

Bringing to Market the First and Only Self-Serve Kiosk System to Evaluate and Buy-Back Used Electronics Directly from Consumers, ecoATM with their eCycling Stations is Using Advanced Technologies to Solve a Problem Created by Technology: e-Waste

**e-Waste
Kiosk - Technology
(Private)**

ecoATM

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**Tom Tullie
Chairman, President and CEO**

BIO:
Tom Tullie has 23 years of experience in semiconductors, systems, computing and software, 13 of which were in executive management. He has a proven track record of successfully building leading-edge technology companies, as evidenced by his success as Chief Operating Officer of Applied Micro Circuits Corporation (AMCC), a broad-based provider of integrated circuits and printed circuit board assemblies for a range of optical transport, switching, routing and storage networking solutions. During his tenure at AMCC, Mr. Tullie also led the company's sales, marketing and operations organizations, includ-

ing building AMCC's international channels of sales and distribution; he was also General Manager of the Communications Division. Mr. Tullie led or was involved in 13 acquisitions and was an essential member of the executive team which took the company public and raised \$1 billion in secondary offerings. Before joining ecoATM, Mr. Tullie was CEO of Vativ Technologies, a leading provider of advanced DSP-based semiconductor communications solutions, which was acquired by Entropic Communications, Before Vativ, Mr. Tullie was the CEO of Path 1 Network Technologies, a leading provider of IP video transport products to broadcasters, satellite operators, cable multi-system operators (MSOs), and telecom operators, which was acquired by IP Video Networks. Previous to AMCC, Mr. Tullie was Director of Sales for S-MOS Systems, the U.S. subsidiary of Seiko Epson and before that a Design Engineer at Digital Equipment Corporation.

Mr. Tullie earned a B.S.E.E. from the University of Massachusetts and an M.B.A. from Clark University.

Company Profile:

Based in San Diego, Calif., ecoATM (www.ecoatm.com) is the first and only company to create an automated self-serve kiosk system that uses patented, advanced machine vision, electronic diagnostics, and artificial intelligence to evaluate and buy-back used electronics directly from consumers for cash or store credit. ecoATM's eCycling stations provide a convenient trade-in solution that:

- electronically and/or visually inspect virtually any consumer electronic device,
- connects consumers in real-time with a broad worldwide secondary market to ensure best pricing, and
- pays consumers immediately in cash and/or store credit, and
- automatically administers trade-in / trade-up promotions for retailers and manufacturers.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Tullie, would you tell us about ecoATM?

Mr. Tullie: We are using advanced technologies to solve a problem created by technology: e-waste. We develop, own and operate a network of self-serve kiosks which are used for the automated buy-back of used electronics. Today we buy-back cell phones and MP3 players, and we plan on adding tablets and other portable devices as we ramp in the future.

The ecoATM kiosk is quite simple to use. A customer walks up to the machine and puts their device into the identification chamber. Our vision systems and artificial intelligence software identify the make and model of the device in about 20 seconds. The kiosk also provides the consumer with a price range for the device based on the condition of the device. If the customer elects to continue with the process, our robot will present the appropriate cable for that device. The user plugs in their device, and the kiosk conducts an electrical and physical inspection. The ecoATM ascertains whether the device powers

up, checks the condition of the LCD screen and rest of the device. Within about 30 seconds the complete condition of the device is determined and a final price is offered. If the price is accepted, some personal information is collected, and cash is dispensed on the spot. To ensure we are always providing the highest prices possible, we run a 7/24 pre-auction, and the high bids are downloaded to our kiosks. Our buyers are constantly competing against each other for the phone flow, which allows us to deliver the highest prices to our customers.

CEO CFO: What was the biggest challenge of getting all the different components of the process to work smoothly?

Mr. Tullie: The technology is quite sophisticated. The artificial intelligence systems, coupled with the vision systems and robotics all have to work in unison in order to complete the tasks. We had to do a lot of research and development, continuous prototyping and refinement, in order to get to the point where it is today. We can take an image of your phone, analyze a database of thousands of different handsets and identify the exact make and model phone with a extremely high degree of accuracy. Developing a 7/24 pre-auction system, an easy-to-use graphical interface, the mechanics and robotics as well as the network management system were also big challenges. The biggest challenge of them all was integrating all these systems together to produce a customer experience that is fast, fun and rewarding. That was a really difficult job, and one that I think we have successfully accomplished. I am very proud of the job my team has done in delivering on this vision.

CEO CFO: Do many people choose not to leave the phone with you?

Mr. Tullie: Based on the data we collect, single digit percentages of our customers who attempt to sell a device decide not to complete the transaction. We offer such a great service of turning trash in cash on the spot that we have very high customer satisfaction.

CEO CFO: What is involved in getting the phones out of the kiosks and getting them to where they need to go?

Mr. Tullie: We have a service model where an armed service company such as Loomis or Brinks, will visit the ecoATM, collect the phones and ship them to our sort-and-forward sites where they are sorted and sold to our domestic and international buyers.

CEO CFO: What is the revenue model?

Mr. Tullie: For every phone we collect and sell, we take a portion of the proceeds. That goes to pay for the kiosk capital, maintenance and service as well as development, corporate expenses and profit.

CEO CFO: Where are your kiosks now, and where would you like them to be?

