



DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE EO Examinations
1100 Commerce Street
Dallas, TX 75424

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

Number: **200803026**
Release Date: 1/18/2008

October 5, 2007

ORG

UIL: 501.03-01

CERTIFIED MAIL – RETURNED RECEIPT

LAST DATE FOR FILING A PETITION
WITH THE TAX COURT: _____

Dear :

This is a Final Adverse Determination Letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Your exemption from Federal income tax under section 501(c)(3) of the code is hereby revoked effective January 1, 20 . You have agreed to the revocation of the organization status per your execution of Form 6018 on August 24, 20 .

Our adverse determination was made for the following reasons:

A substantial part of your activities consists of providing services as a sales agent for three credit counseling agencies. ORG advertised its debt settlement service through the internet and media, and then referred its clients to the credit counseling agencies for their debt settlement functions in exchange for commissions/fees or monthly maintenance. Therefore, you are operated for a substantial nonexempt purpose. In addition, your operations further the private interests of the persons that pay commissions for your activities. Accordingly, you are not operated exclusively for exempt purposes described in section 501(c)(3).

You failed to meet the requirements of IRC section 501(c)(3) and Treas. Reg. section 1.501(c)(3)-1(d) in that you failed to establish that you were operated exclusively for an exempt purpose. Rather, you were operated for the benefit of private interests and a part of your net earnings inured to the benefit of outsiders, your founders, and board members.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending December 31, 20 , and for all years thereafter.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment.

You also have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers.

You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling:

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Marsha A. Ramirez
Director, EO Examinations



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service
TE/GE Division

ORG

Taxpayer Identification Number:

Form:

990

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear _____ :

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Office of the Taxpayer Advocate

Phone

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Marsha A. Ramirez
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of Taxpayer ORG	Tax Identification Number EIN	Year/Period Ended 12/31/20XX

LEGEND:

ORG - Organization	DIR A/E – Name of Directors	Employer – Name of Emp
XYZ – Name of State	Officer1 – Name of President	Emp2 – Name Former Em
ABC – Name Agency 1	Officer2 – Name of VP/Treasurer	Client 1 – Name Client
DEF – Name Agency 2	Officers – Lastname Officer1/2	Client 2 – Other Client
GHI – Name Agency 3	Advertiser – Name of Ad Comp	Book Title – Name Book
JKL – Unrelated Business	Ad2 – Name of Marketing Company	

ISSUE:

Whether ORG (“ORG”) were operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3), including:

- a. Whether ORG are engaged primarily in activities that accomplish an exempt purpose?
- b. Whether more than an insubstantial part of ORG activities are in furtherance of a non-exempt purpose?
- c. Whether ORG were operated for the purpose of serving a private benefit rather than public interests?

FACTS

Background of ORG

ORG was incorporated as a nonprofit corporation in the State of XYZ on Jan. 22, 19MM with Employer Identification Number (“EIN”). Dir A, Dir B , Dir C , Dir D , and Dir E signed the Articles of Incorporation as directors.

Articles of Incorporation:

The Articles of Incorporation states its specific purposes and dissolution clause as,

“to provide community service dedicated to helping individuals solve their debt problems thru consumer education and providing confidential and professional management and debt counseling to financially distressed families and individuals regardless of race, creed, color, sex, social position, financial status or physical disability.

The property of this corporation is irrevocably dedicated to “charitable purposes” and no part of the net income or assets of the organization shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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On the dissolution or winding up the corporation, its assets remaining after payment of, or provision for payment of, all debts and liabilities of this corporation, shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for "charitable purposes" and which has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code."

Application for Exemption:

ORG filed its Form 1023, *Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code*, in 19MM. The primary objectives and purposes were described as:

"To provide community services dedicated to helping individuals solve their debt and mortgage problems. This will be accomplished through consumer education, providing confidential and professional credit and money management counseling to individuals and families undergoing financial stress, regardless of financial status, physical disability, race, creed, age, sex, social position or marital status.

The purposes stated above will be accomplished through educational materials and programs offered to the community with workshops on: How to set up a budget, How to shop at a supermarket, How to buy seasonally, credit card management, buying vs. leasing automobiles, balancing a checkbook, How to stretch your paycheck, How to survive through unemployment, pre-marital counseling through other non profit marriage and family counseling services, How to teach your child good money management, How to recover after bankruptcy, How to save for major purchases, college, etc., and other financial planning techniques.

We will also offer housing counseling in the areas of first time home purchases, qualifying for a home, renting vs. purchasing, buying FHA, VA or conventional, alternatives to foreclosure, assisting clients negotiate with lenders to avoid foreclosure.

Our main goal will be to educate the public and assist them in preventative procedures to family financial problems and to make more people financially healthy."

The sources of fund raising as described in the Form 1023 were:

Mortgage Banking Fee – We will contract with mortgage bankers and financial institutions to analyze equitable workouts for borrowers who have fallen behind in their mortgage payments. This fee will be paid by the lender not the borrower. The primary advantage to the lender is to educate the borrower as to how to save their house and thereby avoiding foreclosure.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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Reverse Mortgage Certification – Borrowers interested in the reverse mortgage are required to attend a class to be educated as to the types of reverse mortgages and the advantages and disadvantages. This lender will pay a fee for this service.

Counseling services – A sliding scale of fees will be charged to the client based upon their ability to pay. No one will be refused counseling if unable to afford a fee.

Grants – We will apply for grants to provide educational classes to high schools and colleges as well as to other non profit organizations such as Olive Crest.

The IRS recognized it as an exempt organization described in section 501(c)(3) on April 30, 19MM.

Officers and directors:

Officer1, President, and Officer2, Vice President and Treasure, are the officers and directors of ORG. On March 14, 20VV, they purchased ORG's name, assets, and client accounts for an amount of _____ dollars (\$) effective no later than May 31, 20VV. Mr. Dir A, the former president of ORG, received payment(s) on April 04, 20VV of \$ _____ and on May 02, 20VV of \$ _____.

It cannot be determined if the intent for the purchase of ORG by Mr. and Mrs. Officers were for charitable purposes (i.e. to carry on charitable activities) or to operate a for-profit business.

