



## Zapping Personal Data for Profit

By Joao-Pierre Ruth - 11/28/2005

When the New Year starts, New Jersey businesses will find themselves having to keep a resolution made for them by the state: the law requiring companies to destroy customers' personal information when it is no longer needed.

That will require locating such data among piles of paper records and years of archived computer disks and tapes. Computer drives that companies plan to discard or sell will also have to be checked.

Two local companies see a wealth of opportunities in helping to ensure that all the data on such equipment is properly eradicated. Back Thru the Future Computer Recycling in Ogdensburg and QSGI in Hightstown offer different methods of destroying old data on retired computers.

"A lot of companies are uninformed and don't realize the risk they put themselves in if they don't allow this to be handled by a third party," says QSGI CEO Marc Sherman.

The New Jersey Identity Theft Prevention Act signed by acting Governor Richard Codey in September aims to increase the protection that businesses offer their clients against fraud. Among its mandates is a requirement that companies keeping computer records of consumers' personal information must give notice if the data is compromised. In addition, such data must be destroyed when it is no longer needed in order to make it harder for cyberthieves to run amok with other people's identities.

"That really is one of the toughest laws in the country," says Dan Bayha, vice president of Back Thru the Future. "It is very specific about the need to destroy any kind of sensitive personal information on to-be-disposed-of computer equipment."

While it is possible for laypeople to erase hard drives on their own, the usual methods can be undone by a determined hacker. "Software erasure tools don't actually erase anything," says Bayha. "They record over the surface with meaningless information. The more secure you want that hard drive to be, the more times you record over the surface."

"Data can be retrieved from a hard drive that has been one-time erased or reformatted very easily with some simple resurrection software you can get online," says Sherman. Four-year-old QSGI is a reseller of computers to the business market and overwrites hard drives using Department of Defense standards for data destruction. That process, which is approved for wiping away secrets, makes the contents of the drive virtually impossible to retrieve.

The law's requirement for data destruction could help QSGI get back in the black. The company reported a net loss of \$393,840 on revenue of \$8.8 million for the quarter ended September 30, compared with net income of \$280,323 on revenue of \$8.2 million for the prior-year period. QSGI attributed the loss in part to the buildup of infrastructure at its warehouse and efforts to improve efficiency. Company shares trade on the Pacific Exchange for about \$1.35 apiece.

Back Thru the Future, a computer recycling company, has a more straightforward way to make sure old data is beyond retrieval: It shreds hard drives into scrap with high-powered industrial-grade grinders. Bayha says prices start at \$8 per hard drive for orders of up to 25 units; volume discounts are available for larger orders. The company pulverizes more than 1,000 hard drives per month. While the hard-drive destruction business currently represents about 5% to 6% of the firm's \$1 million in annual revenue, Bayha expects it to grow to about 15% to 20% next year.

Meanwhile, the bulk of Back Thru the Future's revenue comes from reselling used computers, primarily to customers in the Northeast. In contrast, its customers for drive destruction hail from across the country. They tend to be entities that store lots of personal data such as hospitals, doctors, lawyers and universities.

The privately held company—founded in 1990 by President Melanie Haga, Bayha's wife—has been profitable, but its margins are thin. "The challenges we face in the electronic recycling, used-computer business, is historically that money has been based upon the value of reusable equipment," says Bayha. But computers age and lose value rapidly. "The economics of being in the used-computer resale business stink," he says. "You are constantly chasing a falling away cost for value."

Back Thru the Future hopes the data-destruction market will generate more income as businesses feel the pressure to

comply with the new law. "Most people don't like to pay for recycling," says Bayha. "Data security on the other hand is like handing over the number to your bank account. They will pay anything to be sure their data is secure."

Two Erasers-for-Hire

The New Jersey Identity Theft law goes into effect January 1, 2006. It will require businesses to destroy records containing a customer's personal information that is no longer needed.

QSGI

Location Hightstown

CEO Marc Sherman

Provides data-security and regulatory-compliance services for computers ready to be retired. This includes data-erasure to Department of Defense standards for hard drives. The company also resells refurbished IBM computers and offers maintenance services.

Back Thru the Future

Computer Recycling

Location Ogdensburg

President Melanie Haga

Prepares reusable computers for sale overseas and ships unusable computers to EPA-approved recycling facilities. It also destroys hard drives by crunching them into tiny bits and sending them to be melted down to prevent old data from being retrieved by hackers.

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