2016

ANNUAL REPORT

CASCADE ASSET MANAGEMENT

Setting each other up for success

CASCADING TECHNOLOGY TO THE NEXT LEVEL

MADISON, WI * INDIANAPOLIS, IN

CASCADE ASSET MANAGEMENT

10 YEARS

2006 - 2016
Indianapolis Operations

TO OUR STAKEHOLDERS

We believe in setting each other up for success. Whether it's for our customers, our co-workers, or our community, we measure our success on the positive impact we have on others.

During 2016, Cascade rallied around the theme, "setting each other up for success." Sometimes this can be a challenging philosophy in a world that often seems focused on individual achievement. But in our interconnected world, we recognize that our company's success is entirely based on others' success.

Last year, Cascade provided real and sustainable positive impacts for our employees, customers, vendors and communities through a continued commitment to our values, our focus on improving outcomes, and our concern for the well-being of others.

This Annual Report documents many of those achievements and provides a record of how helping others is not a zero sum game, but rather is a means to lift all of us to a better state.

Cascade actively partners with our stakeholders to provide mutually beneficial outcomes that protect their security interests, support environmental sustainability, contribute to a more inclusive digital technology platform, and increase value for everyone involved.

2016 By the Numbers	
Number of Jobs	2,539
Assets inventoried	232,386
Pounds of equipment received	3,789,411
Terabytes of data sanitized	8,543
Number of successful wipe passes	42,550
Assets resold	81,888
Pounds of items recycled	2,765,258
Pounds of items reused	1,126,391

We believe that we can always learn from one another and share best practices to help use the resources we have to benefit others. This is what our company is all about. "Cascading technology to a better use" is more than a slogan – it's the guiding principle for our company. We want the surplus IT assets of the world to generate a positive impact and not be a liability or burden for others.

By finding the best way to cascade these assets to a better use, we make the world a better place.

CASCADING TECHNOLOGY TO A BETTER USE IN PARTNERSHIP WITH OUR STAKE-

CLIMBING HIGH - STRATEGIC PLANNING

In June, Cascade staff gathered together in Madison for several days of team-building (see ropes course photo below) and skills training. The experience was used as a bridge between the conclusion of a successful Strategic Plan started in 2011 and our new efforts to plan the next five years of Cascade.
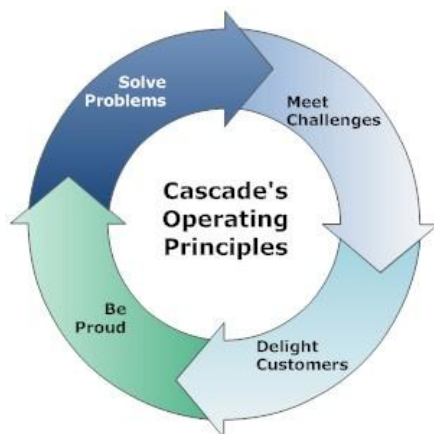
Back in 2011, the ITAD industry (like many others) was still reeling from the effects of the Great Recession. At that time, Cascade was determined to craft and execute a five year Strategic Plan focused on building a strong foundation for future growth. We committed to strengthen the quality of our business performance in operations, information systems, management systems, and overall delivery of services to represent the "best in class" in this industry. We rallied around a set of Operating Principles that sought to move from just fixing problems to recognizing opportunities to meet the challenges of our clients and create a lasting positive impact that delights our customers and makes us proud.

Looking back over the past five years, we've been busy implementing this vision. Cascade became certified to industry leading voluntary standards programs including the NAID security standard, ISO 9001 Quality standard, and e-Stewards Version 2.0. We also maintained our ISO 14001 certification. We applied Value-Stream Mapping to increase efficiencies and implemented a robust corrective and preventive action program. We invested in new processing technologies and training to increase our capabilities for sanitizing and refurbishing data center equipment and mobile devices. To ensure we continually improve, we regularly track our performance to metrics and identify opportunities for further development.