Financial information:

ORG filed Forms 990 for the fiscal years ending December 31, 20WW and December 31, 20XX. ORG did not file any return for years 20ZZ and 20YY. It is currently inactive. The following financial information was derived from its Forms 990:

	Year 20WW	Percentage	Year 20XX	Percentage
<u>Revenue:</u>				
Contributions, gifts, grants	\$	%	\$	%
Program service revenue	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Total revenue	\$	%	\$	%
<u>Expenses:</u>				
Compensation of officers, directors	\$	%	\$	%
Accounting fees	\$	%	\$	%
Telephone	\$	%	\$	%
Postage and shipping	\$	%	\$	%

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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Interest	\$	%	\$	%
Advertising	\$	%	\$	%
Bank fees	\$	%	\$	%
Education	\$	%	\$	%
Entertainment	\$	%	\$	%
Equipment repair	\$	%	\$	%
Office supplies	\$	%	\$	%
Filing fee	\$	%	\$	%
Marketing expenses	\$	%	\$	%
Misc.	\$	%	\$	%
Total Expenses	\$	%	\$	%
Net income	\$		\$	

The program service revenues described on the Forms 990 were from counseling services. However, from the actual books and records, the sources of revenue were from commissions/fees and a portion of the clients' monthly maintenance fees from the following three organizations. In 20XX, ORG had signed contracts with these entities and received the following revenue:

Entity's name	Amount
ABC	\$
DEF	\$
GHI.	\$
Total Revenue	\$

ABC and GHI. are for profit organizations who conduct debt settlement programs. DEF is an exempt organization who conducts Debt Management Programs.

Operational Information:

The primary activity of ORG was to act as a sales agent for the three entities. ORG advertised its debt settlement service through the internet and media, and then referred its clients to DEF and GHI for their debt settlement processing functions in exchange for commission/fees. For DEF, ORG referred its clients in exchange for a portion of the client's monthly maintenance fees for each DMP account. In 20XX, DEF received 34 clients from ORG for DMP and ABC and GHI received more than 100 clients from ORG for the debt settlement program.

The contract agreements signed with the three organizations that provided debt settlement service to ORG's clients are as follows:

Contract agreement with ABC

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of Taxpayer ORG	Tax Identification Number EIN	Year/Period Ended 12/31/20XX

On January 15, 20XX, ORG signed the following contract agreement with ABC Inc. and the content of the agreement was as follows:

"The agreement is made and entered into by and between JKL, a XYZ corporation (hereinafter referred to as "company") and ORG Credit, (hereinafter referred to as "Associate").

1. Definition. *The term "Associate" as used throughout this Agreement shall mean providing sales support services on behalf of Company.*
2. Term. *This agreement shall commence January 9th, 20XX and continue until terminated as provided herein.*
3. Payment to Associate. *ASSOCIATE agrees to act as a sales representative to the Company. It is understood and agreed that ASSOCIATE is an independent contractor in the performance of this contract and that ASSOCIATE shall perform the sales activity under the control of Company as to the result of the activity only and not as the means by which such result is accomplished. (ASSOCIATE is neither an agent nor employee of the Company, and has no authority whatsoever to bind Company by contract or agreement of any kind).*
 - a. *Sales will be closed out on every Friday, by 6:00pm (PST). ASSOCIATE will be paid once a week, every Thursday for EFT's (Electronic Funds Transfers) from the previous week. No monies will be paid to the ASSOCIATE until 3(three) business days after the initial EFT has cleared COMPANY's bank. ASSOCIATE will be paid once a week, every Thursday. The check will be sent via USPS.*
 - b. *Compensation will be 45% of the fees received from client and will be paid to the ASSOCIATE. Said fees will be deemed commission. Company will retain the remainder of the fees for services to be rendered. These fees will include the down payment and the monthly fees charged to the client as long as the client continues to pay fees toward the program. This will not include the funds that will remain in client trust account for settlement purposes. Either party must give 60 days notice prior to any changes to this compensation agreement.*
 - c. *If the ASSOCIATE's client has NSF (insufficient funds) payment, the fees charged to the Company by the bank(s) and the EFT Company will be deducted from the ASSOCIATE's following commission.*
 - d. *Company reserves the right to reject, cancel, or terminate a client of the ASSOCIATE for any reason, at any time, at the sole discretion of Company.*

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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- e. ASSOCIATE is responsible for the payment of his/her taxes and agrees to indemnify and hold Company harmless from any and all taxes, interest and penalties arising out of this agreement.
 - f. ASSOCIATE shall provide all his/her benefits, including health, dental, and life insurance.
 - g. ASSOCIATE will be prohibited from using, creating, or taking part in any advertising, marketing, or outside lead generation, unless prior approval has been granted by COMPANY. Any use of COMPANY name, logo, slogan, or trademarks without prior approval will be considered breach of this contract, and may result in immediate termination of this agreement.
4. Confidentiality. ASSOCIATE acknowledges that the identity and information relating to the clients of Company are confidential information of Company. ASSOCIATE agrees to hold in strict confidence, and not to disclose to others or use, either before or for a period of two (2) years following termination of this agreement, any customer or client names, or other confidential matter relating to the business of Company, except to the extent requested by Company in connection with sales activity, and any related services.
5. ASSOCIATES Exclusivity. ASSOCIATE shall not undertake to perform any activity having to do with debt negotiation, debt settlement, or any services or activity related to debt negotiations or debt settlement, for any person, firm or corporation in any way competitive with Company during the term of this agreement.”

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Contract agreement with GHI

On March 24, 20XX, ORG signed the following contract agreement with GHI and the content of the agreement was as follows:

“This agreement was made between GHI. and ORG (hereinafter “Marketer” or “Marketing Agent”).

RECITALS

- A. GHI is in the business of offering debt settlement services to the general public.
- B. GHI wishes to retain the services of the below - indicated Marketer for the purpose of marketing debt settlement services to the general public.
- C. The below – indicated Marketer wishes to provide such services for the compensation herein set forth.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of Taxpayer ORG	Tax Identification Number EIN	Year/Period Ended 12/31/20XX

AGREEMENT

1. Limited Agency Appointment. Subject to this Agreement, GHI appoints Marketer as its Agent for the limited purposes of soliciting members of the general public who require debt settlement services. By executing this Agreement, Marketer accepts the appointment as a limited Marketing Agent.

2. Restriction on Agent Authority. Marketing Agent is a limited agent of GHI appointed only for the purpose expressly set forth in this Agreement. Marketing Agent has no authority to act on behalf of GHI, nor may Marketing Agent bind GHI in any manner whatsoever, except as expressly provided in this Agreement. Marketing Agent functions as a non-exclusive independent contractor and must use commercially reasonable efforts to perform his or her solicitation obligations under this Agreement.

