



## Rehab, Reuse, Recycle

Erika Brown

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**John Shegerian gives second chances to busted computers--and to former addicts and ex-cons.**

Touring the grounds of Electronic Recyclers International in Fresno, Calif. is unnerving, like an unarmed walk through a prison yard. Tattooed, muscular men tear apart computers with hammers and electric drills. A guy with a gang insignia etched onto his neck hoists a monitor over his head. Another rips the face off an old television with his bare hands. Machines chomp and grind gadgets and cell phones, spitting out shards of metal, plastic and glass. Sharp edges and ex-cons are everywhere you look.

But ERI Chief Executive John S. Shegerian strolls comfortably through the place, dressed in a three-piece suit, green tie, cufflinks and Rolex. Like a lot of right-minded businessmen these days, he espouses the importance of doing good while making a profit. "I believe you can recycle everything," he says, "including lives."



Shegerian aims to be the biggest among the 700 or so electronics recyclers in the U.S. He's already a leader in California, which in 2006 banned all electronics from its landfills. Electronics can contain toxins such as cadmium, mercury and chromium. California first outlawed dumping of lead-heavy cathode ray tubes in 2001. Ten other states, including Maine, Massachusetts and New Hampshire, have passed their own laws banning e-waste.

ERI brought in \$30 million in revenue last year, and Shegerian, 45, expects to gross twice that much this year. Operating income (earnings before interest, taxes and depreciation) was \$3 million last year and should double in 2008. Over the next 18 months he plans to open five more recycling centers across the country, up from the two he has in Fresno and Gardner, Mass. "Electronics are the fastest-growing solid waste stream in the world," he says.

At a big enough scale, Shegerian hopes to stanch the flow of electronic waste exported to poor countries overseas. Over the next three years Americans will throw out maybe 110 million computers, 80 million television sets and 350 million cell phones. The majority of electronics recyclers don't even bother recycling this waste. They just ship it to India, Southeast Asia, China and Africa. Organizations such as the Basel Action Network and Greenpeace say workers there, often children making pennies a day, troll mounds of garbage in search of computers and TVs. Lacking proper tools to tear open computer shells, they burn the plastic to get to the valuable stuff inside, breathing noxious fumes. They dip circuit boards in acid and melt lead in the same

pans they use to cook their meager meals. They toss any remains back on the pile, where toxins seep into water supplies.

Peter Muscanelli, president of the International Association of Electronics Recyclers, downplays the harm done by exported waste. "There are illegal actions done by every field," he says. "Whether it is dog food or something else, there will always be someone who will export a product that will be tainted."

Shegerian exports to foreign dumps none of the 8 million pounds of electronics ERI processes each month. His glass-crushing machines are hermetically sealed to trap lead dust. In March he bought a \$4 million automated system that crushes, shreds and sorts metals and plastics using magnets, X rays and other sensors. He even has cameras inside shredding machines to provide clients such as banks evidence that their disk drives really are destroyed. "I meet with people and try to tell them how to do this the right way," he says. "They say, 'What? We're making money. Who cares? No one will ever find that stuff in China.'"

He wants to open his next few recycling centers in rusty, neglected neighborhoods. It's all very much in keeping with his drive to rehabilitate whatever he comes in contact with: people, places, things. One-third of ERI's 200 full- and part-time employees are in its "second chances" program, which includes ex-cons and former addicts. It so happens these workers have a 17% turnover rate, half that of other employees. But Shegerian also likes to surround himself with ex-cons as a way to remember how fragile a "normal" life can be.

He grew up in New York City, in the Borough of Queens, the son of a printer and a housewife. His father split when he was 5, and his mother ended up on welfare. Shegerian took his first job at age 10, grooming horses and mucking stalls. In his teens he raced horses as a harness driver. He started reading forbes at 14 and dreamed of becoming an entrepreneur. A few years later he raised money from the owners of dry cleaners and pizza parlors to buy racehorses he managed.

He moved to Los Angeles to work for a real estate development company and in 1992 took over a tortilla shop one of his tenants abandoned after the Rodney King riots. He brought in Father Gregory Boyle, a Jesuit priest who preached about giving second chances to troubled kids. They staffed the shop with former gang members and renamed the business Homeboy Tortillas. "I decided then that whatever I do in my professional life will also have a heart," Shegerian says.

He left L.A. in 1996 to move to Fresno, where he opened a restaurant and brewery with some investors. He left in 2001 to cofound a Web site called Financialaid.com that helped kids get access to money for college.

Everything came to a halt in late 2003, when Shegerian acknowledged to his wife that he had a serious problem: He was a sex addict and had been cheating on her for years with random female partners. "I was living a double life," he says. His wife kicked him out, and in April 2004 he checked into a rehab clinic in Arizona. It was a tumultuous time. That fall, within a span of several weeks, his wife divorced him, his father died, and the Web site, of which he owned a third, was sold to Education Lending Group for \$20 million in cash and stock.

In late 2004 he was approached by a friend to help a struggling recycling business in San Diego. Shegerian raised a sum of \$12.5 million from hedge funds and angel investors to build the

business. He takes no salary, but he owns 20% of ERI's equity and all the voting shares. He moved the business north to Fresno, where he spends less on rent and gets a tax break for hiring people in a low-employment region. He also got back together with his wife, who runs operations at ERI.

The state of California pays recyclers like ERI 48 cents a pound to crunch up television sets and LCD screens. The state requires ERI to give 20 cents of that back to the schools, churches and other groups that bring him the displays. Government fees make up 44% of ERI's revenue, but the price of that government work is having to fill out 7,000 pages of paperwork a month establishing the provenance and disposition of every piece of junk processed.

The rest of ERI's revenue comes from collection fees, fixing up and reselling what's salvageable and selling the waste. Plastic from a computer keyboard, for example, brings in 15 cents a pound; steel, 12 cents; aluminum, 70 cents; and microchips containing precious metals, \$75.

Shegerian's plans to be the nation's number one electronics recycler will take him head-on with giants such as **Waste Management** and Allied Waste. They may not share his social mission, but they have the capital to match him in equipment. "I know the fragility of life," he says. "It would be an absolute shame if I didn't do something with this opportunity."