

NICA CORPORATE OFFICES

Fall
2007

Letter from NICA President and CEO, Tom McGrath

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◆ Letter from
Tom McGrath

We hope you all had an enjoyable summer and your business is booming.

The auditing staff here at NICA has been very busy working on the Education and Compliance Auditing Program. We have seen fantastic results for the many clients who have already participated in this program.

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Department Updates

- ◆ Banking
- ◆ Tax
- ◆ Operations

We are pleased to announce that we are also hard at work developing a Political Liaison Division (PLD) in order to better serve our affiliated Independent Contractors. The need for a PLD has become more apparent in recent months at both the state and federal levels. We would like to share with you a few of the issues the PLD will be addressing over the next several months.

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◆ Compliance and Education Auditing Program

At the federal level, senators Barack Obama (D-IL), Edward Kennedy (D-MA), Dick Durbin (D-IL), and Patty Murray (D-WA) recently introduced a bill that proposes to change the rules as to when companies are allowed to classify workers as "Independent Contractors".

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- ◆ Client Recognition
- ◆ MDA Fund raiser
- ◆ Alta Health

Known as the Independent Contractor Proper Classification Act of 2007, the bill requires several changes to Section 530 of the Revenue Act of 1978, the "safe harbor" provision that allows companies to classify workers as independent contractors instead of employees as long as certain provisions are met. According to the bill's sponsors, the section 530 safe harbor represents a "tax loophole" that some employers use to "avoid paying employment taxes and workers' compensation for their workers".



Here at NICA, we have never condoned the wrongful misclassification of employees. We do, however, obviously recognize the important role that independent contractors play in today's economy. We believe it is critical to distinguish wrongful classification and misclassification.

On the state front, the California FedEx case has dominated the news of late. When discussing your business with people not in the industry we know many of them compare you to FedEx. We are sure, by now, you are aware of the recent decision by FedEx Ground to abandon their single route IC model in California. Recently, FedEx announced it was changing the way it does business in response to the "increasing complex legal and regulatory business atmosphere in California".

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NICA

Your Resource For Independent Contractor Issues

NICA NOTES

Banking Update



Tom Coughlin has been with NICA for 3 years. Tom has worked in retail banking for over 25 years prior to his coming on board with us.

NICA

Your Resource For Independent Contractor Issues

Tax Update

Late in 2006 NICA began an Individual Retirement Account Escrow Program for the Independent Contractors. We are pleased to offer the Fidelity Investments group as an alternate way of saving for the future. Commission settlements are set up with voluntary deductions which are forwarded to Fidelity on a monthly basis. Fidelity is offering both Traditional and Roth IRA options. There is no additional cost to the IC for this service.

Operations Update

To properly service each client and IC, we are enforcing our protocol for having IC's applications prior to the IC's first commission settlement. This process is critical to our operation and cause. Each client will be notified and reminded on a regular basis.

Important Notice

The banking department at NICA has a primary mission of ensuring that independent contractor members are paid in a timely manner. The mission is supported by the completion of two main tasks.

First, is the timely reconciliation of the separate IC Declaration of Trust accounts to monitor adequate funding and the proper posting of checks. To date in 2007, the banking staff has completed over 2600 individual reconciliations providing a level of oversight that eliminates any issues regarding the clearing of IC Declaration of Trust checks.

The second task is the prompt and accurate transmission of electronic payments to the independent contractor. Significant growth in the area of electronic payments has been experienced in 2006/2007. The collective focus of Sales, Operations and Banking/Comdata has contributed to the very dramatic increase in this method of settlement.

In 2006, NICA, Inc. processed over \$147.5 million dollars electronically. This amount combined with the 500,000 manual checks processed exceeded over 1/2 billion dollars which passed through the ICDT accounts collectively.

In the past few years, the NICA members have recognized electronic payment as a convenient and reliable method of settlement. Electronic payments reduce the time and expense related to check cashing and shipping of live settlements. Continued emphasis on electronic payment should see direct deposits and eCash card loads exceed 40% of total settlements in the third quarter.

Banking staff: Michelle Kyser, Jack Mason, Joe Kinsley, Kevin Moreau, Tom Coughlin, and Sean Roberts



Legislative and Political Liaison

Continued from page 1

In August, the California Court of Appeals affirmed a lower court's finding that FedEx Ground independent contractors are employees. It cited a number of requirements FedEx Ground has for its drivers, ranging from controlling the color of contractors' socks to the way they wear their hair, as evidence that they are employees. Let me assure you, the FedEx model is very different from the IC model supported by NICA.