3. Guideline Compliance. Marketing Agent and its employees must comply with all procedures and operating guidelines established by GHI including procedures required by law or contract or policies adopted by GHI. GHI will provide a Written Procedures Manual and will notify Marketing Agent in writing, thirty (30) days in advance, of the effective date of any new or revised procedure and operating guideline unless a shorter time period is required by law or specified in this Agreement.

4. Independent Contractor. Marketing Agent is an independent contractor providing services to GHI pursuant to this Agreement. Marketing Agent is totally independent and free of control of GHI except as to the procedures promulgated by GHI regarding the solicitation of members of the public. Marketing Agent is not assigned a specific sales territory and GHI neither has, nor reserves, the right to impose geographical restrictions on the Marketing Agent. Marketing Agent may perform solicitation services during any hours he or she may choose, having no designated starting or quitting time. Marketing Agent is free to develop his or her own solicitation presentation subject only to the procedures provided by GHI as a guideline.

5. Payment of Commissions. GHI will pay Marketing Agent in accordance with the commissions schedule set forth as Exhibit "A" to this Agreement.

6. No Reimbursement of Expenses. GHI shall not reimburse Marketing Agent for any expenses he or she may incur in the solicitation process (for example: transportation, car, fuel, etc.).

7. Limitation of Agent Authority. Nothing in this Agreement shall be deemed to permit the Marketing Agent to conduct business of, or non the account of GHI, or to incur or assume any expense, debt, obligation, liability, responsibility on behalf

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of, or in the name of, or to bind GHI in anyway whatsoever. Marketing agents have no authority and shall not change or adjust any part of the sale contract / agreement provided by GHI and shall have no authority to change any of the fees or payment schedules set forth in the sales contract / agreement.

8. Advertising / Marketing. In the event that marketing agents wish to do advertisement or marketing, marketing agents shall first obtain the written approval for such advertising or marketing from GHI Inc.

.....

(Exhibit A from the contract)

- 1) Compensation: Marketing affiliate will be remunerated strictly on a performance basis according to the following commission structure:
- a) For each new client enrolled, the marketing affiliate will receive a \$ commission, regardless of the enrolClient1 's debt size or monthly debt management payment.
 - b) Marketing affiliates will receive a second commission, upon GHI's receipt of said enrolClient1 's second full monthly payment. The commission due shall be equal to the sum of this second payment.
 - c) Marketing affiliate will be entitled to 5% (five percent) of the savings achieved by GHI's negotiators. This commission will be paid out over the course of the client's agreement with GHI as individual debts are settled out with creditors.

.....”

See Exhibit A for the scripts used by sales staff when talking to potential clients

Contract agreement with DEF/Debt Management Services (DEF):

ORG signed the following contract agreement with DEF and the content of the agreement was as follows:

DEF is a non-profit debt management credit counseling agency, and Debt Management Services, a provider of servicing of debt management agreements (hereafter known as DEF/DMS) and ORG Credit / Financial Counseling Services (hereafter known as ORG) entered into a service contract by where DEF/DMS will provide the servicing of DMP clients. DEF/DMS and ORG agree as follows:

1. DEF/DMS agrees to service ORG clients under the agreed standards and policies of both agencies. Both agencies will determine the manner of the delivery of these services.
2. ORG agrees to pay DEF/DMS \$ per each DMP account from client's monthly maintenance fees when client's account is activated in the DMP program.

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3. DEF/DMS agrees to pay ORG bi-monthly, such dates will be _____ and _____. Fees will include all enrollment (processing) fees when applicable and remaining maintenance fees. DEF/DMS will maintain and provide monthly report of the status of such payments.
4. DEF/DMS agrees to provide ORG' clients with services and will determine the means and manner of these services. In return ORG will support DEF/DMC with all information required for processing.
5. DEF/DMS will calculate fair share payments owned to ORG and remit in a timely manner. DEF/DMS will also provide any reporting necessary for this process.

The Package sent to a client to enroll in a Debt Management Program (DMP) by ORG:

The cover letter states as:

Thank you for inquiring about our services. Based on the creditor information you provided, a debt management program will be helpful in your financial situation. The enclosed forms, when completed and returned, activates this program for you:

- The Debt Management Agreement authorizes ORG to enroll you in the debt management program.
- The Debt Management Application is a personal information from that includes your monthly budget analysis.
- The Automatic Withdrawal Authorization authorizes ORG to automatically withdraw your monthly payment from your checking account. Please complete this form and return it with a \$ enrollment fee by money order or cashiers check at the time you return your enrollment packet.
- The Creditor List identifies each creditor on the program by name and balance owed. Please include either the most recent creditor statement(s) or a legible copy with this list. The Missing Statement Replacement form should be completed for any creditor(s) missing a statement.

The Debt Management Agreement includes the following paragraphs:

This agreement between _____ and ORG Credit/Financial Counseling Service (ORG) is entered into on _____, hereby employ ORG to act as my agent in arranging and making payments to my creditors under my debt reduction plan. I agree to cooperate to the fullest extent of my ability with ORG in every respect with regard to these obligations and grant ORG full authority to adjust, arrange, change, satisfy, or settle any and all debts listed with them on my behalf. I affirm that all information given to ORG in this regard is complete and accurate and also grant ORG permission to disclose as much of our personal financial information as is necessary to satisfy my creditors and authorize creditors to provide information to ORG.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of Taxpayer ORG	Tax Identification Number EIN	Year/Period Ended 12/31/20XX

I agree to pay my creditors through ORG. I understand that my payment of \$_____ must be received by ORG no later than the ____ day of each month beginning ____.

The principal amount of the debt that I authorize ORG to establish in a repayment program is \$____. I understand that my creditors may continue to charge interest on the unpaid balances and that these amounts are not included in the balance. I grant ORG the authority to use their discretion in determining which of my creditors will be paid if my monthly payment is more or less than the agreed amount. I recognized the required monthly payment to ORG may periodically change and said change will not negate or alter any of the provisions of this agreement and further understand that the amounts may be modified if new creditors are added or if I need to adjust my payment schedule.

I agree to pay an initial enrollment fee of \$_____ to ORG. In addition, I agree that ORG may retain \$_____ per month as compensation for administration of this program. This compensation is included in the monthly payment stated above.