Mr. Tullie: We have trialed several venues and markets. We have trialed

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service providers, corporate and university campuses, malls, retailers and grocery stores. The great news is that they all work really well for us. Today we are predominantly in malls and grocery stores, as well as a couple of retail stores and on the Microsoft campus.

We have focused deployments early on in California and are in the San Diego, LA, Sacramento and San Francisco Bay Area. We are also in Everett, Washington; Omaha, Nebraska; and Kansas City, Ohio. We are planning our national rollout currently. We have the technology down, and the kiosks are ready for mass deployment. We just raised a \$17 million series B round which is being used to build a national service and support network as well as to fund the production of kiosks. We plan on deploying across the country predominantly in malls and grocery stores, as we trial other potential retail partners.

CEO CFO: Will you own the kiosks or franchise? What is the business model?

Mr. Tullie: For the U.S., our current plan is to own and operate, although we have toyed with the franchising model. We are looking at some different models such as partnerships or joint ventures for non-North American markets in order to accelerate our penetration into these markets.

CEO CFO: Are companies receptive or do they need to be convinced it is a good idea to have the kiosk?

Mr. Tullie: Very receptive. It is almost as if we do not even have to sell it, because it sells itself. We have received, and I am not exaggerating when I say this, hundreds of calls and emails from a variety of domestic and international retailers who want to put machines in their facilities. Obviously, we can only do so much, especially in the early days. Therefore, we have been focused on just a few retail partners and some of the larger mall operators as we have developed our business. Now that we have the machine ready for mass production, we can start to address some of the retailers who have been asking us to install kiosks.

It has been a pull versus a push, which has been very exciting for us.

CEO CFO: What is the barrier to entry?

Mr. Tullie: Our business is very complicated. The different pieces of technology, being able to understand the vision systems, artificial intelligence systems, robotics, the kiosks business, the retail channel as well as the entire reverse logistics phone business. There is the technical side, the kiosk side, and then there is the commercial side of the cell phone business. We also have a pretty extensive patent portfolio, both in application and granted. We believe ecoATM can maintain our leadership position through the use of our technology development, IP protection, partnerships and our ability to execute.

CEO CFO: How long is ecoATM set for funding?

Mr. Tullie: It depends on how quickly we want to scale. Our plan is to work with banks, private equity sources and leasing companies to fund our capital needs through debt vehicles. We may also elect to raise a series C at the appropriate time. Our series B raise of \$17 million has giving us a good source of capital to both build machines as well as scale the company's operations, support structure and manufacturing capability. Therefore, we are feeling pretty well funded right now, but tapping into the debt markets would allow us to grow the business even faster. That is where we will be focusing our effort over the next six or nine months.

CEO CFO: Are people interested in the green aspect, the money aspect, or a little of both?

Mr. Tullie: For both the consumers and the retailers, the combination of the financial aspect and the environmental benefit is what is changing the face of electronics recycling. Before we started the business our founders read a Nokia report, which showed that only about 3% of all cell phones were being recycled. We thought that was a dismally small number, so we researched the different recycling avenues. There were recycling centers, charity boxes and online sites. The environmental benefit of these alternatives was not sufficient in itself to change peoples' behaviors in scale. Some people would go to the effort, some people would not.

What we realized was that we needed to make it financially rewarding to change this behavior. We also needed to make it more convenient and put it in consumers' normal path of commerce. The third problem we saw was that even the online sites that gave a financial incentive had a problem getting people to sell their phones because it entailed a lot of effort and could take weeks or months to complete a transaction and get the financial reward. It was a pain, espe-

cially if you were selling something for \$15. The current methods were not immediately gratifying, financially rewarding, and were not convenient. Therefore, we needed to create a system that was convenient, financially rewarding and immediate. It is not just about being green, but by delivering on all these requirements, we can change behavior. ecoATM provides



you a convenient, immediate and financially rewarding experience in which you can feel confident in the fact that you are recycling and helping to make the planet a better place to live.

CEO CFO: What about concerns about numbers or information that are on the cell phones?

Mr. Tullie: At our kiosk we ask everyone to delete all their data, even be-

fore they recycle it. We also run a process on our backend where our recycling partners wipe all the data before it goes on in the refurbishing process.

CEO CFO: Are there any tweaks or additions that you would like to make to the kiosk today or is it 100% good to go?

Mr. Tullie: It is 100% ready to go. However, we will continue to develop future generations of machines that make the user experience a little bit easier and faster, add more capacity and new product categories, and make the kiosk quicker and easier to build, install and maintain. That way we can continue to decrease capital and operating costs, and in turn provide more value to our consumer. The job is certainly not done, but the kiosks are in great shape to scale nationwide.

CEO CFO: Why should investors pay attention to ecoATM today?

Mr. Tullie: From an investor perspective, a business like ours is graded on proving fundamentals. When you can prove that the technology works, that the customers will use the kiosks, and that the units can be maintained at a price point that works within the unit economic models, it is about hitting those first three metrics. At this point we are able to check those three boxes. Then you have to have enough locations to put the machines where you can incrementally scale revenues and profits. The fifth one is really all about use of capital and the payback and return on the capital. As we deploy nationwide we are confident that we will check the fourth and fifth boxes off and deliver some great returns for our current and future investors.



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