The result of these activities is consistently positive satisfaction ratings from our clients and the development of a platform for scalable growth.
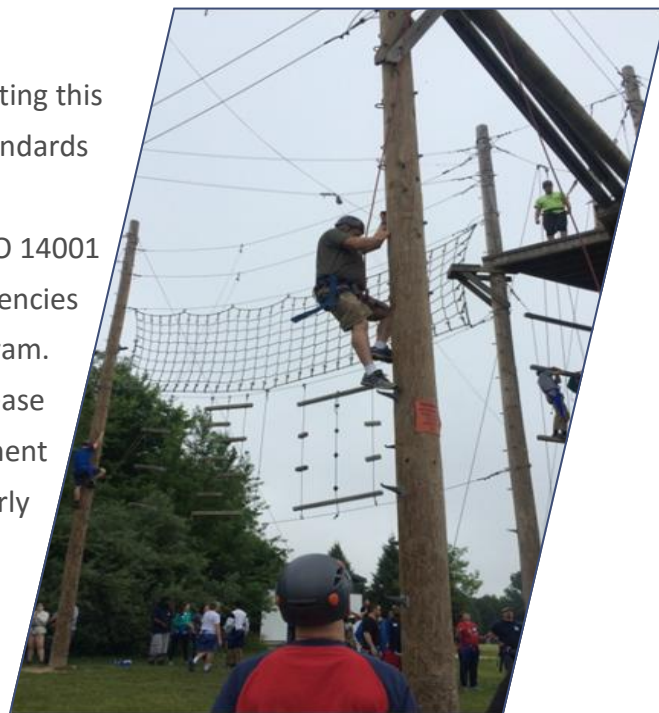
As part of our new Strategic Planning process in 2016, we listened to clients, vendors, industry thought leaders, employees and other stakeholders about where we should focus our efforts over the next five years. We've come to recognize that we are in a position of strength and can use our reputation, proven solutions, and resources to expand our offerings to more people than ever. As a result, the new Strategic Plan for the next five years focuses on building a future of expanded opportunity and growth for the benefit of our customers and the Cascade family.

CASCADE'S SERVICE REACH

Cascade collected IT assets from 257 unique business and organizational clients in 39 states across 391 different zip codes in 2016 (see map listing the zip codes we visited).

Our ability to deploy our professional, secure, and friendly staff directly to customer sites across the country continues to be one of the unique value propositions we offer in this industry. With sensitive data still on much of the equipment we collect, our clients find value in our on-site data destruction services, secure chain of custody, and attention to detail that would otherwise lose its effectiveness if outsourced to a third party carrier.

Map of locations where Cascade performed pickups—2016
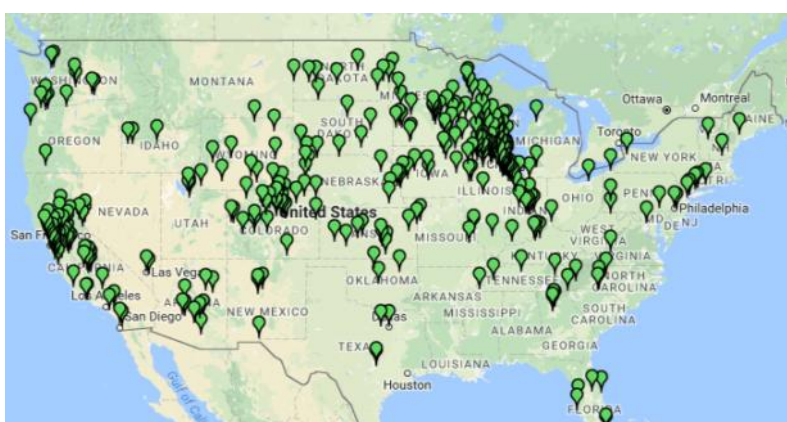
Cascade was most active in collecting equipment from the Midwest—77% of all jobs originated from this region (MN, WI, IA, IL, IN, OH, KY, MI) in 2016.

| State	Total Jobs	% of total
WI	989	52.77%
IL	200	10.67%
CA	117	6.24%
IN	110	5.87%
MN	80	4.27%
All other states	378	20.7%

CUSTOMER SATISFACTION IN ALL PHASES

We ask customers to evaluate the performance of our services and products on a number of criteria. For example, whenever we go onsite to perform asset disposition and data security services, we invite our customers to rate us on a number of factors and give us feedback to help us improve. In 2016, 86% of our clients said they were "extremely satisfied" with our onsite service work.