With the creation of our Political Liaison Division we can use the many cases we have successfully defended on the IC issue in worker's compensation, unemployment, Department of Labor and IRS to affect legislative and regulatory change where necessary in order to ensure that the proper IC model will be permitted to flourish.

NICA has also attended bimonthly meetings in Washington DC at the IRS Small Business Forum for the last few years in order to educate ourselves on new/current tax developments.

Over the past 14 years we have gained a vast understanding and knowledge of the IC issue which gives us great confidence in our position. The IC model has been the industry standard since the first delivery. The United States Postal Service is one of the biggest users of Independent Contractors in the industry. We know many IC's enjoy their status, but most problems we see stem from IC's who are new to the industry. Often, they claim they do not adequately understand their status, thus filing for unemployment and other claims as they erroneously thought they were an employee. Your core group understands what they are, I know I did when I was an independent contractor. Thank you for your continued support of NICA and this very important issue.

Sincerely,

Thomas McGrath



Dan Curran,
Compliance/
Auditing
Team



Our audit program is designed to concentrate on audit questions that our legal department has direct experience with based on the legal cases they have defended on IRS, Unemployment and Workers Compensation matters. Over the past 3 years, we have conducted over 120 Education and Compliance audits giving hundreds of suggestions for improved compliance.

Over the next 12 months NICA will be expanding on an existing service to our client companies that is unparalleled in this industry. We will be contacting all of our existing client companies that have not recently had an education and compliance audit from us, and schedule an audit using our new software package which has previously been written about in NICA Notes.

We expect this expanded initiative to continue to help our client companies in becoming more aware of any non compliant procedures they may have when working with IC's. The tone of our audits is always educational versus a regulatory agency tone which can be accusatory. We find that during these audits our client company's employee staff are always appreciative of the recommendations we suggest.

NICA wants to ensure our client companies that we are their true resource for all independent contractor challenges and issues that they may encounter. We stand behind our client companies and continually find new ways to partner with them beyond our core services.

NICA NOTES

Client recognition

Continental Messenger

Below is a photograph taken at the Jerry Lewis MDA telethon September 2, 2007.

Pictured are: Barry Greer with Tom McGrath, Deidre McGrath, and Brin McGrath along with local News broadcasters in the LA area.

Barry Greer's raised more than \$24,000 dollars as a result of a golf benefit he organized for the MDA.

"I have known Barry for the past 8 years. I consider him a great friend and colleague. It has been an honor and privilege to be a part of such a worth while and successful event."

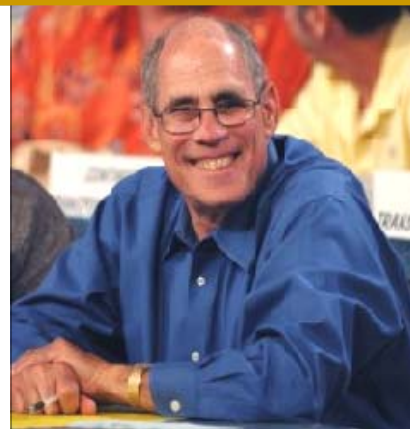
Tom McGrath



The banner features the Continental Messenger logo on the left, which includes a stylized 'M' and 'A' and the text 'CONTINENTAL MESSENGER', 'SAME DAY', 'OVERNIGHT', 'ARBITRARY DELIVERY', and 'MESSENGER & DELIVERY SERVICES'. To the right of the logo, the text reads: 'Welcome to CONTINENTAL MESSENGER California's Premier Messenger & Delivery Service'. On the far right, it says 'Call... 888.577.2637 for Immediate Service'.



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NICA would also like to remind you that as a service to the IC's, NICA continues to prepare Individual Income Tax Returns for 2006. For 2006 NICA members there is no charge to prepare a 2006 tax return. We will also complete their prior year returns for a minimal charge.



Alta Limited Medical Plan

We are ever mindful of the rising cost of Health Care and are consistently looking for alternative plans that will deliver the best value to the Independent Contractors we service.

Also, there was an updated benefits brochure attached to the Independent Contractor's settlement in the month of July. We are in the final stages of development of a new Major Medical Health Program for our ICs. Our expectation is that the plan will be available by 01/08