Randy Lepley
Director of Services
Orion Processing, L.L.C.
P.O. Box 82641
Austin, Texas 78708
Tel: (866)577-6104
Fax: (866)543-2817

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Recipient
Address
City, State Zip

Re: Debt Relief Amendments

Dear Mrs. Brown,

1. A) We have been enrolling consumers in debt settlement programs for four years, since January 2006. As we have developed different strategies and implemented different practices that help the debt settlement process, we have also developed entities in several Texas cities to sell debt settlement programs. The creation of offices in different cities helps us develop healthy interoffice competition.

   B) Yes, we have made significant changes to our program. In the beginning, our Client Service Agreement was the only computer generated document. Our Limited Power Of Attorney letters as well as Cease & Desist letters were more labor intensive. Additionally, other than what was in their Client Service Agreement, consumers received little supporting documentation for their debt settlement program. Client Services representatives were trained to tell consumers they had to be patient to the point where their creditors realized the consumer had a hardship through non payment and had saved enough funds into their own personal savings account to begin negotiating debt. We did not negotiate debt until there were sufficient funds in the consumer's personal savings account.

   In 2006, we did not negotiate accounts on behalf of consumers who did not have enough savings. If creditors called before the consumer had sufficient savings, we would only attempt to determine whether the consumer had sufficient savings elsewhere to settle the debt. We found it very difficult to administer client files because consumers rarely saved enough to settle their debts.

   The following innovations and changes came in chronological order:

   - **August 2007**
     We began processing and sending initial settlement offers at 20% of the

balance to creditors that were contingent upon consumers' accessibility to funds. We also began developing welcome packets for consumers with explanations of the debt settlement process.
Additionally, we came into an agreement with Global Client Solutions for client-friendly software that would help us in accessing client information, tracking progress and helping us to review available savings. Global Client Solutions also helped us interact with Rocky Mountain Bank & Trust to permit us, with consumer consent, to set up consumer-dedicated accounts called Special Purpose Accounts (SPAs), so that consumers could also access and see the amount saved specifically for debt settlement.

- **November 2007**
  A refund review department was developed to determine which cases and what circumstances would require a refund as well as how much of a refund should be paid.

- **September 2007**
  We began working with attorneys to develop a more consumer-friendly contractual agreement wherein we placed cancellation documents for clients on the second page and created processing rules where we would refund all monies to clients within the first few weeks of enrollment.

- **October 2008**
  We reformed the system for providing clients with documentation and were able to expedite the wait time for initial documents. Instead of consumers receiving Limited Power Of Attorney letters 60-90 days after signing the contract, we reduced the time to within two weeks of receipt of statements or statement information. This process has gone through significant revisions coinciding with our ability to be paperless.
  Today consumers are encouraged to provide account information at the signing of the contract. All systems operate via email. Our internal rules now require that, within 24 hours of receiving statements, Limited Power Of Attorney letters must be sent to the consumer via email to be signed and notarized. Within 24 hours of receiving the notarized Limited Power Of Attorney letters, Cease & Desist letters are issued to clients and creditors. Additionally, sales representatives and Client Services representatives are trained to review files within two weeks of the signing of the Client Service Agreement in order to obtain hardship information to use in negotiations.

- **January 2008**
  After dealing with the local Better Business Bureau, we developed a Compliance department to review any pattern or systemic sales issues that may have occurred to this point. The following are examples of patterns and systemic sales issues that we sought to eliminate:

1) Selling a Client Service Agreement as an application;

2) Guaranteeing or over promising the product;

3) Not fully disclosing service fees;

4) Discussion of the program's effects on consumer credit scores other than the negative effects; and

5) Discussion of the likeliness and effects of litigation to clients involved in the program.

Beginning in 2008, sales representatives were required to spend time in training and sign documents indicating that they would not engage in deceptive sales practices.

2. A) Since the beginning, we have had approximately 7,500 clients who have enrolled with our debt settlement companies. We use an averaging method to determine the general number of accounts of debt we have. We generally will not take a client with less than $15,000 of indebtedness and prefer that they have at least $20,000. The average client has approximately six accounts and between $35,000 and $40,000 of consumer indebtedness. This statistical calculation is based on an average of all clients and is not a median. Therefore, we approximate the total number of enrolled accounts to be around 45,000 accounts.