I hereby grant ORG the authority to use their best judgment to determine what obligations shall be paid in the event there are insufficient funds available to meet the entire plan. It is agreed that either party may cancel this agreement with thirty (30) days written notice to the other. I understand, through a discussion with an ORG Counselor, that I lose the ability to use credit cards that are part of this debt reduction program.

I avow that I am neither insolvent nor bankrupt nor do I have any repossessions, garnishments, or wage assignments pending. I have completed the income/expense analysis and carefully read this agreement prior to signing it and hereby affirm that no other inducements were made or offered to enter into this agreement. I further affirm that the payments arranged are reasonably within my ability to pay on an ongoing monthly basis.

Advertising:

Media Advertising:

ORG used Advertiser to advertise its program on the radio stations of QQ from 6:00am to 8:00pm Monday through Thursday with two spots a day and 60 second per spot.

ORG Credit 60 second radio script is as follows:

“The New Year is here, and credit card companies are targeting your checkbook for all that Holiday shopping you did!! Get out of your creditors *Line of Fire* with *Org Credit*, your *SURE SHOT* to financial freedom!!

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of Taxpayer ORG	Tax Identification Number EIN	Year/Period Ended 12/31/20XX

That's right – ORG Credit can eliminate your unsecured debt for a fraction of what you owe – without a loan!

Are you ten, twenty, thirty thousand dollars or more in debt and paying outrageous interest rates?

Let the professionals at ORG Credit put their experience to work for you! They'll negotiate and settle your debt down for up to sixty percent of what you now owe! You can reduce monthly payments immediately, and be on your way to a debt free lifestyle! The ORG experts are here to help stop those harassing phone calls, help you pay back of what you currently owe, keep you out of bankruptcy, and eliminate your debt in three years or less!! So call ORG Credit – They may even correct your past mistakes by helping you clean up your credit report and remove late payments, bankruptcies, charge-offs and collections.

(High speed deliver with low tone) Results may vary. ORG Credit makes no claims to delete accurate info from you credit report.

Don't let your creditors put an interest bulls eye on you; *stick with the SURE SHOT ORG CREDIT!* Call right now at 1----- That's 1----- , 1----- .”

Internet search:

ORG also contracted with ADV2to advertise its services through key words search on the internet. When a person types a key word, such as, *debt free*, or *financial help* on google.com, ORG's name and information will pop up as the search results.

ORG Website: www.ORGcredit.com

ORG's website serves two purposes: It introduces its debt settlement program and provides debt related information. The website includes six tabs on the top, home, about us, how we work, FAQ, testimonials, and contact. On the left side, it has education center that includes about debt, about credit card debt, about bankruptcy, about creditors, how to survive, and enjoy life again.

ORG website home page is stated as:

“Learn more about reducing your debt and finding someone you can trust.

Getting your life back on track

- Stop harassing phone calls.
- Pay back half of what you currently owe.
- Avoid Bankruptcy.
- Eliminate debt in three years or less.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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1-

<p>We can settle:</p> <ul style="list-style-type: none"> Credit cards Unsecured loans Unsecured personal loans Unsecured personal Lines of credit Collections Autos in repossession Medical bills” 	<p>We can't settle:</p> <ul style="list-style-type: none"> Lawsuits IRS Utility bills Auto loans Government loans Student loans
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About us page is stated as:

“ORG Credit’s negotiation process has been tested and developed over years of experience by our team of professionals in the field of finance and credit card debt. Our professionals are highly skilled in each of their fields of expertise.

Through the established relationships that we have with the creditors and financial institutions, we are able to successfully negotiate the debts of our clients at a substantial discount. Creditors are willing to negotiate a debt with ORG Credit, on behalf of our clients, with the understanding that the settled amount will be paid in a timely manner.

.....

Debt settlement is a legitimate way of solving your problem without the need for bankruptcy. Our representatives work each case individually to determine your eligibility, and then, if you qualify, they will establish a program that allows repayment of the debt through affordable monthly payments while ultimately saving your credit. This approach reduces your debt vs. consolidation options. Our approach assists you by reducing the time to repay the debt and by lowering the total amount you owe.

For more information, complete our brief information form on the right to contact us. A ORG Credit representative will contact you to discuss how to get started today. There is no cost or obligation.”

How we work page is stated as:

“Our debt settlement program is actually quite simple.

Your current level of unsecured debt will be skillfully negotiated for you, and essentially

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you will end up paying a fraction of the debt. Generally, we reduce your debt by 40-60% of the current total.

We will set you up with an affordable monthly payment, which is determined on a client-by-client basis between you and a counselor at ORG Credit. Based upon what you are able to pay each month into your settlement account, we can determine how many months you will be part of the program, and ultimately be debt free. Throughout the program, we communicate with your creditors, on your behalf, and you will no longer be dealing with burdensome phone calls and letters from your creditors.

Upon enrollment, we will immediately contact each of your creditors, individually, and let them know that we are now representing you, and also let them know of your interest in settling your debt with them. Reaching a settlement usually takes several phone calls and communication between ORG Credit and the creditor. Once a settlement offer has been reached, and you as the client have agreed on this amount, we will obtain that settlement offer in writing from the creditor and will then advise client on how to disperse funds to the creditor.

At that point, the creditor has accepted the payment in full, and you are free of that debt forever. ORG Credit will diligently continue to work on negotiating all of your debts, until you are finally free from the once overwhelming debt that you started our program with.

Our main goal is to get you out of debt. We work only for our clients; not for the benefit of the creditors. Becoming debt free is the first step to becoming financially secure, and debt settlement may be your best option.”

Education center – About debt page is stated as:

“Most people think of being in debt as irresponsible. We don't! We have seen thousands of different reasons for being in debt. It can happen to anyone and when it does, it's tough. Many of our clients experience the depression and anxiety of debt while trying to survive the daily stress of life. Debt can be controlled with a little discipline and help from the right people, but surprisingly many people just never get good advice when it comes to getting rid of debt. We have seen numerous people file for bankruptcy when their debt problems could have been solved in less than half the time a bankruptcy would stay on their record. Call us today at ----- and receive free information on alternatives to debt relief, such as debt settlement.

Types of debt relief

There are many misconceptions about debt relief. To start with, it is important to know the difference between debt consolidation loans and debt settlement. Debt consolidation is the process of combining all your unsecured bills and debt into one low monthly payment, with drastically reduced interest rates. Debt settlement is NOT a loan.

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At ORG Credit we help clients reduce their overall interest rate, monthly bills, and pay-off time without taking on any more debt.

