

ARCO FLASH!

FEBRUARY 2003 ISSUE - THE PERIODIC NEWSLETTER FOR THE MEMBERS OF THE
ASSOCIATED REPORTING COMPANIES

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What's Inside...

The announcement by NEW MOUNTAIN CAPITAL of their acquisition of ChoicePoint Commercial Specialists is covered in this issue. A few of our members have expressed interest in this industry development.

Norm Van Gundy (Datarep Associates – MA) weighs-in with his thoughts on the recent discussion about more regular selection of Las Vegas as an ARCO meeting location.

An update regarding the publication and distribution of the annual Directory of Members will be found inside – along with a couple of comments by Directory Editor & Publisher, Brian Mc Kendry (JMI Reports – OH).

The much sought-after details about the 2003 ARCO ANNUAL MEETING are covered in this issue, to the extent they are available at press time.

Miscellaneous news, views and space-fillers grace these pages once again....and we renew our invitation to all ARCO members to submit items for the newsletter. Some examples of things we'd like to see:

- Opinions (about ARCO, the industry, etc.)
- Experiences (share yours!)
- Suggestions (for ARCO, the industry, etc.)
- Requests for information, assistance, etc.
- Announcements (about your company, staff, etc.)
- News items – regional or national news
- Whatever else strikes you – send it on!

Enjoy the issue and send your contributions for the next edition. Thanks!

=Ed.

ARCO ANNUAL MEETING!

Several members have inquired about the specifics and details of the 2003 ARCO Annual Meeting. A few have indicated concern that a late announcement of details may make it difficult to attend.

The Annual Meeting planning is not always an easy task, especially when slated for a location not near the President, who is responsible for the planning and arranging of the meeting. New Orleans, the location for the 2003 meeting (by member vote) has proven to be a difficult location for advance arrangements.

Greg Pollock reports that in his quest to arrange for the ARCO event, he's run up against such conflicts as the annual New Orleans Jazz Festival, as well as the Mother's Day weekend. He has, however, made successful hotel arrangements and established a meeting date. Some of the details such as the location of the group dinner, are still pending, but the following information should be helpful in ARCO Members' attendance planning:

MEETING DATES:
MAY 18th, 19th & 20th, 2003

LOCATION:
OMNI ROYAL ORLEANS HOTEL
621 ST. LOUIS STREET
NEW ORLEANS LA 70140
Phone: 504-529-5333
Fax: 504-529-7089

ROOM RATES
DELUXE QUEEN - \$149.00
DELUXE KING - \$179.00

MORE INFORMATION INSIDE THIS ISSUE



THE VAN GUNDY VIEW NORM WEIGHS-IN ON THE LAS VEGAS ISSUE!

PREFACE: In the latter part of 2002, ARCO member Biran McKendry (JMI Reports Inc. – OH) presented some interesting facts and opinions concerning the selection of sites for the annual ARCO meeting. Brian's recognition of higher member attendance when meetings are held in Las Vegas vs. a number of poor turnouts at other sites, stirred positive and supportive reactions among several ARCO members.

CONTROVERSY being always welcome, *THE FLASH!* was pleased – almost overjoyed! – to receive Norm's correspondence which disagreed. Since this has, to date, been the lone opposition voice in a matter which is bound to come up at the May 2003 Annual Meeting, we are determined to give Norm's position this featured attention:

12/27/2002 – From NORMAN VAN GUNDY

"Let me get my 2 cents in on this Las Vegas controversy before it becomes a 'done deal'. The following is for publication in The FLASH!.....

"Las Vegas is a wonderful place to visit-but to assume that its designation as a permanent meeting location would increase attendance at these annual meetings is a mistake and would, I feel, result in just the opposite-

"The last meeting in Las Vegas had a total of 23 companies in attendance, 6 of whom were 1st time attendees, 14 were repeat attendees, 2 were Honorary Life Members, and one was an invited guest. This was a fine representation, but one must remember that we had just completed a year wherein we had one of the finest new membership drives in my memory thus accounting for the 6 new attendees. To look at these figures and assume that it was solely because of the location (Las Vegas) is shortsighted and unfair. If the number of attendees at a meeting is to be used as a measuring stick for future meetings, then we also had better consider St. Thomas, Baltimore, Hawaii, Boston, New York, and San Francisco for future permanent meeting sites, all of which had successful meetings and all were well attended. Incidentally, if memory serves me correctly the previous Las Vegas meeting to 2001, was 1986 or 1987, and although well attended, it was no better or worse than the previous year in New Orleans, or the following year in Baltimore.

