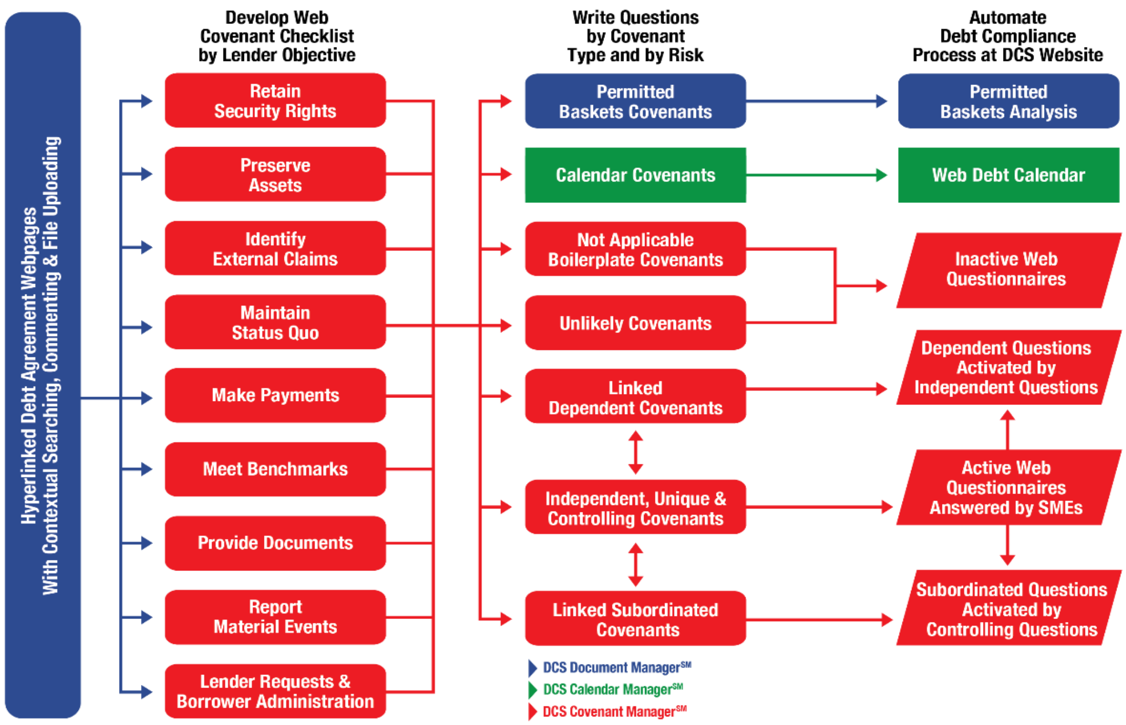
DEBT COMPLIANCE SERVICES Risk-Based Cloud Covenant Management

