

AUREX Trading and Recovery Inc

A policy of efficient recycling and urban mining with a “zero e-waste to landfill” mission.

INCORPORATED:

Delaware

SUBSIDIARY OF:

APT SYSTEMS, INC (APTY)

OPERATIONS:

Robesonia, PA

TEAM:

Alfonso Knoll – as Operations Manager is responsible for day to day operations with a focus on business development and the acquisition of electronic waste. Lead investor in numerous public and private ventures, and has been involved with several e-waste and precious metal businesses over the last several years.

FINANCING SOUGHT:

\$300,000 to be secured in total (from one to four tranches).

USE OF PROCEEDS:

The proceeds from this raise will be used primarily to open the plant and acquire product/inventory for the recovery of metals and recycling of other electronic waste such as plastic and aluminum.

Company Summary

AUREX (or the “Company”) is a Pennsylvania based company. Its purpose is to engage in efficient and environmentally clean recycling operations focused on electronic waste (“e-waste”). The growing dependence on electronics—computers, cell phones, tablets, and numerous other gadgets has given rise to the need to dispose of such equipment in an environmentally safe manner.

The overall operation of AUREX will not only include recycling but refining, information eradication/ destruction, metals trading, and asset management to assist in the efficient recycling of e-waste. The most significant and profitable aspect of the e-waste recycling business is the refining of precious metals which includes gold, silver, palladium, and copper. 23% of a cell phone is made up of these precious metals and significantly more in other types of equipment. Aluminum and plastics are also recycled for profits and to minimize landfill and to also manage any toxic materials properly.

Investment Highlights

Proven and Growing Need: The rapid growth in the disposal of e-waste has required many states (25 at present) to enact legislation to require environmentally safe disposal methods to support the “green movement”. The destruction of sensitive information contained on hard drives is mandated under HIPAA and Gramm Leach Bliley to protect citizen privacy concerns. These requirements will only expand as these concerns become even greater.

Large Addressable Marketplace: An ABI Research report forecasts that the e-waste will triple in the next few years from \$6 billion to \$15 billion. Currently, Americans buy an estimated \$125 billion of electronic equipment each year and this market is expected to accelerate for the foreseeable future. It is estimated that as a result of this growth in electronic equipment sales, electronic goods will make up 1-2% of the known municipal waste stream which is currently estimated at 50 million tons.

Multiple Revenue Streams: There are several significant revenues streams that make up the e-waste industry; including 1) recycling, 2) eradication of data, 3) destruction of hard drives and 4) refurbishing of computers and devices. The basic recycling model is the collection of the waste stream from consumers. Eradication and destruction is the process to assure that all private information is destroyed in compliance with privacy laws. Lastly, refurbishing is the remanufacturer of computers for sale into primarily foreign markets. The gross margin for each of these areas is generally around 50%.

High Margins: Most of the revenue generated by the electronic recycling industry comes from selling precious metals extracted from e-waste. Gold makes up 60% of that revenue. For AUREX, the cash turn cycle is less than 30 days, providing the opportunity for high margins and immediate profit.

Strategic Partners: The e-waste industry is highly fragmented which means there are a multitude of companies that collect a small quantity of e-waste, each with their individual overheads and logistic issues. The key component of the AUREX business plan is to aggregate the waste streams of small collectors. By focusing on strategic partnerships, many of which have already been identified by AUREX management, the Company can focus on creating a network of collectors and processors and provide centralized refining, and providing support services giving greater economies of scale.

Business Model Growth Drivers

- 1) Growth through key partnerships that are accretive and are strategic in location.
- 2) Establish a sales force to negotiate contracts with the manufacturing, financial institutions, municipalities and hospitals for services required to eradicate information and appropriately destroy hardware.
- 3) Create a network of traditional scrap dealers that will act as collection sites for e-waste on behalf of AUREX.
- 4) Develop a comprehensive marketing plan for ad campaigns, social media, and need for recycling awareness to the general public.
- 5.) Focus on the higher margin Military markets. Generally military electronics require higher degrees of reliability and therefore contains some of the highest quantities of recoverable precious metals.

Market Dynamics

Expanding legislation mandating the proper disposal of e-waste and the protection of personal information, combined with the “green movement” and privacy concerns regarding data that may be resident on electronic devices, has created a need and a market for responsible e-waste disposition and data eradication services. 25 States have already passed some form of an e-waste law and several others are actively pursuing legislation. In addition to privacy laws like HIPAA and Gramm Leach Bliley, intended to protect medical record and consumer privacy; recently a new law was introduced banning the unlocking of cell phones to protect data contained in their memory demonstrating that awareness and the fears associated with identity theft are ever increasing.

The FTC estimates that as many as 9 million of us have our identity stolen each year. It’s topped the list of consumer complaints filed with the agency for the past 12 years running, garnering about 15% of all complaints. And new research from ID Analytics shows that there are roughly 10,000 identity theft rings in the United States now involved in this fast-growing illegal enterprise.

Research recently conducted for the Environmental Protection Agency estimates that of the 2.421 billion electronic products sold from 1980-2007-- almost 10% are stockpiled in garages, closets, or other storage, making up 234.6 million units. And this is in addition to the 1.2 billion units of electronic products available for end-of-life management – recycling or disposal. According to Time magazine (January 19, 2009) Americans are apt to throw out more than 350,000 cell phones and 130,000 computers every day.

Computers have exploded throughout America and the world over the past 30 years – from 2,000 units shipped in 1960 to 900,000 in 1980 to 7 million in 1990 to over 15 million per year by 2003 to over 65 million *per quarter* by 2016. New PCs, cell phones, tablets, other e-products now use 320 tons of gold and 7,500 tons of silver per year, and this number is rising.

Business Opportunity

The raw e-waste material acquired by the company takes no longer than 30 days to fully refine, meaning cash will turn over with profit every month. Current market conditions will allow AUREX to put the working capital to use within the two weeks with quantifiable returns of at least 50% profit. The profits will be used to cover the cost of capital and to increase revenues; and added profits will be generated by adding the recovery of precious metals from aggregated e-waste collection to proper waste streams.

As noted there is an abundance of small dealers that have entered the e-waste arena; however, there are very few certified collectors. These dealers generally work through an already established R2 or steward certified operation. It will not be necessary to certify all locations but by having an established certified company, at Robeson, PA, it will provide a significant advantage in the implementation of the AUREX business plan. Although there are a significant number of small players in the industry there are only a few large and coordinated companies, chief among them is Sims Recycling, Colt Refining and Arrow Recovery Group.

In order to achieve the goal of becoming a major player in every aspect of the e-waste process, the first step will be to become a well-recognized leader in the acquisition of product i.e. electronic equipment of all types. In order to accomplish this, it will be necessary to have the proper liquidity to pay promptly and to demonstrate the ability to service regularly. As demonstrated by quoted statistics, there is a wealth of material to be acquired, both service and prompt payment will be key factors.

This is a localized but fragmented market with no clear leader. AUREX has the ability to quickly scale operations with space to expand into and able to provide its own training of support staff. AUREX has established supply relationships and feedstock as well as historic logistics and refining relationships. Most of these companies are generally small “mom and pop” operations or are small divisions of larger waste management type companies. AUREX is a happy to step into the role of aggregator and front line recycler.