"In the most recent issue of The Flash! (Dec. 2002) our 'temporary editor' advises that the feedback regarding the Las Vegas issue, ranged from support for holding all future meetings in Las Vegas, to suggestions that the site be utilized on an alternating year arrangement. It should be pointed out that under the current by-laws, the meeting location is to be held on an alternating basis in the East, Central & West areas of the country. Under that arrangement, the meeting can be held in Las Vegas

every third year – but to insure that, those who favor Las Vegas would have to be in attendance at the previous year's meeting in order to influence the voting for the meeting location; and after all, isn't that what this is all about?? Attendance at meetings!! And isn't that how to operate a successful, viable trade organization – by attending meetings to see that your cares and concerns are being addressed.

"This to me, is the hidden, but major danger of the entire controversy. The Flash! is a wonderful, informative publication, but shouldn't something as important and far reaching as the meeting locations be discussed, debated and decided not in the organizational periodical, but rather at an annual meeting – in effect, if a member is truly concerned about the organization and wants to see changes implemented, do so in the proper forum, at an annual meeting, and by doing so, that should go a long way towards increasing member attendance."



NOTE: Above emphasis (and Super-Long Sentences!) are those of the author! ☺

SOME REPLIES TO NORM'S COMMENTS.....

- The last Las Vegas meeting, prior to 2001 was in 1991 and drew a remarkable percentage of ARCO's then-smaller total membership. The attendance included members we had not seen in several years.
- Whatever your opinion on the location, Brian appears accurate in his references to the historical drawing power of Las Vegas. It's one of the least-expensive air fares nationally, from nearly everywhere and the site boasts ever-changing facilities, hotels, entertainment, etc.
- Norm is correct that we have had other locations draw well occasionally – still our statistical best turnouts have come in Las Vegas. (*With the exception of the last San Francisco meeting, which was our second-highest meeting turnout.*)
- Norm's letter suggests that some decision is being made outside of an official business meeting. *Not so!* But the FLASH! which is the sole formal communication organ of the Association, seems an appropriate place for member opinions – Brian's as well as Norm's.

It seems probable that this topic will be discussed and debated further at the New Orleans meeting, so plan to attend and make your thoughts known.

If things get really sticky, we can encourage Brian and Norm to settle it in a drinking contest at Maximos! (only a few blocks from the Royal Orleans hotel!)



NEW MOUNTAIN CAPITAL ACQUIRES CHOICEPOINT COMMERCIAL SPECIALISTS

The following press release was posted on the Internet, dated February 4, 2003:

New York – New Mountain Capital, L.L.C. (“New Mountain”), a leading New York based private equity fund, today announced the acquisition of CP Commercial Specialists (CPCS) from ChoicePoint (NYSE: CPS) for \$87 million in cash. The transaction is expected to close by the end of February.

CP Commercial Services, based in Overland Park, Kansas and established in 1952, is the nation’s leading independent provider of premium audits and property surveys to the insurance industry, as well as a leading provider of inspection services for the government and for other industries requiring similar capabilities. CPCS has been a core part of ChoicePoint’s business since the company went public in 1997.

Bob Wickzer, General Manager of CPCS said, “The CPCS team intends to aggressively develop the scale and breadth of the company’s nationwide service offerings, in order to meet the growing needs for outsourced services from our core clients in the insurance, financial and government sectors. CPCS management is eager to work with New Mountain due to their proven ability to help growth companies like ours achieve their full potential.”

“We believe that CPCS is the clear leader in a largely untapped market, with an outstanding financial track record and tremendous opportunities for growth,” stated Steven B. Klinsky, Founder and Chief Executive Officer of New Mountain Capital. “We look forward to working with the CPCS management team to expand upon their market leading position and to support their continued execution of value-added outsourcing.”

About ChoicePoint

ChoicePoint (NYSE: CPS) is the leading provider of identification and credential verification services for making smarter decisions in today’s fast-paced world, serving the information needs of business, government, non-profit organizations and individuals. ChoicePoint is committed to protecting personal privacy and promoting the responsible use of information to help create a safer world. For more information about ChoicePoint, visit the company’s Web site at www.choicepoint.com.

