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Department of Justice

U.S. Attorney's Office

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## **Owners of Northwest's Largest Electronics Recycling Firm Sentenced to Prison for Wire Fraud Conspiracy**

### **Secretly Exposed Foreign Workers to Mercury Waste to Increase Corporate Profits and Enrich Themselves**

The owners and Chief Executive Officers of Total Reclaim, the Northwest's largest recycler of electronic waste, were sentenced today in U.S. District Court in Seattle to 28 months in prison and three years of supervised release for conspiracy to commit wire fraud. At the sentencing hearing, U.S. District Judge Richard A. Jones noted that with the men's conduct could have impacted generations with mercury poisoning. "Your conduct spanned seven years and only stopped because you were caught. You had multiple opportunities to say enough is enough," Judge Jones said.

CRAIG LORCH, 61, of Seattle, and JEFF ZIRKLE, 55, of Bonney Lake, Washington, earned millions of dollars through Total Reclaim by promising to recycle safely electronic products such as flat screen monitors. In marketing Total Reclaim's services, LORCH and ZIRKLE warned that the products contained hazardous materials that can cause serious health conditions if processed in unsafe conditions such as those that exist in developing countries in Asia. LORCH and ZIRKLE promised customers that Total Reclaim would not export electronic waste to developing countries. But, in fact, the defendants secretly caused over 8 million pounds of mercury-containing flat screen monitors to be exported to Hong Kong, where they were demolished in an environmentally unsafe manner.

"Motivated by greed, these defendants betrayed every pledge they made to be good environmental stewards," said First Assistant U.S. Attorney Tessa M. Gorman. "They protected their salaries of more than a million dollars a year, while harming the environment and risking the lives of disadvantaged Chinese workers who struggle daily just to support their families"

Total Reclaim was the biggest participant in "E-Cycle Washington," a program created by the Washington legislature to provide for the safe recycling of hazardous electronic products.

Under E-Cycle Washington, consumers drop off used electronics at stations such as Goodwill Industries free of charge. The program then paid Total Reclaim to recycle the electronics according to Washington Department of Ecology standards. Those standards bar recyclers from sending hazardous electronics products overseas.

According to records filed in the case, Total Reclaim promoted itself as a responsible electronics recycler. Total Reclaim's website stated that "our commitment to environmental responsibility is at the core of everything Total Reclaim does." Total Reclaim signed a public pledge in which it promised not to "allow the export of hazardous E-waste we handle to be exported" to developing countries, where workers are known to disassemble electronics, which contain dangerous materials such as mercury, without safety precautions. Total Reclaim signed agreements with customers, such as the City of Seattle, in which the customers agreed to pay Total Reclaim to recycle electronics in accordance with these standards. According to court filings, it would have cost Total Reclaim about \$2.6 million to appropriately dispose of the monitors.

In 2008, contrary to its promises to the public, Total Reclaim began secretly exporting flat screen monitors to Hong Kong to avoid the cost of safely recycling the monitors in the United States. Flat screen monitors are known to contain mercury, which can cause organ damage, mental impairment, and other serious health consequences to people exposed to the material. LORCH and ZIRKLE caused at least 8.3 million pounds of monitors to be shipped to Hong Kong between 2008 and 2015. To prevent customers and auditors from learning of the practice, LORCH and ZIRKLE falsified documents, made false statements to customers, and stored the monitors at an undisclosed facility while they awaited shipping.

Defendants' fraud was discovered in 2014 by a non-governmental organization known as the Basel Action Network ("BAN"). BAN, which studies the export of electronic waste, placed electronic trackers on flat screen monitors and deposited them for recycling. The trackers showed that the monitors were collected by Total Reclaim and then exported to Hong Kong. When BAN representatives followed the tracking devices to Hong Kong, they discovered that the monitors were being dismantled by laborers who smashed the monitors apart without any precautions to protect the workers or the environment. After BAN notified LORCH and ZIRKLE of its findings, LORCH and ZIRKLE tried to cover up their fraud by altering hundreds of shipping records.

LORCH and ZIRKLE have agreed to pay \$945,663 in restitution.

As prosecutors wrote in their sentencing memorandum, this case is more than a financial fraud. "Lorch and Zirkle's crime has all the hallmarks of a classic financial fraud. It includes lies to customers and auditors, the falsification of hundreds of documents, millions of dollars in ill-gotten gains, and a cover-up after the fraud was discovered. But this offense stands apart from the typical fraud because the greatest damage is not measured in dollars and cents. Rather, it lies in the health consequences that resulted from defendants' calculated choice to prioritize their own economic well-being over the health of faceless foreign workers."

The case was investigated by the Environmental Protection Agency Criminal Investigation Division (EPA-CID). The case is being prosecuted by Assistant United States Attorney Seth Wilkinson.

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**Topic(s):**

Consumer Protection

Environment

Financial Fraud

**Component(s):**

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