



CARCO GROUP INC.

Leader in Vehicle Pre-Insurance Inspection Management and Technology Development

A pioneer in vehicle pre-insurance inspection systems, and recognized leader in the field, CARCO Group, Inc., was founded in 1977 to provide inspection services to the insurance industry. The company responded quickly to the inspection requirements created by the enactment of legislation in New York, which created a Photo Inspection Law [Regulation 79] to stem the serious rise in auto insurance rates. This serious economic problem was brought about by the rapidly increasing numbers of fraudulent claims for nonexistent [phantom] vehicles, and claims for pre-existing damage. An initial network of more than 1000 independent contractor-operated inspection sites was established throughout the State for the convenience of the motoring public.

Starting with just five employees in 1977, the company now employs more than 250 people and has two major divisions: the Insurance Services Division and the Research Division.

Insurance Services Division

New York's ground-breaking photo inspection law, Regulation 79, required that any car being insured for theft, fire or collision must be physically inspected at an authorized inspection site within a specified time. The inspection process included obtaining information regarding the year, make and model of the vehicle, list of options and accessories, description of any existing damage to the vehicle, and verification of the Vehicle Identification Number [VIN]. In addition, photographic documentation that clearly showed all four sides of the vehicle, plus a close-up of the Federal Safety Certification Label, also called the EPA Label, were required. This procedure prevented a policy owner from obtaining insurance for a "phantom" vehicle or from receiving compensation for pre-existing damage.

The success of this law in reducing the amount of fraudulent claims in New York influenced other states to pass similar physical damage inspection laws. The Commonwealth of Massachusetts and the State of New Jersey, for example, passed more limited inspection programs in 1979 and 1980, respectively. Since that time, however, both Massachusetts and New Jersey have adopted programs which are virtual identical to New York. In 1991, the State of Florida implemented a cursory vehicle inspection program covering the seven most populated counties, while the States of California and Rhode Island initiated vehicle inspection programs in 1991 and 1994, respectively. In each instance, CARCO responded by establishing comprehensive site networks to provide efficient and expansive inspection services to meet the needs of the insurance community.

In March of 1994, CARCO acquired Autocheck, a major competitor in the vehicle inspection market. As a result of the merger of Autocheck's inspection site network with CARCO's, an industry-leading national site network in excess of 4,000 locations was created. In July of 1995, CARCO continued its strategy of growth through acquisition by acquiring the operating assets of the insurance inspection services division of AutoInfo, Inc., its largest competitor. This acquisition enabled the company to operate more efficiently and provide enhanced service to the insurance community, including a combined national site network of more than 6,000 locations.

In January of 1997, the Province of Ontario in Canada passed the "Insurance Act" which requires physical damage inspections throughout the Province. While this represented a major challenge to CARCO, both in terms of establishing a physical presence on foreign soil and in serving a Province equivalent in size of about four states, CARCO met the challenge and quickly set up a site network of almost 750 inspection stations within a three-month period.

Today, through its history of high performance and accomplishment, a fully computerized protective inspection program, and the most extensive site network available to serve the motoring public, CARCO continues to enjoy a dominant market position in its industry segment.

Research Division

In an effort to broaden and diversify its business base, CARCO began to explore opportunities to penetrate new markets which would complement its initial business venture. In that regard, the Research Division was started more than 20 years ago, in 1979. This division was formed to provide comprehensive background investigation on job applicants and employees newly hired for large corporations under the purview of the Federal Fair Credit Reporting Act. This service is generally sold to a company's Human Resources or Security Department. A typical investigation may include a verification of education, prior employment, residence, credit and litigation history, and a search of publicly-accessible criminal and motor vehicle records.

The Wall Street investment community was targeted as the Research Division's first marketplace, as it is a people-intensive industry concentrated in a relatively small geographic area, and operates under laws and regulations which mandate employee screening. Shortly thereafter, the banking community was targeted. The Division quickly established itself in these industries and began to provide its services to many of the largest and most prestigious banks and brokerage firms in New York, including the Federal Reserve Bank and the New York Stock Exchange. This division continued to expand rapidly and, in 1980, opened a branch office in Houston, Texas, to provide background investigations to the petrochemical industry, representing many of the nation's largest oil and drilling companies, in addition to regional brokerage firms and banks.