About CP Commercial Services

CP Commercial Services, based in Overland Park, Kansas and established in 1952, is the nation’s leading independent provider of premium audits and property surveys to the insurance industry, as well as a leading

provider of inspection services for the government and for other industries requiring similar capabilities. CP Commercial Specialists has approximately 1,100 employees and 24 branch offices nationally, through which representatives perform audits, underwriting surveys and valuation services for businesses and insurance companies in the United States, parts of Canada and Puerto Rico.

About New Mountain Capital

New Mountain Capital, LLC is the sponsor of New Mountain Partners, L.P., a \$770 million fund which seeks exceptional long-term capital appreciation through private equity and equity-related investments. New Mountain chiefly pursues the highest quality growth companies in carefully selected industries, and then works closely with management after the acquisition to build value. In May 2001, New Mountain acquired control of Strayer Education, Inc., a leading provider of graduate and undergraduate degree programs focusing on working adults. The market value of Strayer has increased 140% from \$342 million to \$820 million during the twenty months of New Mountain’s investment. In July 2002, New Mountain announced its investment in Surgis, Inc., a surgical services company, which owns and manages ambulatory surgical centers in partnership with physicians and hospitals. Today, Surgis is one of the nation’s two leading privately owned surgery center companies. New Mountain’s web site is www.newmountaincapital.com.

ALSO PUBLISHED ON NEW MARKET’S WEB SITE...

New Mountain seeks to acquire the highest quality leaders in key growth industries.....

New Mountain focuses its efforts on the best mid-market sized companies (enterprise value of \$100 million to \$500 million) and works closely with management after the acquisition to grow these companies to much greater value and profitability.....

New Mountain generally seeks to lead investments of \$50 million - \$150 million per transaction. The fund intends to capitalize its investments conservatively, in order to provide financial safety and to assure that its investments have the necessary resources for growth. New Mountain believes that the proper combination of investor skill, discipline and management “value added” can produce IRRs of well over 30% per year.



MARKET RESEARCH UNDERWAY

Some ARCO members have been contacted to solicit opinions and input for a market research study of the inspection industry. The survey questions have been pointed and well structured.

TECHNOLOGY NOTE

The following e-Mail was recently received by some ARCO members:

ONLINE INSPECTION SOLUTIONS

Is your inspection business in jeopardy of losing accounts because of a lack of the necessary technology solution?

Now you can relax, when you know that your problems can be solved by using the complete inspections solution system, designed by Flextree.com.

For more information, e-mail sales@flextree.com or call (716) 873-2465.

NOTE:

The source of this e-Mail was invited to provide further information or details for publication in this newsletter issue. If information is received at a later date, it will be included in a future issue.

ARCO DIRECTORY OF MEMBERS

To the several members who contacted the FLASH! with questions about the status of the annual ARCO Directory of Members.....

Directory Chairman Brian McKendry (JMI Reports Inc. – OH) advises that the publication may be late, but it's not forgotten! Like most ARCO members, Brian has been dealing with an extremely busy year and hectic business schedule, throwing him behind in his work on the Directory.

Brian advises, however, that he has spoken to the printer and been advised that the directory is completed and ready for distribution. Members should be receiving their copies very soon and there will, of course, be the widespread distribution of directories to companies and individuals in the client industries.

Members who may need a few extra copies for their staff's use, should contact Brian promptly.



ARCO WEBSITE

The ARCO Web site is located at:

www.arco-members.com

When is the last time you check-in and took a look at the site? WebMaster Greg Pollock has been upgrading the site as time permits – check it out.

COULBY GUNTHER ARCO FOUNDING PRESIDENT

ARCO was, back in the mid-1960s, the brainchild of Coulby Gunther. Coulby operated Reliable Reporting Bureau in New York, and had been involved in other reporting businesses as well. Your Temporary Editor had the great pleasure of working closely with Coulby and his key staffers in those times, engaging in reciprocal services which were largely connected to the Pre-Employment Screening.

Coulby has been in regular contact from his retirement homes in Florida and Pennsylvania, and his insights and suggestions concerning our industry remain keenly focused on opportunities. It's that focus which has led him to continue to promote the growth potential in the area of Pre-Employment Verification services, and he has recently forwarded additional information on the topic.