Debt Consolidation Loans

Debt Consolidation Loans often put people in more debt or unsecured debt, because Debt Consolidation Loans are given in the form of home equity loans; which means, if you do not pay, you loose your home. Way too much stress as you can imagine.

[Click here](#) to learn more....

Debt settlement

Debt settlement is the most cost-effective, easiest option to pay off your debts and relieve you of having to deal with creditors, collectors and attorneys. We understand the stress and struggle of living with an overwhelming amount of debt, and our goal is to reduce and settle your debt so that you can begin living the lifestyle you've been dreaming about...being debt free! Settle bills into one affordable monthly payment.

Reduce payoff time by 70%.

- Cut your monthly payments by as much as 60%
- Reduce or eliminate interest rates
- Waive over limit charges and late fees

[Click here](#) to learn more...

Winning the lotto

Winning the lotto, hey it could happen! If it does not, don't worry; there are many just like you. At ORG Credit we can help you get out of debt soon. Call us today at ----
----- and receive free information on alternatives and begin to take control of your life."

Debt Management Program:

For the DMP clients, ORG will suggest the clients to go to DEF's website at www.DEFcredit.org for information.

ORG Educational activities:

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The organization provided information about debt, credit card, bankruptcy, and creditors on its website stated as the prior pages. According to the conversation with Mr. Client1, the DMP clients also received educational books, BookTitle₁, written by Client2, the president of DEF.

The organization did not provide educational counseling services nor conducted any community seminars.

Personnel:

ORG was solely operated by Mr. and Mrs. Officers. Both of them worked for Employer (Formally EMP2) as credit counselors before they purchased ORG. They checked ORG's website and made phone calls to potential clients. They did not conduct any walk-in services.

APPLICABLE LEGAL PRINCIPLES:

Section 501(a) of the Internal Revenue Code provides that an organization described in section 501(c)(3) is exempt from income tax. Section 501(c)(3) of the Code exempts from federal income tax corporations organized and operated exclusively for charitable, educational, and other purposes, provided that no part of the net earnings inure to the benefit of any private shareholder or individual. The term charitable includes relief of the poor and distressed. Section 1.501(c)(3)-1(d)(2), Income Tax Regulations.

The term educational includes (a) instruction or training of the individual for the purpose of improving or developing his capabilities and (b) instruction of the public on subjects useful to the individual and beneficial to the community. Treas. Reg. § 1.501(c)(3)-1(d)(3). In other words, the two components of education are public education and individual training.

Section 1.501(c)(3)-1(a)(1) of the regulations provides that, in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities that accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. The existence of a substantial nonexempt purpose, regardless of the number or importance of exempt purposes, will cause failure of the operational test. Better Business Bureau of Washington, D.C. v. U.S., 326 U.S. 279 (1945).

Educational purposes include instruction or training of the individual for the purpose of improving or developing his capabilities and instruction of the public on useful and beneficial

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subjects. Treas. Reg. § 1.501(c)(3)-1(d)(3). In Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purposes, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. The Court found that the trade association had an “underlying commercial motive” that distinguished its educational program from that carried out by a university.

In American Institute for Economic Research v. United States, 302 F. 2d 934 (Ct. Cl. 1962), the Court considered the status of an organization that provided analyses of securities and industries and of the economic climate in general. The organization sold subscriptions to various periodicals and services providing advice for purchases of individual securities. Although the court noted that education is a broad concept, and assumed for the sake of argument that the organization had an educational purpose, it held that the organization had a significant non-exempt commercial purpose that was not incidental to the educational purpose and was not entitled to be regarded as exempt.

An organization must establish that it serves a public rather than a private interest and “that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.” Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii). Prohibited private interests include those of unrelated third parties as well as insiders. Christian Stewardship Assistance, Inc. v. Commissioner, 70 T.C. 1037 (1978); American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989). Private benefits include an “advantage; profit; fruit; privilege; gain; [or] interest.” Retired Teachers Legal Fund v. Commissioner, 78 T.C. 280, 286 (1982).

An organization formed to educate people in Hawaii in the theory and practice of “est” was determined by the Tax Court to a part of a “franchise system which is operated for private benefit,” and, therefore, should not be recognized as exempt under section 501(c)(3) of the Code. est of Hawaii v. Commissioner, 71 T.C. 1067, 1080 (1979). Although the organization was not formally controlled by the same individuals who controlled the for-profit entity that owned the license to the “est” body of knowledge, publications, and methods, the for-profit entity exerted considerable control over the applicant’s activities by setting pricing, the number and frequency of different kinds of seminars and training, and providing the trainers and management personnel who are responsible to it in addition to setting price for the training. The court stated that the fact that the organization’s rights were dependent upon its tax-exempt status showed the likelihood that the for-profit entities were trading on that status. The question for the court was not whether the payments made to the for-profit were excessive, but whether the for-profit entity benefited substantially from the operation of the organization. The court determined that there was a substantial private benefit because the organization “was simply the instrument to subsidize the for-profit corporations and not vice versa and had no life independent of those corporations.”

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The Service has issued two rulings holding credit counseling organizations to be tax exempt. Rev. Rul. 65-299, 1965-2 C.B. 165, granted exemption to a 501(c)(4) organization whose purpose was to assist families and individuals with financial problems and to help reduce the incidence of personal bankruptcy. Its primary activity appears to have been meeting with people in financial difficulties to “analyze the specific problems involved and counsel on the payment of their debts.” The organization also advised applicants on proration and payment of debts, negotiated with creditors and set up debt repayment plans. It did not restrict its services to the needy. It made no charge for the counseling services, indicating they were separate from the debt repayment arrangements. It made “a nominal charge” for monthly prorating services to cover postage and supplies. For financial support, it relied upon voluntary contributions from local businesses, lending agencies, and labor unions.

Rev. Rul. 69-441, 1969-2 C.B. 115, granted 501(c)(3) status to an organization with two functions: it educated the public on personal money management, using films, speakers, and publications, and provided individual counseling to “low-income individuals and families.” As part of its counseling, it established budget plans, *i.e.*, debt management plans, for some of its clients. The debt management services were provided without charge. The organization was supported by contributions primarily from creditors. By virtue of aiding low income people, without charge, as well as providing education to the public, the organization qualified for section 501(c)(3) status.