During our annual survey of all customers in December 2016, we also received a 100% satisfaction rating for our overall service delivery (72% indicated "very satisfied" with 28% "satisfied").
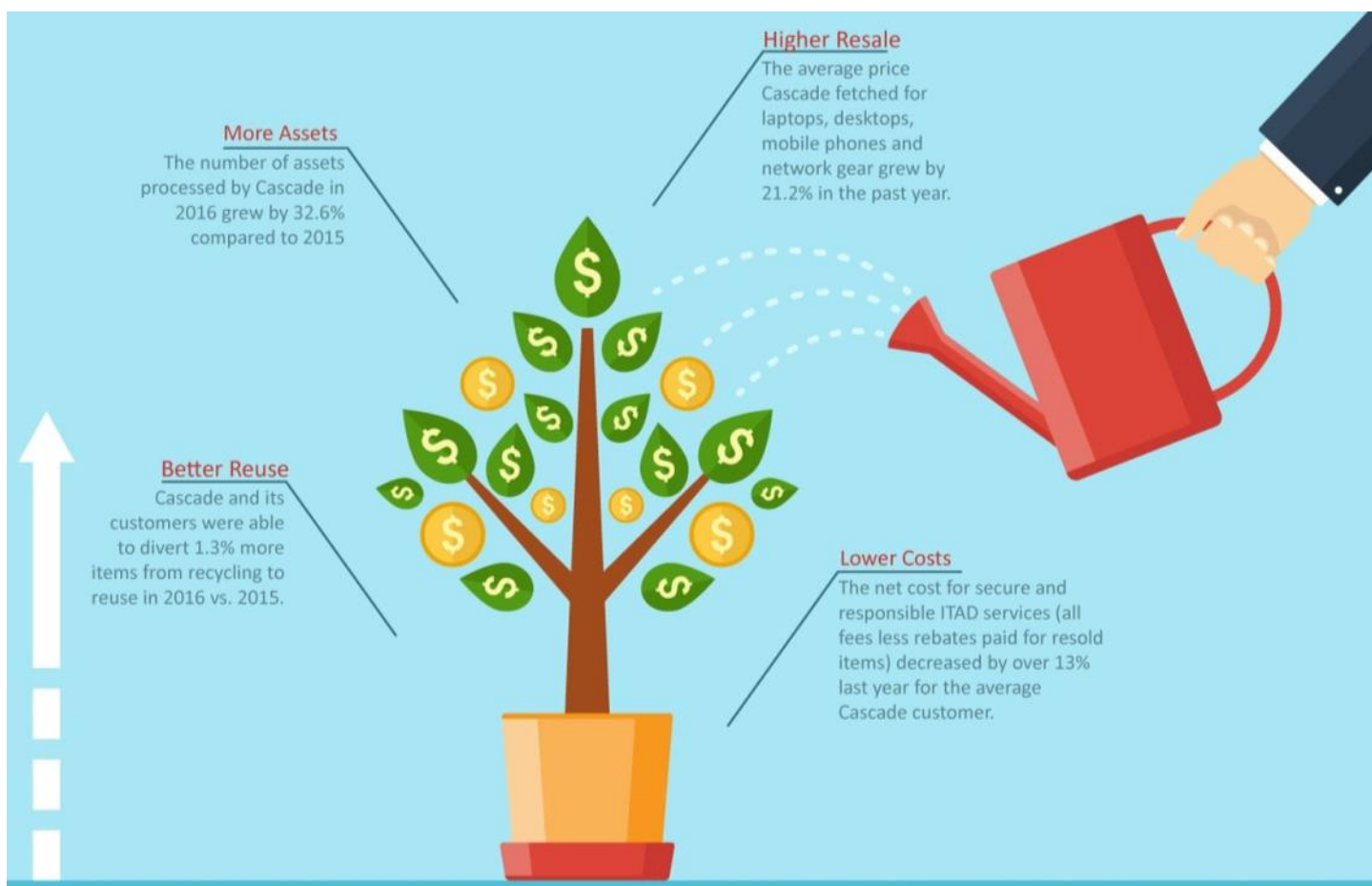
We are also very proud of our ratings on other satisfaction criteria. Tracking how well Cascade meets customer expectations is a critical element of our ISO 9001 Quality Management System and is important to help us understand how to build on our success.

Criteria	2016 Positive Satisfaction Rating
Job Satisfaction	99.7%
Customer Satisfaction	99.3%
Resale Satisfaction	97.7%
eBay Positive Feedback Rating	99.6%
Average Satisfaction	99.1%

How satisfied were you with our onsite services?