Coulby writes about the value of diversification and the market potential for companies handling background reference checking and research on applicants of all types. His recent letter read, in part:

“You have mentioned the cyclical nature of...inspectionsbut spreading the risk to other sources of business evens out the cycles. Retail (Credit Co.) even did checks for Social Security, as to whether disability pensions were going to people still working and thus not qualified, (and) franchise reports on applicants for franchises. I...enclose an article from the Wall Street Journal. Even the Boy Scouts are using reports. Every insurance report....is to enable someone to make a business decision as to the nature of the risk and rating of the risk. With the current boom in backgrounds, ARCOP is the only so-called national operation to perform face-to-face work, though all can perform the verification reports from each office.

“.....members might open their eyes as to what they are missing out on, and spready the risk away from just the insurance industry. The local school districts now get (reports) on the bus drivers, maintenance help and the like.”

In addition to an enclosed article from the Journal, Coulby included data from a website which may be of interest, if you'd like to have a look:
www.prescreenamerica.com

You may also like to read the Newsday article which is found at:

www.newsday.com/business/printedition/ny-bzflow283023282nov28,0,7893177.story

PRESIDENTS MESSAGE



ARCO President Greg Pollock reports good progress on the arrangements for the ANNUAL MEETING. Greg has been soliciting input about the location of the traditional Group Dinner, and is currently exploring some of the suggestions he's received. If you have any suggestions or

questions concerning the meeting, please contact Greg for his assistance. E-Mail Greg at:

gPollock@agencyrecords.com

If you overlooked the information elsewhere in this edition, take note of the Annual Meeting details now:

Location:

OMNI ROYAL ORLEANS HOTEL
621 ST. LOUIS STREET
NEW ORLEANS, LA 70140
In The Heart of the French Quarter

Phone: 504-529-5333

Fax: 504-529-7089

Dates:

May 18th, 19th & 20th

If you missed the last ARCO meeting, be sure to make plans for attending this 2003 event. New Orleans is a great convention city. ARCO's last meeting in New Orleans was about 1989, also at the Royal Orleans Hotel, a great setting. And it was a meeting worth remembering!



THE LAST WORD

UNSOLICITED – AND PROBABLY MOSTLY UNREAD
EDITORIAL COMMENTS FROM THE TEMPORARY EDITOR

THE PRICE OF TECHNOLOGY

The many-faceted issue of the integration of electronics into our industry is once again a contemporary question.

Some years ago, the challenge was to establish a means for the electronic ordering of reports. The technology of the day dictated a properly crafted software solution which, in some evolved form, is still in use today with many companies. Others, however,

opted to simplify via the use of e-Mailed spreadsheets or similar methods.

Technology today dictates different solutions and fosters different questions and preferences. The only thing about technology which never changes is that it always changes....and for this reason, the solutions we may craft today, can swiftly become as obsolete as your dust-collecting KayPro computer with the CP/M operating system. For which you probably paid well over two thousand dollars!

The current dilemma our reporting industry must confront, is the electronic delivery of reports. Several of us are already engaged in one or more methods of accomplishing this objective, however several problems still await resolution:

- We have no Industry Standard and what is workable for one client may be rejected by another.
- Web-based postings rely heavily on continued availability of data warehousing facilities and ever improving data access security. This method is attractive because it is not dependent upon a specific hardware or software platform.
- Some customers require use of specific data formats (i.e. MS WORD) which may prove to be inefficient when computing data transfer rates. In these cases, alternative formats which may be more efficient and less costly (i.e. Adobe .PDF files) are unacceptable.
- There is a trend among client companies toward development of their own reporting forms to be used in all submissions. Typically forms developed in this way lack the reality-based influences of those with actual in-the-field experience.
- Costs are a serious concern. Current procedures often duplicate clerical and/or inspector effort in arriving at the final report product. Documents often have to be scanned for embedding into reports, and photographs will never be 100% digital from all your field sources, requiring more scanning time.

Just as electronic ordering decreased the content of requests, omitting supporting documents which were often helpful (i.e. ACORD forms, loss runs, etc.) the switch to electronic forms threatens to alter – in a negative way – the content and format of the final report.

The achieving of a sameness, a cloned effect, among reports from different sources, may not always favor your company. All losses of the ability to individualize and create your unique mark on your reports, favors those who wish to offer less-personalized services.

Ken Taylor – Temporary Editor