfeld & Associate (Grunfeld), the Company s legal counsel. The issuance of shares was in consideration of the reduction in the outstanding balance due Grunfeld by $15,365 to $70,000, deferral of payment of this balance until August 1, 2011, and a deferred retainer agreement that assures the Company of ongoing legal representation without payment until July 15, 2011.

The agreement provides that the deferral of payment of the outstanding balance is to be accelerated on the date the Company has obtained an aggregate of debt and/or equity financing gross proceeds of at least $600,000, or by payment of 7.5% of any revenue or other funds obtained by the Company prior to August 1, 2011.

The agreement provides for a monthly retainer payment of $4,500 for up to 12 hours of services and that additional services will be billed at a rate of $425 per hour. No payments are required under this agreement until July 15, 2011.

Of the 9,500,000 shares of common stock issued to Grunfeld, a total of 2,701,000 can be repurchased by the Company for $145,000. This option to reacquire the shares is only exercisable upon the resignation of certain members of Grunfeld as legal counsel for the Company and is subject to reduction for each month of services provided by Grunfeld. Commencing June 1, 2011 and continuing on the first day of the following 16 months, the number of shares that may be repurchased and the cost of reacquiring the shares are reduced by 858,824 and $8,529, respectively. As of September 30, 2011, no shares have been repurchased by the Company pursuant to this option.

11. Subsequent Event

Steeltown Consulting Contract

On October 4, 2011, the Company entered into a contract with Steeltown Consulting Group, LLC, a Pennsylvania Limited Liability Company, for consulting services related to product development, business development, identification of sources of financing and capital, and strategic alliances/acquisition assistance. The agreement provides for the issuance of 900,000 shares of restricted common stock on an ongoing monthly basis at a purchase price of $.0001per share, and can be cancelled by either party with 30 days notice.

12. New Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements". This guidance requires new disclosures related to recurring and nonrecurring fair value measurements. The guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuance, and settlements on a gross basis in the reconciliation of the assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The adoption of this guidance is effective for interim and annual reporting periods beginning after December 15, 2009. We have adopted this guidance in the financial statements presented herein, which did not have a material impact on our consolidated financial position or results of operations.

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

The unaudited financial statements of Cascade Technologies Corp. (Cascade , or the Company), a development stage company, have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. However, the information included in these interim financial statements reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full year. The balance sheet information as of December 31, 2010 was derived from the audited financial statements included in our annual report on Form 10K filed March 11, 2011. These interim financial statements should be read in conjunction with that report.

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements. All statements other than statements of historical facts contained herein, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words believe, may, will, estimate, cont anticipate, intend, should, plan, expect and similar expressions, as they relate to us, are intended to id forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions as described in Risk Factors in our 10K filed March 11, 2011.

Other sections of this report may include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Form 10-Q are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements contained in this Form 10-Q are expressly qualified by this cautionary statement.

Overview

Pursuant to an Agreement and Plan of Merger (the Merger Agreement), entered into by and between Spectral Molecular Imaging, Inc. (SMI), Cascade Technologies Corp., a Wyoming corporation (Cascade), and SMI Merger Sub, a Nevada corporation and a wholly-owned subsidiary of Cascade (Merger Sub), dated as of March 8, 2010, Merger Sub merged into SMI effective on March 16, 2010, with SMI being the surviving entity (the Merger). As a result of the Merger, SMI became a wholly-owned subsidiary of Cascade. The transaction has been accounted for as a reverse acquisition and the accompanying financial statements are those of SMI.

Prior to the closing of the transactions contemplated by the Merger Agreement, there were 163,950,000 shares of Cascade Common Stock issued and outstanding. In connection with the closing of the Merger:

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The Company completed a private placement of $850,000 in principal amount of convertible notes;

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The Company caused to be canceled promptly after the closing of the Merger an aggregate of 143,340,051 shares of Common Stock held by their pre-closing principal stockholder, who was also an officer and director of Cascade, for no cash consideration for the purpose of making Cascade s capitalization more attractive to future equity investors; and

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The Company effected a share dividend of 2.64 additional shares of Cascade Common Stock for each one outstanding share of Cascade Common Stock (the Stock Dividend). The Stock Dividend resulted in the shares of common stock issued and outstanding to increase from 52,354,223 to approximately 190,569,371 (after giving effect to share roundups). After giving effect to the Stock Dividend, the conversion price on our convertible notes adjusted from approximately $0.18 per share to $0.05 per share.

Cascade is a development-stage, medical imaging device company. All medical device operation are being conducted by Cascade s wholly owned subsidiary, Spectral Molecular Imaging, Inc. (SMI). Application of SMI s proprietary spectral-optical-imaging technology originally developed for satellite reconnaissance is expected by management to advance early diagnoses of cancer and precancerous conditions, in vivo. SMI is developing non-invasive devices that use its patented technology for improved clinical diagnostics and that operate in conjunction with surgical and/or evaluation procedures in real time. SMI s technology, still in development, is expected to enable early detection and more reliable diagnosis of various diseases, such as Barrett s esophagus (a condition caused by chronic acid reflux that can lead to esophageal cancer), lung cancer, and melanoma. SMI believes that development of its technology may significantly improve long-term patient outcomes while substantially reducing overall costs for the healthcare system. The Company was incorporated on February 25, 2004 in Nevada and to date has not generated any revenues.