14% very satisfied
86% Extremely satisfied
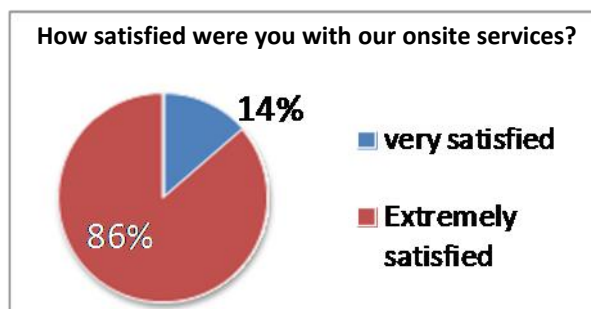
REFURBISHMENT AND REUSE PROGRAMS

Cascade actively collaborates with our customers to improve resale recovery values and decrease their overall costs. Cascade and our customers work together to quickly get these unproductive assets refurbished and sold before they lose any more value. Cascade technicians repair and rebuild items to resellable condition when feasible. Passwords and iCloud access privileges are identified and cleared to allow for resale. These activities, and an aggressive and robust resale program, have allowed Cascade to reduce the overall net costs for our Safe & Sound ITAD services year after year.

More Assets
The number of assets processed by Cascade in 2016 grew by 32.6% compared to 2015

Higher Resale
The average price Cascade fetched for laptops, desktops, mobile phones and network gear grew by 21.2% in the past year.

Better Reuse
Cascade and its customers were able to divert 1.3% more items from recycling to reuse in 2016 vs. 2015.

Lower Costs
The net cost for secure and responsible ITAD services (all fees less rebates paid for resold items) decreased by over 13% last year for the average Cascade customer.

EBAY SALES

In 2016, Cascade sold 7,359 different IT assets through 3,060 eBay transactions. Items were sold to 49 different states (only Wyoming missed out). The top 10 states (shown in graph) accounted for 61.1% of all the transactions on Ebay.

Our resale program has a strong national presence and we consistently maintained a positive rating greater than 99%.

Number of Ebay transactions per state in 2016
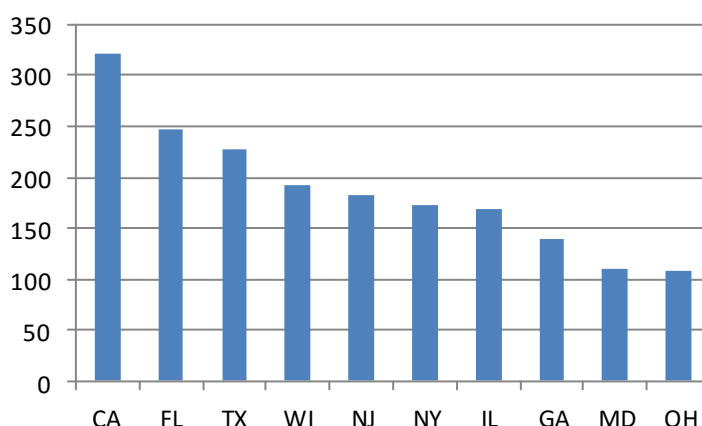
ENRICHING OUR COMMUNITY

Cascade has a strong commitment to our community. Our success is dependent on the success of the home in which we live. Whether it be through educational activities, community electronics recycling drives, or working with our clients to help bridge the Digital Divide, Cascade connected with our community in many ways this past year.

EMPLOYEE RECYCLING EVENTS

Cascade partnered with over a dozen clients to host electronics recycling events for their employees. Over the course of the year, Cascade collected and recycled over 270,000 pounds of electronics during these events.

EDUCATIONAL TOURS & OUTREACH

Cascade hosted tours for both local cub scout troops and graduate engineering students from Purdue. We participated in standards development and presented at conferences (IAITAM, NAID, and ISRI).

BRIDGING THE DIGITAL DIVIDE THROUGH PARTNERSHIPS

The "Digital Divide" is a challenge that affects many of our citizens. When families can't afford Internet access or a computer to help with school-work or using many of the features of the Internet we all take for granted, then they are more likely to fall behind. Currently, 12,000 households in the Madison, WI area do not have Internet access.

To help address this disparity, Cascade joined the City of Madison, ResTech (a local ISP), non-profit educator DaneNet, and local business donors to kick off **Connecting Madison** - an initiative to provide affordable Internet service ($9.99/mo), free computer training courses and tech support, and free or low-cost computers (from Cascade and our clients' donations). In 2016, more than 100 households signed up for the service and took home a high quality refurbished i5 PC. We hope to place a total of 1,000 computers through this program and expand to other communities.

Dan Nord of Old National Bank readies their PCs for donation to the Connecting Madison project.

Mayor Soglin, business leaders, and community members join Cascade in the project kick-off.

The first batch of Dell i5 computers systems with Win 10 are distributed to participants in the Kennedy Heights neighborhood.