In the Fall of 1991, CARCO announced the development of ZIPCRIM™, a proprietary automated product which enabled clients to order and receive, via their own PC, criminal history record, credit, and motor vehicle reports in a quick, easy and inexpensive manner. ZIPCRIM opened a whole new market for applicant/employee screening. Due to expanding business, CARCO established a separate business unit within the Research Division from which to launch its automated employee screening products. ZIPCRIM and, most recently, ZIPCRIMPLUS™, represents the second and third generation Windows® - based platforms developed by CARCO. These products, as well as ongoing research and development and technology enhancements, including document imaging, are positioning CARCO Research well for the future.

Early in 2000, the company acquired Murphy & Mackinac, Inc. [MMI], a licensed investigative and information services company with 19 years of industry experience in the development of comprehensive investigative programs. CARCO/MMI consists of more than 50 professionals including former FBI agents and Law Enforcement investigators, insurance professionals, research analysts, forensic accountants, environmental scientist, certified fraud examiners, and computer specialists.

Together, CARCO's two companies have combined to provide a variety of services to assist insurance carriers, self-insured entities, third-party administrators and defense counsel in good faith investigations into the facts and circumstances of submitted claims and insurance related litigation.

Over the years, CARCO has significantly diversified its client base, and now performs this service for a wide variety of clients on a national basis, including those in the pharmaceutical, cosmetics, electronics, communications, insurance, energy, manufacturing and restaurant industries, as well as the retail-related businesses.

The unique information-related services provided by CARCO's operating divisions, embodying vehicle photo inspection and personnel background investigations have a common link: gathering and disseminating information. Likewise, the essential characteristics of both divisions are also compatible: 1] they are high volume in nature, 2] are fairly inexpensive, 3] provide the opportunity for long-term repeat business, and 4] are technology-based and highly automated.

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PETER L. O'NEILL, Esq.

Chief Executive Officer
CARCO Group Inc.

Peter O'NEILL co-founded CARCO in 1977. He has served as the Company's President and Chief Executive Officer since 1977, and as Chairman of the Board since 1984. Mr. O'Neill is an attorney admitted to the practice of law in the State of New York, and before the United States Supreme Court. Mr. O'Neill, who has over 25 years experience in security and law enforcement, formerly served as Vice President of the Wackenhut Corporation, as Assistant General Counsel of ARA Services, and as a Special Agent of the Federal Bureau of Investigation.

Mr. O'Neill has a Bachelor of Arts degree from Colgate University, Hamilton, NY. He received his law degree from the New York University School of Law in New York, NY. He is a member of the National Law Enforcement Association, the American Society of Industrial Security and the New York State Law Enforcement Foundation.

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MICHAEL J. SLATTERY, Jr.

President/Chief Operating Officer
CARCO Group Inc.

Michael Slattery is President/Chief Operating Officer of the CARCO Group. Prior to joining CARCO, Mr. Slattery was an Executive Vice President at Kroll Associates. He is an attorney, Certified Public Accountant and former Special Agent for the Federal Bureau of Investigations. During his career with Kroll, he managed the New York office and the North American operations of Kroll. In addition, Mr. Slattery oversaw the development of new programs, including the University & College program and the Know Your Customer/Correspondent Banking programs.

Prior to joining Kroll in 1987, Mr. Slattery worked for the FBI investigating federal criminal violations relating to narcotics trafficking, money laundering, bank fraud and embezzlement, bankruptcy fraud, and Small Business Administration (SBA) bank loan fraud. He has been officially recognized on a number of occasions by the U.S. Attorney's Office and other federal agencies for his outstanding performance in major federal prosecutions, including the case dubbed "The Pizza Connection".

Mr. Slattery also served with the Office of the New York State Special Prosecutor as a Special Auditor/Investigator. As such, he conducted financial investigations related to fraud and corruption in the New York City Criminal Justice System, and designated municipal agencies and political entities. During this period, he also designed and implemented programs to evaluate factors contributing to corrupt activities on the part of public officials.

Mr. Slattery holds a B.B.A. in Business Administration from Baruch College, a Masters Degree in Accounting from St. John's University and a Juris Doctorate from New York Law School. Mr. Slattery also has an Advanced Graduate Degree in Computer Information Systems from Pace University and has completed graduate courses in Computer Science at the New Jersey Institute of Technology. He is admitted to the New York State Bar and U.S. District Court for the Southern District of New York. Mr. Slattery is a member of the New York Bar Association, the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants.

In addition to his regular duties at Kroll, Mr. Slattery also acted as:

- Deputy Special Master monitoring the New York City garment trucking industry.
- Special Assistant to the Federal Election Officer for the International Brotherhood of Teamsters.
- Deputy Monitor for the Los Angeles Police Department.
- Special Fact Finder who examined the operations of Covenant House.

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