In the case of Consumer Credit Counseling Service of Alabama, Inc. v. U.S., 44 A.F.T.R.2d 78-5052 (D.D.C. 1978), the District Court for the District of Columbia held that a credit counseling organization qualified as charitable and educational under section 501(c)(3). It fulfilled charitable purposes by educating the public on subjects useful to the individual and beneficial to the community. Treas. Reg. § 1.501(c)(3)-1(d)(3)(i)(b). For this, it charged no fee. The court found that the counseling programs were also educational and charitable; the debt management and creditor intercession activities were “an integral part” of the agencies’ counseling function and thus were charitable and educational. Even if this were not the case, the court viewed the debt management and creditor intercession activities as incidental to the agencies’ principal functions, as only approximately 12 percent of the counselors’ time was applied to debt management programs and the charge for the service was “nominal.” The court also considered the facts that the agency was publicly supported and that it had a board dominated by members of the general public as factors indicating a charitable operation. See also, Credit Counseling Centers of Oklahoma, Inc. v. United States, 79-2 U.S.T.C. 9468 (D.D.C. 1979), in which the facts and legal analysis were virtually identical to those in Consumer Credit Counseling Centers of Alabama, Inc. v. United States, discussed immediately above.

The organizations included in the above decision waived the monthly fees when the payments would work a financial hardship. The professional counselors employed by the organizations spent about 88 percent of their time in activities such as information dissemination and counseling assistance rather than those connected with the debt management programs. The primary sources of revenue for these organizations were

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provided by government and private foundation grants, contributions, and assistance from labor agencies and United Way.

Outside the context of credit counseling, individual counseling has, in a number of instances, been held to be a tax-exempt charitable activity. Rev. Rul. 78-99, 1978-1 C.B. 152 (free individual and group counseling of widows); Rev. Rul. 76-205, 1976-1 C.B. 154 (free counseling and English instruction for immigrants); Rev. Rul. 73-569, 1973-2 C.B. 179 (free counseling to pregnant women); Rev. Rul. 70-590, 1970-2 C.B. 116 (clinic to help users of mind-altering drugs); Rev. Rul. 70-640, 1970-2 C.B. 117 (free marriage counseling); Rev. Rul. 68-71, 1968-1 C.B. 249 (career planning education through free vocational counseling and publications sold at a nominal charge). Overwhelmingly, the counseling activities described in these rulings were provided free, and the organizations were supported by contributions from the public.

15 U.S.C. § 1679a(3). The courts have interpreted this definition broadly to apply to credit counseling agencies. The Federal Trade Commission's policy is that if an entity communicates with consumers in any way about the consumers' credit situation, it is providing a service covered by the CROA. In Re National Credit Management Group, LLC, 21 F. Supp. 2d 424, 458 (N.D.N.J. 1998).

In Plumstead Theatre Society, Inc. v. Commissioner, 74 T.C. 1324 (1980), *aff'd*, 675 F.2d 244 (9th Cir. 1982), the Tax Court held that a charitable organization's participation as a general partner in a limited partnership did not jeopardize its exempt status. The organization co-produced a play as one of its charitable activities. Prior to the opening of the play, the organization encountered financial difficulties in raising its share of costs. In order to meet its funding obligations, the organization formed a limited partnership in which it served as general partner, and two individuals and a for-profit corporation were the limited partners. One of the significant factors supporting the Tax Court's holding was its finding that the limited partners had no control over the organization's operations.

GOVERNMENT'S POSITION:

The Service contends that ORG has not operated exclusively for exempt purposes described within Internal Revenue Code section 501(c) (3). ORG operated as a sale agent for other for-profit and exempt organizations to earn commissions and monthly fees. In addition, ORG was operated for the purpose of serving a private benefit rather than public interests. Both of these reasons are grounds for revoking the section 501(c) (3) exempt status of ORG.

On its Form 1023, ORG stated its primary objective and purpose as to provide community services dedicated to helping individuals solve their debt and mortgage problems. This will be accomplished through consumer education, providing confidential and professional credit and money management counseling to individuals and families undergoing financial stress.

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On the contrary, the primary activity engaged in by ORG was to act as a sale agent for other unrelated for-profit or exempt organizations, ABC, GHI, and DEF to solicit clients to enroll into debt settlement program and debt management program. ORG received commissions for each enrollment. ORG used media and website search engines to promote their debt settlement program. After the customers agreed to enroll to debt settlement program or DMP, ORG then forwarded the clients' information to its contracted organizations to process of clients' accounts. After the client information was transferred to its contracted organizations, ORG did not maintain any client records or have any control on the client accounts. ORG received commissions from the contracted organization upon each client enrollment.

ORG was operated solely by Mr. and Mrs. Officers. They checked ORG's website and called back potential customers to sell the debt settlement program or debt management program. They used phone scripts provided by its contracted organizations during its sales. Through the phone scripts listed under the fact, we understand that ORG was merely selling a debt settlement program to a potential client, which was not an educational activity.

ORG stated that it provided educational information on its website. As mentioned under fact, ORG's website includes two parts, its debt settlement program section and education center. The education center explains debt, credit card, bankruptcy, creditors and the ways to survive. On the website, under the education center tab, ORG promotes its debt settlement program as, "Debt settlement is the most cost-effective, easiest option to pay off your debts and relieve you of having to deal with creditors, collectors and attorneys. Debt settlement is a legitimate way of solving your problem without the need for bankruptcy." It was promoting its debt settlement program more than educational purpose. Besides the information on its website, ORG did not conduct other educational activities.

ORG received 100% of its revenues from the three contracted organizations for referral fees. Since acting as a sale agent is not a tax exempt activity, ORG does not operate for tax exempt purpose.

The current directors of ORG purchased the organization from former directors at \$ and the proceeds were benefiting the prior directors. There were no information on ORG's activities before the purchase. Also ORG worked as a sale agent to solicit clients for the three contracted entities, DEF, GHI Inc. , and DEF / Debt Management Services, which was benefiting of its three contracted entities instead of serving for public interest. "Sale Agent" is a commercial activity and therefore, ORG serves no exempt function at all. Based on the above fact, ORG's operation directly benefits private interest instead of public interest, which contradicted with what was stated in its Articles of Incorporation for its charitable purposes.

TAXPAYER'S POSITION:

ORG agreed the government's position and signed Form 6018, *Consent to Proposed Action – Section 7428*.