   B) We have approximately $300 million of indebtedness enrolled in the program.

   C) In 2009, our companies negotiated, compromised and settled approximately $40 million of indebtedness, of which nearly half was settled during the last four months of the year. Based upon these trends, we expect to settle more than $100 million of indebtedness in 2010. Overall, since our inception in 2006, we estimate that we have settled between $70-80 million of indebtedness. Additionally, we estimate that roughly 15-20% of all consumer indebtedness is self negotiated, resolved through collection processes or in bankruptcy.

   D) We estimate that we have approximately 7,500 clients enrolled in all our companies.

3. A & B) For our purposes, we only include consumers with 100% of enrolled debts settled. Additionally, clients who have stuck with their commitment to this plan to term have consistently had their debt settled. Understand in saying that, there are consumers that felt they could not complete the program because of collection activities, litigation, garnishment, attachment and seizures. These

activities have caused consumers to choose bankruptcy. For those consumers who have completed the program, the settlements have typically been between 50-75% of their incoming debt. By typically, we mean that more than 80% of those consumers fall within the range of a 50-55% settlement, with approximately half the remaining 20% of those consumers settling at less than 50%, and the other half above 55%. Roughly 10% of settlements are for less than 50% and less than 10% of settlements are above 75%. Based on past performances of the companies, we would expect a $50,000 debt to be settled between $25,000-37,500, inclusive of all costs.

4. The average rate of increase in the amount that consumers owe to creditors between enrollment and settlement is between 15-25%, with the highest level of increase within 180 days of delinquency. It is important to understand that we seek consumers who are insolvent. That means that they do not earn enough income to make minimum monthly payments to creditors after paying for their regular monthly and non-regular monthly expenses. These consumers are incurring the full cost of interest and often interest increases due to relative risk factors. Additionally, many of our clients come to us after significant delinquency in their accounts and they already understand the continued effects of accretion.

5. A) The marketing sales company's fee is 10-15% of the total debt and is based upon the size of the debt and length of the time commitment to the program as well as any number of other variables. The company fee pays for the significant cost in marketing, obtaining lead information, and overhead labor. Additionally there is a monthly fee paid to the back-end processing servicing company which staffs and services the debts. The back-end servicing company works in partnership with the originating company to service the Client Service Agreement.

   B-D) This fee has not changed in three years. We charge fees to clients beginning with the first payment and the whole fee is charged over the first 18 months. However, we regularly place clients on fee and draft holds to accommodate clients' financial needs. Typically we receive fees over the first 18 months but in many cases the fee is paid over the length of the contract due to significant settlement opportunities available to clients during the course of their plan.

   E) The total amount of the fees paid by consumers range typically anywhere from 12-20% depending upon how quickly the client gets through the program. We do not penalize clients for settling their debts five months early and we typically forgive one to two months of fee payments if the client's portfolio is settled early.

   F) In all cases we will prepare a Service Fee Analysis for clients who have dropped out of the program to determine how far we progressed through the

Client Service Agreement and to determine the amount of the fee earned. Any amount of monies contributed by the client over and above the earned fee is refunded to the client.

6. A) Because our typical program term is 36 months, we evaluated the completion rate by going back to the number of clients we had three years ago and determine the number of clients who have made it through our program entirely.

   B) Roughly, out of 825 clients who have paid one time, approximately 240 are out of debt. Be advised that this number is based upon an old model wherein clients had to self-save into their own bank accounts. We have had difficulty closing out many of these programs because clients did not self-safe. Of all 850 enrolled into the program for 36 months or more, 105 of these self-saving clients are still active in the program. Additionally, a larger number of self-saving clients negotiated their own accounts when they had funds available and canceled from our program to forego paying any additional fees. It is difficult for us to have an exact percentage.

7. A) For us, this is difficult number to evaluate. We will evaluate this at 75% or more but due to our experience with relationships with debt buyers, this percentage grows larger all the time. The 75% reflects clients that stay in the program for a minimum of four months.

   B) Of clients who have gone through one year of the program, more than 95% have at least one debt settled in the first two years of enrolling.

   C) Defining enrolled as one payment that was not revoked nor refunded that figure is about 15-20%, but a significant portion of people do so before 6 months and do receive a refund.

Sincerely,

Randy Lepley