Results of Operations

The loss from operations was $(1,432,796) and $(1,637,044) for the nine month periods ended September 30, 2011 and 2010, respectively. The decrease in the loss in 2011 compared to 2010 is principally due to the reduction in interest expense as discussed below. This amount was offset by an increase in professional fees principally related to fund raising activity; and a decrease in subcontractor and programmers compensation due to reduced levels of research and development activity in 2011.

Grant income of $103,482 the nine month period ended September 30, 2011 was pursuant to a phase II SBIR award from the National Cancer Institute shared jointly with Omega Optical, Inc.

Interest expense was $205,907 and $4,572,041 for the nine month periods ended September 30, 2011 and 2010, respectively. Interest expense for 2011 includes $167,956 of amortization of note discount and $15,190 of amortization of deferred debt issuance costs. Interest expense for 2010 includes $69,028 of amortization of note discount and $5,978 of amortization of deferred debt issuance costs.

The change in value of derivative liability represents the reduction of the fair value of the derivative liability at period end based on several factors, including the stock price and the volatility of the stock price during the period.

Liquidity and Capital Resources

At September 30, 2011, the Company has an accumulated deficit of $(2,560,161) and anticipates that it will continue to incur net losses for the foreseeable future in the development and commercialization of its product line. From inception up through the merger, the Company has financed operations solely through short-term loans from a stockholder. In conjunction with the merger between Cascade and SMI in March 2010, additional working capital was obtained through the sale of $850,000 in convertible notes ($787,425 net of expenses) received on March 17, 2010. In May and July, 2011 an additional sale of convertible notes provided net proceeds of $310,000. The proceeds from these notes are expected to permit the Company to fund its anticipated levels of operations through the third quarter of 2011. Absent continuing to secure additional working capital, the Company may be unable to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that could result from the outcome of this uncertainty.

The Company also faces certain risks and uncertainties which are present in many emerging medical device companies regarding product development, future profitability, ability to obtain future capital, protection of patents and property rights, competition, rapid technological change, government regulations, changing health care marketplace, recruiting and retaining key personnel, and third party manufacturing organizations.

Cash flow used in operations Cash utilized by operating activities was $235,326 for the nine month period ended September 30, 2011. The use of cash was principally attributable to the net loss for the period of $1,432,796, reduced by depreciation of $11,322, deferred issuance cost amortization of $15,190, amortization of note discount of $67,956, stock based compensation of $400,166, common shares issued for services of $306,000, a $3,256 increase in the valuation of derivative liability, a decrease in grant proceeds receivable of $156,182, and an increase in accounts payable and accrued expenses of $144,610, which did not utilize or generate cash.

Cash utilized by operating activities was $608,665 for the nine months ended September 30, 2010. The use of cash was principally attributable to the net loss for the period of $1,637,044, reduced by depreciation of $4,888, deferred issuance cost amortization of $5,978, proceeds advanced from stockholder of $11,755, excess value of derivative liability over related loan proceeds of $4,493,960, amortization of note discount of $69,028, stock based compensation of $588,232, a $(4,184,028) decrease in the valuation of derivative liability and an increase in accounts payable of $59,146 which did not utilize or generate cash. This amount was increased by a $20,580 increase in other asset principally due to prepaid insurance.

Cash flow used in investing activities Cash used in investing activities was $0 and $47,853 for the nine month periods ended September 30, 2011 and 2010, respectively. The 2010 balance represent purchases of equipment.

Cash flow provided by financing activities Cash provided by financing activities was $310,000 and $787,425 for the nine month periods ended September 30, 2011 and 2010, respectively. Amounts for both periods represent the net proceeds from the issuance of convertible notes.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements.

Subsequent Event

Steeltown Consulting Contract

On October 4, 2011, the Company entered into a contract with Steeltown Consulting Group, LLC, a Pennsylvania Limited Liability Company, for consulting services related to product development, business development, identification of sources of financing and capital, and strategic alliances/acquisition assistance. The agreement provides for the issuance of 900,000 shares of restricted common stock on an ongoing monthly basis at a purchase price of $.0001per share, and can be cancelled by either party with 30 days notice.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4T. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of September 30, 2010. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our Company required to be included in our reports filed or submitted under the Exchange Act.

Changes in Internal Controls

There were no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the quarter September 30, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings and is not aware of any pending legal proceedings as of the date of this Form 10-Q.

ITEM 1A. RISK FACTORS

Not Applicable

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS

Number	Exhibit
3.1	Amended and Restated Articles of Incorporation of the registrant
3.2	By-laws of the registrant
4.1	Form of Securities Purchase Agreement (1)
4.2	Form of Convertible Note (2)
10.1	Memorandum of Agreement between Cascade Technologies Corp. and Spectral Molecular Imaging, Inc. (3)
10.2	Amendment No. 1 to the Memorandum of Agreement between Cascade Technologies Corp. and Spectral Molecular Imaging Inc. (4)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the

	Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**
101.SCH	XBRL Taxonomy Extension Schema Document**

(1) Incorporated by reference to the Exhibits filed with the Form 8-K filed with the SEC on March 24, 2010

(2) Incorporated by reference to the Exhibits filed with the Form 8-K filed with the SEC on March 24, 2010

(3) Incorporated by reference to the Exhibits filed with our Form 10-K filed with the SEC on December 15, 2009

(4) Incorporated by reference to Exhibits filed with our Form 10-Q filed with the SEC on January 8, 2010

*filed herewith

**Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections

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 TECHNOLOGIES CORP.

Date:	November 14, 2011	By:	/s/ Gene Scher
		Name:	Gene Scher
		Title:	President/Principal Executive Officer and Chief Financial Officer