



TRENDS, TIPS AND LESSONS LEARNED

SEPTEMBER 2010

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Upcoming Events

September 14th and 15th, 2010 » Ken Springer, President of Corporate Resolutions Inc., will be speaking at the HedgeFundsWorld Asia Conference in Hong Kong.

October 17, 2010 » Don Klaskin, Managing Director of Corporate Resolutions Inc., will be speaking at the Risk Management Association's Operational Risk Forum in Baltimore, Maryland. The topic of Mr. Klaskin's discussion will be: Proper Due Diligence Standards for New Commercial Loans and Loan Workouts, and Conducting KYC Investigations for New Customer Account Openings.

November 10, 2010 » Ken Springer will be a member of a panel hosted by the New York Private Equity Network (NYPEN) discussing Investments in China: What You Need To Know.

Letter from the President

Greetings!

Hope everyone had an enjoyable summer. The promise of Fall and Winter 2010 brings everyone back to the grind. Over the past few months, we have seen an increase in international deals, specifically in China and India. No matter where you are doing deals, we are here to assist you with the due diligence and intelligence gathering. We hope these deals reap great rewards. Thank you, as always, for your continued business.

Kenneth S. Springer, President
Corporate Resolutions Inc.

The Gambler:

Why Credit Reports are Invaluable to Investors

In our background checks, we have seen an increase in individuals who have gambling tendencies. One way we are able to identify these habits is when we look at consumer credit reports. As you know, a component of our background checks is reviewing consumer credit reports when we have a signed release from the individual (pursuant to the rules of the Fair Credit Reporting Act). Most people assume that credit reports merely provide you with a snapshot of an individual's financial structure: credit cards maintained, balances of mortgages, outstanding student loans, etc. But, when we examine credit reports we also look to see what other companies have reviewed the person's credit report. Every time a credit report is reviewed, the company that looks at the credit report leaves an imprint of the date the company made an inquiry. So, if Bank of America pulled someone's credit report before a loan was given, that person's credit report would show the date the bank reviewed the credit report. In our background checks, we scrutinize these inquiries to see who else is looking at the individual's credit report and quite often we find inquiries made by casinos. Recently, we did a background check on two executives and found that two separate casinos made inquiries into the credit reports of both individuals on the same dates. This alerted us, and ultimately our client, that the subjects of our investigation went together to casinos and both sought lines

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of credit from these houses of gambling. While this may not be a problem per se, it is important for investors to know patterns of behavior, such as gambling, before the investment is made to ensure the money that is going to the individuals will not ultimately end up on the craps table.

Will the Real Tom Smith Please Stand Up: A Recent Case in Brazil

When conducting a background check on an individual with a common name, say Tom Smith, we are often faced with some obstacles. To ensure we are not reporting erroneous information to our client about Tom Smith, we use our creative research strategies and analysis to determine whether the information we find relates to Tom Smith (the subject of the investigation) or another individual with the same name. To do this, we cull through our resources and using our knowledge of Tom Smith (his date of birth, Social Security number, address history, employment history, etc.) we try to hone in on the information that definitively relates to the subject. Oftentimes, however, corporate records, court and criminal documents and regulatory filings only provide a name and no additional information about the Tom Smith involved. To clarify this, we request additional information from the reporting agency but oftentimes these records are archived or do not even have more information available to decipher whether the filing relates to our Tom Smith. So, to get to the bottom of the issue, we use the most effective and time/cost friendly route: interview Tom Smith.

With the approval of our clients, we talk to Tom Smith and explain the commonality of his name (as if he doesn't already know) and ask him to help clarify what information relates to him and what does not. Tom Smith certainly does not want to be connected to the Tom Smith who served time in jail for dealing cocaine or the Tom Smith who was sued by investors (hypothetically). The interview serves to clear the name of Tom Smith and gives him the opportunity to explain anything that may have happened in his past. We document his statements and then you have a copy of the interview for your records should any problems arise in the future. This interview clarification process is what recently helped our client when we were conducting a background check on an individual in Brazil who had a common name. Someone else with the same name had a colorful background with Brazilian regulators and because no additional information was available in the public domain, we interviewed the person to determine whether the information we found related to him (it did not). He provided us with specific information about himself, namely his passport number, and we brought this information to the Brazilian regulators who confirmed the matters involving the "Tom Smith" did not relate to the subject of our investigation. In this instance, had we not conducted the interview and illuminated the subject's innocence our client would have misinformation about the individual that may have led to an unnecessary decision about the deal.

Whistleblowers and the Dodd-Frank Legislation: What You Need to Know

The newly enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) was designed to prevent another meltdown in the financial industry and entice corporate insiders to report securities law violations to the Securities and Exchange Commission. Our analysis of this

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piece of legislation determined it has advantages from the perspective of employee/whistleblower rights.

The incentives for reporting contained in the newly enacted legislation are clearly meant to get people to report their suspicions of securities law violations such as insider trading, money laundering and violations of the Foreign Corrupt Practices Act. Financial incentives have always been a way that the government has tried to get information from the general population, such as rewards offered for information leading to the arrest and conviction of individuals wanted for various crimes such as bank robberies, kidnappings, terrorist acts, etc. The rule of thumb in this incentive program has been that the more the reward the more likely someone who is close to an individual and/or situation will report something.

Inasmuch as the government has limited resources to be able to police these areas of concern, they are courting the general public to assist them in doing so. While this program seems the most likely to return results, the question remains whether the government will have sufficient resources to investigate all the complaints that might be made utilizing these new whistleblower capabilities.

In addition, the DFA offers enhanced protections to the whistleblower. For instance, in the event of wrongful termination a whistleblower can now turn to the federal courts as opposed to an arbitrator for protection, which will make companies much more likely to hold back terminating someone unless they have strong documented evidence of wrongdoing. This is an example of how our intelligence gathering skills can assist you in determining the right course of action in these situations.

Further, as we have operated a whistleblower hotline for our clients for many years, we believe the DFA will continue to encourage employees to rely on the hotline as a resource. While both the DFA and the whistleblower hotline obviously seek to protect employees, there are also advantages for employers, investors, board members and others too: to foster a culture of no-tolerance for fraud and misbehavior in general. We have found that our hotline serves as an ideal tool for investors and others to prevent fraud and malfeasance and allows them to know about the internal ongoings of a company when most investors and board members are not on site to do the policing themselves.

[Contact us for more information about our whistleblower hotline and investigative services.](#)

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The Men and Women Behind the Curtain: Our Intelligence Analysts

Whether we have assisted you in conducting an investigation or have met you through one of the many associations and organizations to which we belong, you have certainly met the extraordinary intelligence analysts from our firm. The intelligence analysts are the ones who spend every day culling through public record databases and other sources, conducting exhaustive research and analysis and creatively hunt for information relevant to the inquiries we conduct. We think it is time for you to learn more about these analysts so from now on, we will profile one or two analysts so you can learn more about them and understand why they bring such value to Corporate Resolutions. So, allow me to introduce you to Kayla Boorady, Senior Investigative Analyst:

Kayla Boorady conducts databases research and comprehensive analysis for the firm's global background checks as well as the corporate investigations side of the business. Kayla also oversees the client communication and organizational aspect of the workflow. Before Kayla joined Corporate Resolutions in 2005, she worked for a pre-employment screening agency. Kayla received a Bachelor of Arts degree from Canisius College, majoring in psychology and criminal justice, and a Master of Arts Degree from John Jay College of Criminal Justice. Kayla is originally from central New York and currently lives in New York City.



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