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CONCLUSION:

In summary, ORG was not operated exclusively for exempt purposes, because they did not engage primarily in activities that accomplish an exempt purpose, more than an insubstantial part of activities were in furtherance of a non-exempt purpose, and were operated for the purpose of serving a private benefit rather than public interests. Accordingly, it is determined that ORG does not qualify for exemption from Federal Income Tax under section 501(c) (3), effective January 1, 20XX. ORG is liable to file corporate income tax return (Form 1120) for year 20XX and years after.

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Exhibit A

Scripts used by sales staff when talking to potential clients

Scripts Used for GHI:

Hello _____ this is _____ with GHI. I was following up with you because you had filled out one of our on-line inquiry forms regarding getting out of debt.

Great!

First what is it that your looking to accomplish: lower your monthly payments, lower your interest rates, just get out of debt.....???

(Here you are looking to get a YES out of the potential client)

Great.

What our company does is help people get out of debt quickly. Based on the information you provided to us, it looks like you may qualify. I just want to begin by asking you some questions about your current situation and then review with you all of your options for getting out of debt. OK?

First off, how much total debt do you have _____?

Is that all credit cards or other debts as well?

Are you current on your payments?

Are you only making the minimum payments?

How long has that been going on for? Were you just sending the creditors the min's?

What are you paying on a monthly basis?

How many different creditors do you have?

How did you accumulate the debt? Was their any hardship surrounding this debt, like a job loss, medical reason, divorce, etc?

Thanks for sharing that with me. Based on your situation right now, let me review with you all of your options for getting out of debt.....it sounds as if we have a program that may be a great fit for you.

You really only have four options in getting out of debt. You may have explored some of these already but I just want to be sure we discuss all of your options.

Four-Doors Presentation

This can be the most powerful feature of the sales presentation. It simultaneously explains and helps eliminate all of the options and concerns that the client may have in

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deciding to enter the program. It compares the four basic options available to the typical prospect:

1. Bankruptcy
2. Do it yourself
3. Debt consolidation
4. Debt resolution

Discuss these options with the client. Find out which options he/she has already explored and what they think of them. Fill him in on any additional information about each that you believe he/she should be aware of. Your objective is to have the client close the door on all but ours.

..... (Explain the problems with the first three options)

Debt Resolution: Door #4, Debt Resolution. This is what we do. Basically, when we talk with your creditors we will be explaining your hardship, and letting them know that you considered CCCS (Consumer Credit Counseling Services) but determined that you could not afford the monthly payments, and that you considered BK (Bankruptcy) but did not really want to go that route, so you contacted us. We know that the only way you are going to be able to handle all of this debt in a reasonable period of time is to reduce the total amount you owe, so our job is to negotiate new payment terms and amounts for you with each creditor.

Quite simply, Debt Resolution is the fastest and most effective method for getting out of debt other than bankruptcy.

Script: The objective up to this point is for the client to believe that you understand his financial situation and for the client to have closed the doors on other options.

_____, it seems like you can't do it yourself, that you can't afford a CCCS program, and that you don't want to file BK. Am I right? Okay, let me ask you:

(Go To Calculator of GHI web site)

If we could get you out of debt completely in about _____ months with a monthly payment you of _____, would that interest you? Could you handle the payment?

The majority of my clients ask me why would the creditors close off my credit card amounts for such a low amount? The creditors realize you are in a tough spot, and that if they don't agree to work with us, you just might end up having to file BK, and then they could get nothing. So we will negotiate a discounted lump sum payment amount where they get the entire discounted amount at one time and close off the amount. We create a win-win situation for everybody.

Let me explain how this all works.

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Again, our job is to negotiate with your creditors to get your debts reduced down as much as we can. Last year, we averaged 46-cents on the dollar. Which means that if you owned a creditor \$1,000 they would have negotiated that down to an average of \$460. A lot of that depends on your exact debts, how old they are, creditor practices and things like that. Reducing your debt this much is the key to you getting out of debt so quickly. In the 5 years our negotiators have been doing this they have saved clients millions of dollars in amounts they would have had to pay back, so those negotiators are pretty good at what they do.

When GHI negotiates with your creditors, they'll use different tools to make the negotiation process go smoothly. One of those tools is your hardship. In your case, we would use _____ (*Summarize the hardship back to the client and return the conversation to the negotiation process*). GHI will be working to get your creditors to contact them, not you, for information about your account. Does this sound good to you?

Often, when these creditors agree to a lower total debt amount to be paid back, they want that entire amount right away. What we need to do is get money building up in YOUR OWN set-aside account each month. The money that you're saving in that account will eventually be used to pay each of your creditors. So, it's like you're on a monthly savings plan. _____ "Does that make sense to you?"

We have worked out a relationship with one of the largest banks in the country, Bank _____, to have your monthly amounts deducted from your checking account and put into a trust account. This trust account is in your name at Bank _____, and is administered by an independent third party company, _____. Through _____ you're in control of your money at all times and, if you ever have an emergency, you can always get to it.

I want to be very clear. You don't send any of your monthly payments directly to GHI. Instead, you'll have _____ deposit your own set-aside monies into your own trust account held at Bank _____ and let it build up.

When you have built up an amount in your account of about 50% of one of your debt amounts, we can then negotiate with that creditor, agree on a negotiated amount and terms, close out that debt and move onto the next one. The process is repeated with each one of your creditors until you're debt-free. Do you see how you're in control of your money and how you'll be eliminating your debts – one at a time?

Each time we negotiate a debt for you, they'll get documentation in writing from that creditor that spells everything out. Depending on what that letter from your creditor says, _____ will then send money from your trust account to that creditor. It's a very simple process. You just keep making your monthly payments into your trust account at Bank _____ and GHI will keep negotiating with your creditors to get your

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debts negotiated for a lot less than what you currently owe. Every time GHI negotiates a debt and has _____ send money from your trust account to a creditor as payment for that debt, you'll get a letter from your creditor showing that the debt was negotiated and you have a zero account balance. If at any time you can afford to pay more each month then please do so as this will only allow us to get you out of debt quicker. Even if it's only \$10, \$20 dollars or maybe even your entire tax return, etc. etc.

Your main job with the program is to ensure that the monthly amount is available for _____ to draft to your set-aside account on time and to look for ways to put even more money in your account. So, if you get a tax refund or have a garage sale, you should put this extra money into your account so you can get out of debt faster. The more money you can put into your trust account, the faster we can assist you in getting out of debt. Does all this make sense to you?

Remember, _____, you've got to save up the money first before we can negotiate a debt for you. I know I just threw out a lot of information at you. What questions can I answer for you?

