



“Debt Restructure” Marketing Manifesto

Background: “Debt Restructure” vs. “Debt Settlement”

"Debt Settlement" is the negotiation with a creditor on behalf of a debtor to settle unsecured debt.

The debt settlement industry has malfunctioned due to a serious bottleneck situation: The creditor wants to settle for cash immediately albeit at a lower price while the debtor wants to settle in payments over a period of 2-4 years albeit at a higher price. This mismatch between the creditor (seller) and the debtor (buyer) causes disagreement and conflict, inviting negative predatory market forces such as litigation and collection agencies. In order to collect some monies, the creditor on the one hand pays a heavy price. The creditor either dumps the debt in wholesale amounts to third party collection agencies (at 6-9 cents on the dollar) or holds on to charged off “dead” debt for long periods of time, in which case pays the cost of managing debt discharge and disposal. The debtor on the other hand pays a heavy price, suffering from economic default and having to endure the stress of trying to fight back collection agencies and litigation. *Debt settlement companies jump in to negotiate this conflict. Their strategies, however, often consist of misrepresentations and promises that cannot be delivered. Naturally, these strategies result in high rates of failure and frequent consumer dissatisfaction.*

The Result: the FTC intervenes with policies that aim to regulate the debt settlement industry and protect indebted consumers.

What is the debt settlement industry's response to the FTC regulations?

In response to new policies and regulations, debt settlement companies search for loopholes in order to adapt to new business realities. However, since the FTC anticipates these loophole seekers, it has come down with very tough guidelines and is now cracking hard on them, among them especially the "attorney model" big firms who try to circumvent the FTC through artificial face to face contracts.



What is our response to the debt settlement industry's malfunction?

"Think outside the box, identify the problem, invent/create a solution, develop the products, plan the services, deliver market value, and make money!" This is the classic business theory approach.

"Debt Restructure" is the "alteration" of the original debt through change of debt ownership (changing creditors), and/or through the change of the price, terms, and conditions of the original debt.

"Debt Restructure" is our approach. It is the solution. In technical, legal FTC-compliant terms: "debt settlement" is the "negotiation" of a debt settlement, whereas "debt restructure" is the "alteration" of original debt through either change of creditor or change of debt terms and conditions.

Debt Restructure Solution:

Our "patent pending" Debt Restructure technology solution takes place in two phases:



- Phase I "Debtor Restructure Agreement":
The debtor agrees to buy back his/her debt from the creditor at 40 cents on the dollar plus debt restructure fees subject to the terms and conditions agreed to by the debtor (e.g. \$500 per month for 36 months)
- Phase II "Creditor Restructure Agreement":
The debt buyer agrees to replace the enrolled creditor subject to the terms and conditions of the "Debtor Restructure Agreement"



Phase II ("Creditor Restructure Agreement") process is accomplished in three steps:

- Step I: As soon as the debtor's debt "charge-off," our system generates a "Systems' Offer" (S-Offer) to the creditor offering to buy the debt immediately at twice what creditors get in the wholesale debt market.
- Step II: The creditor responds with either approval or a counter-offer which we call "Creditor's Offer" (C-Offer).
- Step III: We restructure the creditor's offer to incorporate the terms and conditions of the "Debtor Restructure Agreement" and present to a third party debt buyer the "Restructured Offer" (R-Offer). For example, the R-Offer tells the Debt Buyer the following:

"We have a "Seller" (enrolled creditor) willing to sell this debt account for \$2,000 cash today, and we have a "Buyer" (enrolled debtor) willing to buy this debt account for \$4,000 in payments of \$100 per month over a period of 40 months. Your (Debt Buyer's) ROI-Return On Investment-is 100% and annual return on investment is 48%. Do you accept?"

If the debt buyer accepts the Restructured Offer, we generate a "Creditor Restructure Agreement."

Winner and Losers:

The winners in this formula are:

1. The creditor: who gets more than whole sale price for debt;
2. The debtor: who gets early debt resolution before having to save monies in a trust account, and who succeeds in stopping negative credit reports;
3. Debt restructure service providers (Debt Restructure Processor and Affiliates): since we have a superior product to sell, higher closing rates, higher retention rates, and higher consumer approval; and
4. The FTC: since their regulations are bearing fruit for consumers and the market place.

The losers are:



1. Debt Collection Companies: We put them out of *our* debt restructure business.
2. Debt Litigation Lawyers: We put them out of *our* debt restructure business.
3. Debt Settlement Companies: Since they have an inferior product.
4. Debt Management Companies: Since they thrive on exposing the malfunction of debt settlement.

"Debt Restructure" FTC Compliance:

Our product is 100% FTC-compliant. Here are the compliance issues and how we address them:

- NO Upfront Fee Payment: "Debt Restructure" fees (15%) are paid proportionally when debt restructure is executed. NO UPFRONT FEES.
- Disclosures: included (please see attachments).
- Payment Schedule Table: included (please see attachments).
- Bundled Services Fee Payment: The FTC allows for bundled services and payment of fees if: (a) the services are related to debt resolution, (b) bundled services are priced fairly (not inflated to hide fees), and (c) fee payment is charged at time of service. We have two bundled debt restructure services.