ENGAGING WITH OUR CUSTOMERS

MADISON OPEN HOUSE - JUNE 22

Cascade's Madison Open House event was attended by more than 40 businesses and institutions and it included facility tours, workshops, networking opportunities, demonstrations, food and more.

Nathan Nissen (right) of **Kohler Company** spoke about how they approach sustainability and also use the positive environmental impact of their electronics recycling program with Cascade to support corporate goals and build interest from its associates.
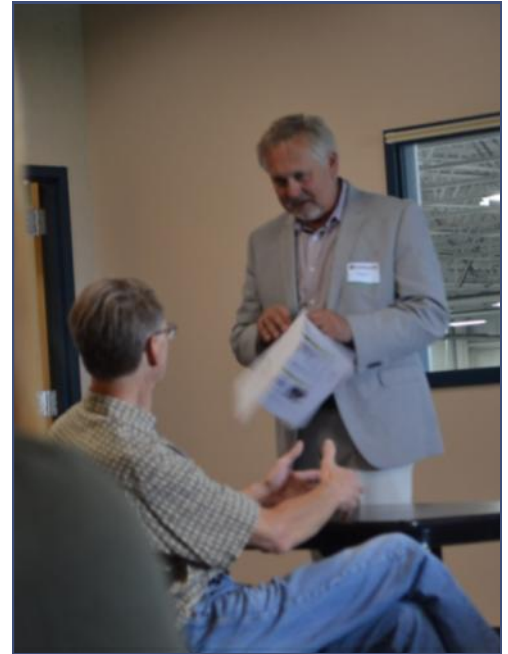
Derek Laczniak of **M3 Insurance** presented on the topic of Cyber Security and best practices in risk mitigation strategies and what to do in the event of a suspected breach. TJ Barelmann of **Cascade** presented a primer on NIST-800 Media Sanitization Guidelines and Donald Townsend of **Cascade** provided instruction on the repair and sanitization of smartphones.

INDIANAPOLIS OPEN HOUSE - OCTOBER 6

Cascade celebrated 10 years in the Indianapolis area with an Open House at our Decatur Boulevard facility. The event included facility tours, displays, a panel discussion with IT asset managers and security professionals, and networking opportunities.

Brian Minger, IT Asset Manager of **Allison Transmission**, led a discussion about IT Asset Disposition best practices.

Preston Franklin of Cascade (left) explained our processing activities and provided demonstrations of our new portable shredder, which can be deployed to customer sites for on-site media destruction projects of hard drives, SSDs and data tapes.

Information displays (right) illustrated the materials recovered from our electronics recycling processes, along with their downstream processing markets.

AWARDS AND RECOGNITIONS

Cascade was recognized as a finalist in the inaugural "Force for Positive Change awards" hosted by the former CEO and Chairman of Cisco (John Morgridge) at the University of Wisconsin-Madison Discovery Center. More than 180 for-profit and non-profit organizations engaged in social enterprise applied for the award and only the top 20% were recognized as finalists. Cascade's CEO was on-hand during the event and was able to speak with Mr. Morgidge and show him one of the Cisco devices we refurbish and resell.

For the second year in a row, Cascade was recognized for having one of the best safety programs in Indiana. To be recognized by INSHARP, a company must develop, implement, and maintain an exemplary worker safety and health management system, as well as pass a comprehensive safety and health evaluation by the Indiana Department of Labor. Fewer than 50 Indiana companies have achieved INSHARP certification.

CASCADE LISTED AS A REPRESENTATIVE VENDOR IN GARTNER MARKET GUIDE FOR IT ASSET DISPOSITION

Gartner, a leading IT market research firm, issued its Market Guide (2016) for the IT Asset Disposition (ITAD) industry. The report provides an overview of important issues for enterprises to consider when developing their ITAD program and selecting a service provider. It also lists a representative sample of a variety of vendors in the ITAD market. Cascade is included in the list of 17 vendors that have a global and/or regional focus.

Cascade refurbishing technicians participated in additional training and acquired new resources to aid in the repair and refurbishment of smartphones and tablets. Ultimately, Isauro Flores-Hernandez became Cascade's first iFixit Certified MasterTech after successfully completing a comprehensive exam and proctored evaluation of his repair expertise. As a result, Cascade is now an iFixit Pro Certified Business.