Pre-Closing

.....

Script:

_____, there are a few aspects of this program that I want to make sure you understand. This is all going to be in the material we send to you, but I wanted to make sure that we talked about it here. First of all, you understand that we will not be making monthly payments to your creditors every month, right? Most of your money is going to be building up in your creditor set-aside account, and it will be a few months before there is enough there to begin real negotiations with your creditors. Now, do you think that they love waiting for their money? No, of course not, so here are some things that I want you to be aware of.

Being as you are late on your payments now, your credit rating has already been affected, am I right? With this program, if you're not paying on these debts during the time you're on the program, you will take a bump in your credit. What will show on your credit report are missed payments and charged off accounts for each of those unsecured debts. Once a debt is settled, the creditor is responsible for informing the credit-reporting agency that the debt has been settled and paid. Regardless of the bump you take on the credit report, approximately 12-18 months after completing the program, your credit rating should work its way right back up because in the meantime, you are still paying your secured debts and eliminating your unsecured debts. We believe this to be a lot better than bankruptcy, which is reflected on your report for 10 years and on your court records forever. In addition, we will provide you a (self help) booklet that will walk you through the steps you can take to help get your credit rating back up to where you want it. Most importantly your quality of life will greatly improve.

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.....

The Closing

Objective in closing is to create a sense of urgency to get the paperwork back to you. Do not fax, email or send out application if there's any question or doubt about applicant's desire to enroll in the program. If applicant is shaky, send him or her a summary sheet only. The only applications you should ever fax, email or send out are the ones that you know are going to come back.

If you're serious about getting out of debt, the next step is for me to fax or email you an application so your application can be reviewed and approved by our Program Director. Our application is about 8 pages and it simply puts into writing exactly what we've been talking about. When you receive it, fill it out completely and fax it back to me along with copies of your most recent creditor statements. Do you have most of your statements handy? Good. One more thing that I am sure is on your mind. _____, let me tell you about how we make money in this process.

First of all, everything you'll need to get out of debt is included in your monthly payment of _____. Sounds good, doesn't it? Just focus on making those monthly payments and everything else takes care of itself. OK? Now let me break down the fees for you so you will be able to account for everything.....

The first *three monthly payments (or \$ _____ for payments over \$ _____ and under \$ _____) you make will be used to cover your enrollment fee. There's a lot of work we have to do in the first few months. That's when we set up your program, get you set up with _____, initiate your educational package and begin talking with at least some of your creditors. Once the enrollment fee is paid your set-aside account will begin to build. Again, the enrollment fee is included in your monthly payment of _____.

After that, our monthly fee is just (\$ _____ (under \$ _____), \$ _____, or \$ _____ (over \$ _____)) of your normal monthly payment. We'll be handling your creditor calls, negotiating offers, you get a monthly newsletter mailed to your home, web site access to view your set-aside account at Bank _____, and most importantly we'll be serving as your personal coach to help you through the process. You can call and talk with us as often as you like about anything dealing with your program. This also covers your _____ / Bank monthly account fee.

But here's where I think you get the biggest bang for the buck. If you ever need relief from harassing collector calls, you'll have the services of _____ that specializes in working with you in reducing or eliminating those calls. All in all, we believe we have put together a very nice and complete package designed to help you get out of debt just as quickly and painlessly as possible. Everything I just talked about is explained in detail in

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your welcome package you'll get once we get you approved and signed up for our program.

Finally, we have a great incentive to save you as much money as possible through the negotiations process. GHI gets paid based on the results that are achieved through their negotiation expertise. If we don't get great results for you we don't get paid for the negotiating effort. So, if we do get great results for you, then we earn a percentage of what you don't have to pay. Let's take an example so you understand exactly how it works, OK?

Let's say you owe \$1,000 to a creditor and our negotiators are able to negotiate it down to \$400. That's \$600 you didn't have to pay out, right? Well, our fee would be \$180 of that amount. Essentially, we are charging you \$180 instead of you paying a remaining balance of \$600 to that creditor. Sounds like a good deal, doesn't it? One thing about the money we will save you. This means that if we're able to negotiate one of your debts for 40-50 cents on the dollar then the interest and late fees are going to be minor compared to the remaining account amount you will not have to pay that creditor.

The exciting part is that I already included everything in the monthly payment you'll be making each month. There are no hidden fees. Everything you'll need to get out of debt is included in your monthly payment of _____. Sounds good, doesn't it? Just focus on making those monthly payments and everything else takes care of itself. OK?

_____, I think you are headed in the right direction by using this program. Here is what we are looking at. To review we discussed a monthly payment of _____. Do you agree that you can afford that monthly payment? Good. Your program is estimated to take about _____ months. By that time we estimate that your total debt of _____ will be wiped out.

_____, with your level of debt and the type of creditors you have, it's very important that we start working on your case as soon as possible. There's a lot of work we have to do to get you out of debt.

_____, when can you start the program? Which day of each month can you set aside the \$_____ to put into your trust account?

Ok, let me get some additional information from you so we can get an application filled out for approval.

It's critical that you work with applicant's schedule to settle on a time that's workable.....

After you settle on a time for the return of the paperwork, create a strong sense of urgency by pinning the applicant down to the time he or she told you as convenient:

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of Taxpayer ORG	Tax Identification Number EIN	Year/Period Ended 12/31/20XX

So, you're telling me that you'll be able to get the paperwork back to me by _____. I'm going to try to get a review time sometime around _____. Tell me now if that's not a convenient time for you. Missing your review time is the number 1 reason why people don't get approved into the program. Let me put you on hold and see if I can get you a time.

Put applicant on hold. After a minute, inform the applicant that you have good news and that you were able to schedule a review time for an odd time somewhere close to the desire time. For example, ____:20.

Good news, _____, I was able to get you a review time for ____:20 on _____(date).

Now, let me summarize what's going to happen next. I'll be faxing (or emailing) the application package in the next 30 minutes. Once you get it, be sure to fill it out completely and then fax it back to me before you review time. As soon as I get your paperwork, I'll look it over to make sure there's nothing missing. I'll then submit it to the Program Director's office and have it reviewed for approval. It usually takes a few hours before I'm notified about the results. As soon as I get the results, I'll call you. What's the best way to reach you? If you have any questions at all between now and your review time, don't hesitate to call me.

Scripts used for DEF were similar with the above scripts used for GHI.