(I) Software Licensing Fee: Since our entire process is software driven and the customer is given access to the system, we charge a \$49 monthly software license fee.

(II) Prepaid Legal Package (optional): We highly recommend that the customer sign up for this package as it protects the customer against a summons, denies the creditor easy and quick judgments (we let the creditor know this and, in most cases, it deters the creditor from filing a summons), and enhances the price, terms, and conditions for a more favorable C-Offer (Creditor Offer).

Product Development:

Our "Debt Restructure" product comes in two options or flavors:

1. Standard (plain vanilla): includes two agreements.
 - a. Debtor Restructure Agreement: 15% paid proportionally at execution of "Creditor Restructure Agreement."



- b. Software License Fee Agreement: \$49 per month paid monthly.
2. **Premium** (Most Powerful Package-the crème de la crème): this includes an additional agreement
- a. Debt Defense Shield (“DDS Plan”) Agreement: This is a “pre-paid” legal package that covers up to three (3) summonses. Its goals and objectives are to:
 - i. Protect the debtor against litigation
 - ii. Deny the creditor quick and easy judgment
 - iii. Improve price, terms, and conditions for the debt restructure process
 - b. Pricing: DDS Plan Fee is priced fairly and automatically based on amount of debt. A \$300 Enrollment Fee is also added.
 - c. DDS Plan Payment Terms: Company allows affiliates to break the DDS Plan Payment fees over a period of up to six months.
 - d. How DDS Plan Reflects on Monthly Payments: We do not stagger monthly payments. Trust account monthly payments start after the completion of DDS Plan Fee payments. Since most clients never use the legal plan and since the average term is 30 months, the average **Premium** Package monthly payment plan is nearly ten dollars (\$10) more than the **Standard** Package monthly payment plan.
 - e. Refund Policy: The DDS Plan comes with a very aggressive and progressive refund policy. The fee is 100% refunded to the customer if the customer completes the debt restructure program and without utilizing any legal services.
 - f. Real Debtor Cost: If the debtor completes program without utilizing our legal services, the debtor’s bottom line cost is \$300 (non-refundable enrollment fee) for the DDS Plan prepaid legal package.

Affiliate Model:

Our affiliates receive the following:

1. Debt Restructure Fee Compensation Split: Affiliates get 8%, 9%, or 10% (depending on production volume) of enrolled debt (paid proportionally upon completion and collection of fees from debtor).



2. Cash Advance: If the affiliate sells the “Premium Package” (DDS Plan), Company advances to the affiliate 50% of collected DDS Plan fees (average of \$1,000 per file over the first few months).

TSR Guidelines:

Affiliates should focus on “Debt Restructure” vs. “Debt Settlement” and “Debt Management Programs.” Affiliates should highlight the value of our Debt Buyers Program.

Affiliates and their debtor counselors should NEVER promise a guaranteed successful outcome of “Debt Restructure” NOR should they ever promise a timeline. To make either one of these promises would be committing fraud.

Our conservative strategy allows only that you promote the “Standard Package” in your marketing campaigns and offer the Premium sign-up as an upgrade. Therefore, please hold off on promoting the prepaid legal package until we get legal clearance on it.

DebtorSoft Platform:

Our entire DebtorSoft operations platform is web-based and -automated. It includes the following:

1. **DebtorSoft** Affiliate Portal and Workstation: This is the affiliate work environment platform.
2. **Debtor Counselor**: This is your debtor counseling and customer qualification and file completion application.
3. **eContractSignFax**: This is the affiliate and debtor counselors (sales) transaction (electronic contract) management application.
4. **DebtBuyersExchange** Debt Restructure Management Application.
5. **DebtorProcessor** Application: this allows affiliates to track their file processing.
6. **DebtorTracker** Customer Service Platform: This allows customers to access their accounts, their NoteWorld account, and customer services 24/7.



Debtor Counselor Enhancements: “What if” debt counseling

We have enhanced our Debtor Counselor application to allow debtor counselors (sales) to perform multiple “what if” scenarios comparing “Debt Restructure” with “Minimum Payment Plans” and “Debt Management Plans.”

Customer Service:

Our company is implementing a very aggressive and progressive customer service program that includes the following:

1. Affiliate Responsibility (Affiliate 800 Phone Number): Affiliates are responsible for customer service until the first payment is made. After first payment is made, the customer file is activated throughout the system, services are activated, and the Company takes over customer service 100%.
2. Welcome Call: This voice call happens immediately (when processing is completed and the file is submitted to NoteWorld).
3. Pre First Payment Drip Email (3 weeks): Reinforces the sale by explaining the many benefits and advantages of our program.
4. Post First Payment Drip Email (6 months): Educates the debtor on all issues regarding which the debtor would normally call and seek help.
5. DebtorTracker Online Access is Granted.
6. User Friendly Graphic Training for Debtor Tracker (online).
7. 24/7 Online Access to Accounts.
8. NoteWorld Trust Account Access is Granted.
9. 24/7 Online Access to NoteWorld Trust Account.
10. 24/7 Online Access to Customer Services: multiple easy ways in which to complete forms.
11. 24/7 Voice Message (800 Number).
12. Email Response to Debtor Customer Service Inquiries.
13. Voice Response to Debtor’s Customer Services Urgent and Summons Inquiries.