POSITIVE ENVIRONMENTAL IMPACTS

The collective environmental benefit of the electronic equipment reuse and recycling efforts by Cascade and our customers continues to grow. By reducing the need to manufacture new devices (due to reuse) or mine materials for production (due to recycling), we reduce waste and save resources. This has an impact on carbon emissions that contribute to climate change.

The reuse and recycling of electronics by Cascade and its customers had the equivalent environmental impact of . . .

- saving enough energy to power 16,534 typical U.S. homes
- removing 6,936 passenger cars from the road for 1 year
- keeping 11,387 tons of carbon out of the atmosphere
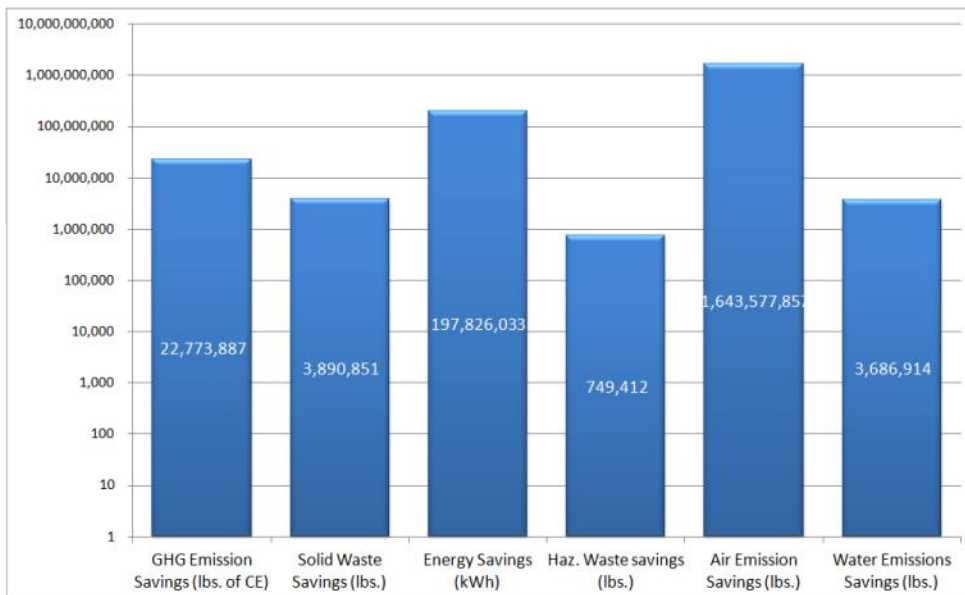
TRACKING AND IMPROVING OUR USE OF RESOURCES

Cascade tracks our ability to optimize the recovery of collected materials for reuse and recycling. For a number of years, we've been tracking the percentage of incoming material that is either reused as is (100% recovery yield) or turned into a new raw material. We work with our downstream recycling partners to reduce the contamination of demanufactured components in order to maximize the amount of material they can convert into a clean, recyclable material.

Most electronics shredders only generate a 50% recovery yield because they do not pre-sort as much as Cascade. This past year, we topped out at an over 88% recovery yield due to a number of factors:

- ◆ Increased amount of equipment reused through better coordination with clients and staff
- ◆ Diversion of more wood waste and packaging from the landfill
- ◆ Internal processing of LCD panels for recovery
- ◆ Reuse of parts from damaged smartphones and tablets.
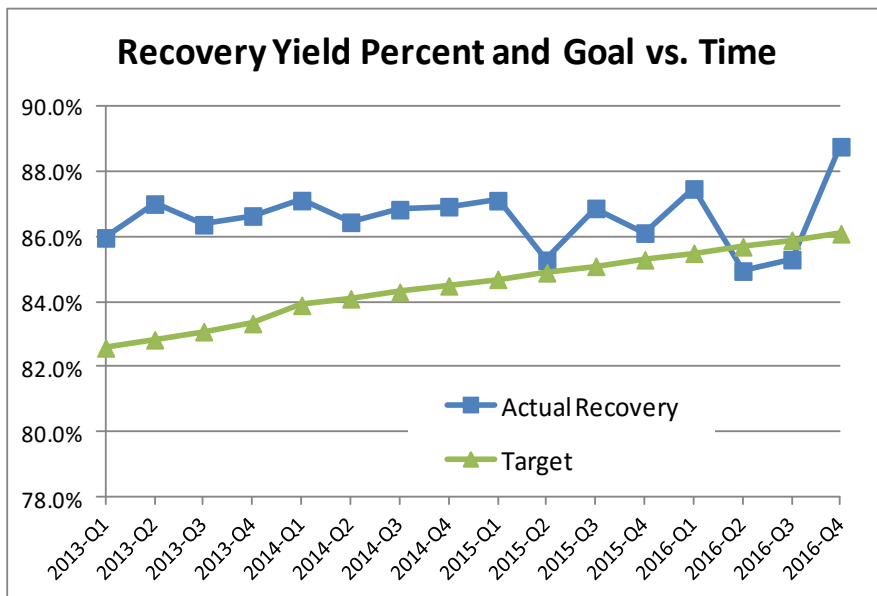
MARKET LEADERSHIP AND EDUCATION

Cascade continued to be recognized as a respected leader in the industry by providing practical research and education to help clients and the community.

