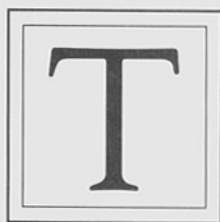


Background Checking On Board Candidates

There is no need to rely solely on a candidate's own information or a cursory background check by a search firm.

Here are 10 discreet ways to help make an informed decision.

by James B. Mintz



The board's nominating committee has recommended a new director, and has tried to broaden the talent pool by moving outside the usual network of CEOs, other corporate directors, and friends. With the help of a search firm, which has forwarded a resume and the results of cursory reference checks, the committee has identified a strong candidate who is relatively unknown, perhaps younger and with a less established record than usual nominees. It is the board's responsibility to confirm this candidate and, therefore, members must develop enough comfort with the candidate's background to make a reasoned decision about his or her competence, judgment and integrity.

There are, fortunately, a wealth of discreet sources available to board members and the general public that can educate you about a person's background. Most of these sources are no further away than a desktop computer

equipped with a modem. The on-line information world is leaping ahead almost monthly with more comprehensive packages of publicly available information. These can provide a startling amount of material for researchers and others who need to obtain information quickly and discreetly. And off the information superhighway there are a number of stops you can make to gather more information.

As corporate investigators, we are frequently assigned to develop background information on potential hires and appointments, and the following are among the most common questions we assist corporate counsel in answering.

Has the Candidate Ever Been Sued?

Nothing may be more telling in taking the measure of a stranger than a complete understanding of his or her litigation history. An inspection of past lawsuits can provide a good perspective on someone's business character — whether as a plaintiff who has brought actions against partners or other associates, or as a defendant who has been accused of non-payment of debts or fraud. It is not uncommon for these types of claims never to have reached publication.

This is particularly true if a case has been litigated in state courts. Although on-line resources are getting better at reporting state court cases, we rely on *The Sourcebook of Local Court and County Record Retrievers*, a listing of people who can be hired to do local-level courthouse searches (BRB Publications,



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800-929-3764). Another good resource is PACER (Public Access to Court Electronic Records), which is the federal government's on-line service to search district court dockets. These on-line searches may be unwieldy — covering the whole country requires dozens of searches — but this source can provide a cost-effective way to learn about a part of someone's past he or she might be reluctant to disclose.

What Is the Candidate's Business Reputation?

Almost everyone in a leadership position in the business world has been in the news somewhere. While they may not have attained levels meriting profiles in *The New York Times* or *The Wall Street Journal*, they are likely to have expressed their opinions or been cited in trade journals ranging from *Billboard* to *Progressive Grocer* (both of which are accessible on-line).

To search a wide range of trade publications, we like the Dialog database operated by Knight-Ridder, a competitor of the widely used Nexis-Lexis service, both for its breadth and its cost-effective searches (Dialog: 800-334-2564). We would note, however, that some publications are carried on one and not the other, so be sure to check a publication called *Fulltext Sources Online* from BiblioData of Needham, Mass. (617-444-1154) if you have a particular local newspaper or obscure industry publication in mind.

What Is the Candidate's Hometown Reputation?

We also recommend an examination of local news coverage for a close look at how someone is perceived in his or her community. But when a local newspaper is not on-line — such as the *Stamford Advocate* in Connecticut — these searches are more difficult. Small papers usually do not allow outsiders to have access to their morgues, but local libraries often keep clippings of people and businesses in the area.

What Are the Candidate's Businesses?

You undoubtedly already know your candidate's primary business affiliation, and may even have run a Dun & Bradstreet report on his or her company, particularly if the

prospect is an entrepreneur. But is the candidate more complex than that?

We've frequently found that even executives who spend their whole careers at one large company will incorporate a "doing business as" entity at their home addresses. By identifying such side businesses, this kind of search could flag important self-dealing issues between companies or, at minimum, lead you to ask the candidate about how much time he or she spends on "outside" matters. Try a resource called PhoneDisc, a CD-ROM that compiles 91 million business and residential listings from the white pages of all telephone books in the country. This data can be "reverse searched" by address and by telephone number, and that may turn up other business interests of your candidate.

Is the Candidate an Officer or Director of Other Companies?

We have found a number of ways to develop information about someone's corporate affiliations. Few are as useful as a public record database provider called CDB Infotek (800-992-7889). This company packages public information from every state in the country, and with one search it is possible to find out if someone is listed as an officer or director in state incorporation records in most of the country.

We also suggest turning to Dialog, particularly for a search of the Dun & Bradstreet database it carries: you can search under an executive's name to see if he or she is mentioned anywhere in a D&B report, not just as a CEO or officer.

Is His or Her Background As Described?

Searches of trade journals are a good way to develop a record of someone's career and at the same time verify a resume. Often these publications will have "people" pages that update executives' moves and document job changes in the industries they cover. While searching publication databases, be sure to check on-line reports filed with the Securities and Exchange Commission. Proxy statements and annual reports often give thumbnail job histories of the executives of publicly held corporations — as well as revealing whether they own 5% or more of any public companies.

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