At the beginning of the year, Cascade published our second annual printed and electronic 8-page report about IT Asset Disposition Trends and Best Practices. This report was generated from customer surveys, an analysis of over 200,000 assets processed by Cascade, and review of industry research. Seven hundred fifty printed booklets were distributed and a number of electronic reports were also shared.

Cascade representatives also spoke and participated in a number of industry trade shows and stakeholder groups. We hosted webinars, created and updated templates and tools, and posted additional content on our website.

Publications and Presentations – Cascade presented research in the following forums:

- "Getting rid of technology assets in a healthcare organization," March 10, Premier members.
- A number of events resulted from Cascade resources developed around our **RFP Development Toolkit**. The original presentation was offered at the ISRI conference in Las Vegas in April 2016, which then led to a subsequent feature article "FYI on RFP's" in E-Scrap News Magazine, and finally included our participation in a national webinar hosted by the EPA on October 18.
- Workshop at IAITAM in New Orleans, "When is the Right Time to Retire your IT Assets?" May 18.
- PDS Tech Show, "ITAD Best Practices and Case Studies," October 19.
- Electronics Reuse Conference, "Market Conditions / ITAD Industry Trends," October.
- AFCOM educational session, "NIST Guidelines for Data Center Equipment Destruction," November.
- IAITAM Webinar, "The role of ITAM in preventing a data breach," December.

LinkedIn Posts

- "What a ropes course taught our company" – July 13
- "Donating computer equipment to actually benefit the users" – September 14
- "Healthcare needs responsible ITAD" – November 11

Trade Shows — Cascade participated in a number of industry conferences, including:

- Wisconsin Association of Public Purchasers, Wisconsin Dells, September
- PDS Tech Show, Milwaukee, October
- HIMSS Midwest Fall Technology Conference, Bloomington, MN, November

WEBSITE AND SOCIAL MEDIA OUTREACH


NEW "FLUID DESIGN" WEBSITE
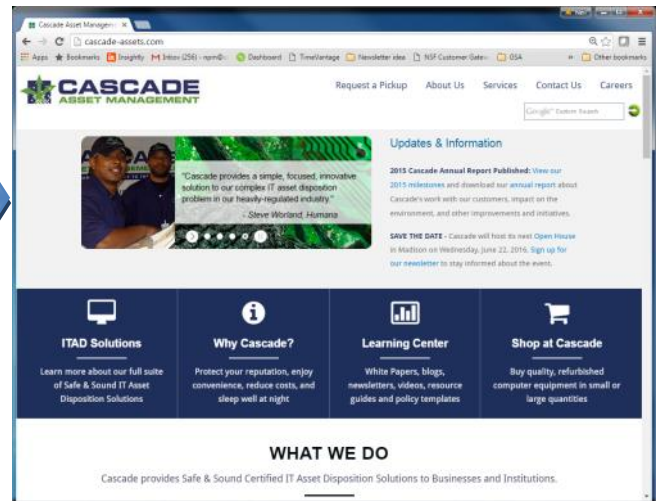
In early January, we published a new public website using a "fluid design" that adapts to the screen size of the user so that it provides optimal viewing and browsing for desktop users and mobile users. This required an entire redesign of page templates into the new structure and allowed us to add new content while also enabling us to transfer existing content cleanly.

There is also more content on the home page to help improve our search rankings for related terms. Google search rankings were also improved due to the switch to fluid design (starting last year, Google penalized websites that did not adopt a mobile friendly layout by decreasing their search rankings). Prior to the switch, Cascade was typically listed on the 4th landing page when searching for "IT Asset Disposition" in Google. We are now typically on the first landing page for this search term, and have also increased search rankings for other related terms.

TWEETS, NEWSLETTERS, AND FOLLOWERS

Cascade maintains an active presence on social media sites to increase engagement with clients

- ♦ **@CascadeAssets**—72 Tweets in 2016 (29% annual increase) with 152 followers (24% annual increase)

- ♦ 310 people are now following Cascade on LinkedIn (10.3% increase)

- ♦ Cascade published 7 electronic newsletters that were opened 1,929 times. By the end of the year, there were 1,170 subscribers to the newsletter.
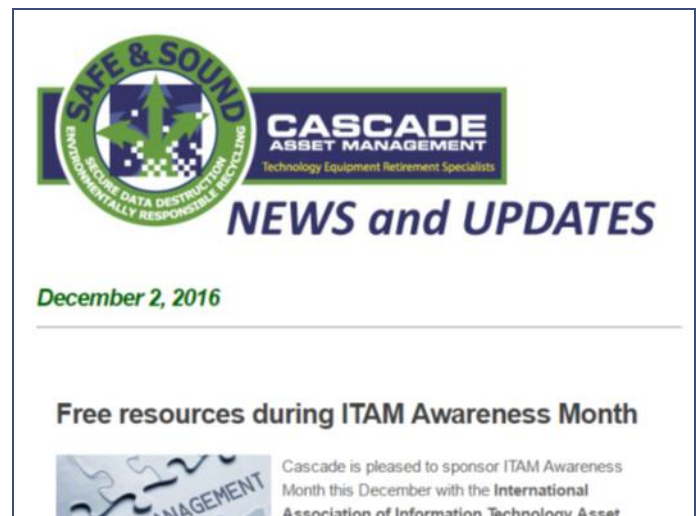
PROTECTING & SECURING INFORMATION

We recognize that protecting the security interests of our clients and stakeholders is the most important service we provide. A breach of confidential or personal data can paralyze a company.

With that in mind, Cascade continues to invest in technologies, systems, and education to ensure our programs and staff are best equipped to deal with threats to data security. Some of the programs from 2016 that address this threat include:

- Cascade performed a regular tri-annual criminal background check of all staff as part of our NAID Security Certification. Of course, no issues were found.
- Our Security team led an educational campaign to raise awareness among all staff about the dangers of Phishing attacks, social engineering, and USB security. We measured how well staff understood and managed these threats both before and after the campaign and recorded an improvement of 4% in the test scores. We found that 91% of all questions about security threats were answered correctly after completing this campaign.
- Ongoing security evaluations are performed at each facility, and third party audits by NAID demonstrate conformance to HIPAA/HITECH and other privacy protection programs for secure data destruction.

NEW SHREDDER FOR MOBILE DESTRUCTION

Cascade acquired a new shredder to replace our older unit in Indianapolis. While the shredder has a smaller footprint, it is more powerful than our previous shredders and is configured to cut data tapes, traditional magnetic hard drives, and Solid State Drives (the SSDs are shredded to a smaller size). The throughput on this shredder is significantly greater than the older device.

The shredder has also been deployed to perform onsite tape and drive shredding at customer sites. Cascade can destroy these media onsite and remove the shredded material for final processing. This has been a real benefit to organizations requiring proof of destruction before media leaves their facility.

FAST PROCESSING & INCREASED VOLUMES

As part of Cascade's ISO 9001 Quality Program, we track performance on a number of metrics. An important concern to both our clients and our internal operations is the speed and efficiency in processing assets for sanitization, testing and demanufacturing. To this end, we are regularly tracking the status of inventory through our processes to strive to get all assets processed (tested and sanitized or demanufactured) within 30 days of receipt.

Through regular tracking and ongoing management, Cascade was able to maintain processing metrics at or near our targets throughout 2016. Despite an increase in volume received of nearly 7.5%, Cascade was able to keep our average age of processing to less than 12 days. Faster processing allows us to maintain higher resale values for resold equipment while keeping our inventory carrying costs down.

- 2016 assets processed = 228,969
- Assets processed in 30 days or less = 217,839 (95%)
- Assets receive and sold in 2016 = 76,068; in 45 days or less = 59,031 (78%), 90 days or less 74,519 (98%)
- Average of 11.32 days from receipt to processing
- Average of 36 days from receipt to sale (for reusable assets)

Snapshot of Work in Process Status, Dec 19, 2016

Processing - Both Facilities		Resale	
Unactionable	128	0-30	2453
Sent to Recycling 0-19	727	31-45	2476
Sent to Recycling 20-30	72	46-75	1866
Staging Area 0-19	3697	76-90	421
Staging Area 20-30	645	>90	326
Overdue	188		