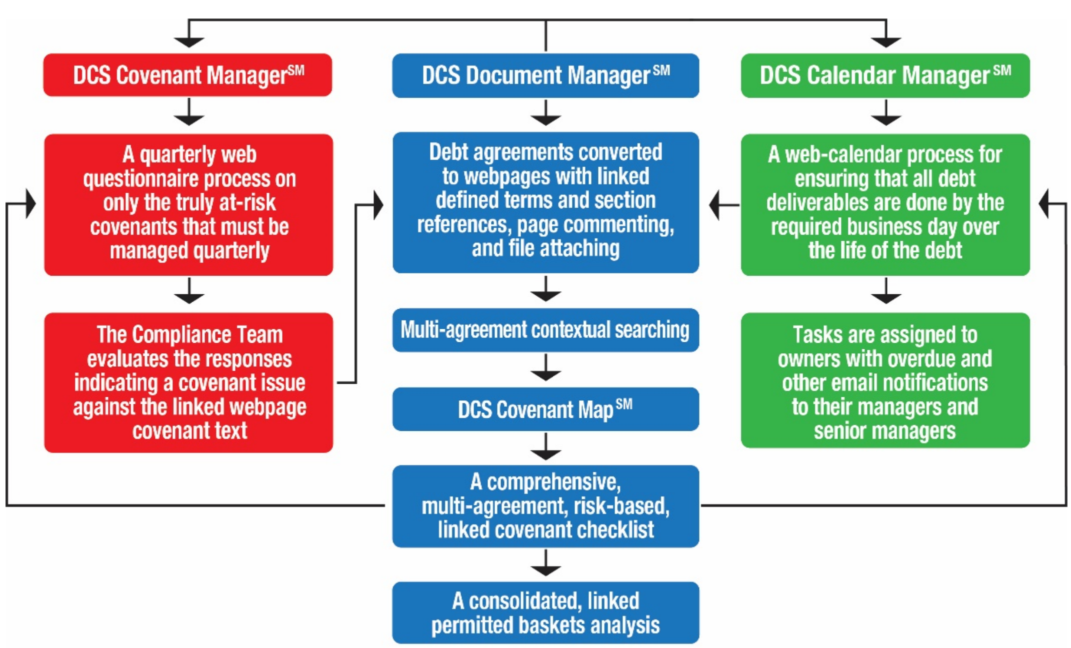
Request for a Proposal

Debt Compliance Services is a 15 year-old firm seeking a marketing consulting firm or consultant to help us pivot our service offerings and sell more successfully. We are a B2B SaaS company helping large companies better manage their debt covenants. Our target markets are large investment grade corporate issuers and speculative grade companies who are looking for an automated solution and better internal controls.

Our flagship service is the DCS Debt Manager℠, in which we first deconstruct the debt agreements:



And then automate the debt compliance:



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Current Situation

We currently have 22 clients. Clients typically sign a 5 year contract with an up-front implementation fee and an annual service fee. Client retention is good, in which when we lose a client it is a result of their being acquired or sometimes due to bankruptcy. Most clients will refinance their existing debt or add new debt, which generates additional implementation work and increases in the annual service fees.

Jim Simpson and Jeff Wallace, Managing Directors, are the 50:50 co-founders with Jim's son, Matt Simpson, an hourly employee.

- Jim, with the assistance of an independent contractor, manages the initial work of the Covenant Manager, which entails deconstructing the debt agreements by identifying all the covenants and then drafting questions to ascertain quarterly and annual compliance.
- Jeff manages the remainder of the Covenant Manager through the uploading of the covenants and questions onto the manager. Jeff also manages the implementation of the Calendar Manager. He is also the CTO and was project manager for designing the managers and overseeing their development.
- Matt manages the Document Manager through the conversion and uploading of debt agreements into hyperlinked webpages. He is also actively involved in both marketing and sales.

Poor Selling Results for the DCS Debt Manager℠

Since 2021, we have closed on 2 new clients that were not generated from pre-2021 marketing efforts. Since 01/2021, we submitted 5 proposals to new prospects for a success rate of 40%. The poor sales are doubly frustrating because preparing a proposal is time consuming taking 1 to 2 weeks. Pricing for each of the credit agreements selected by the client involves reading 200+ page credit agreements and 100+ page senior note agreements, identifying all covenants contained in the agreements, and calculating the time it would take to convert the debt agreement into the Document Manager and deconstructing the covenants into the questionnaire, permitted baskets analysis, and the regularly scheduled calendar payment and document deliverables.

The lack of sales is also due in part to our stop and go marketing efforts, where we stop marketing while we focus on implementation. For example, a large utility client could easily take 6-9 months of non-stop work to implement. Additionally, possible client objections could include unwillingness to sign up with a small firm and the age of the two MDs. Treasurers (our primary buyer) could have the concern that the CFO does not share their concern about retaining a firm like DCS to organize the debt compliance process. We find that we lose far more prospects after the demo than after the proposal.

Regarding proposal success, a negative factor might be how we have historically priced the DCS Debt Manager, making it one package without offering to sell the three managers individually. We would have done that if asked, but prospects that we lost never asked. Our typical implementation pricing for speculative grade issuer with a credit facility and two bonds ranges between $30-40K:

Debt Agreements	Document Manager	Covenant Manager	Calendar Manager	Total Implemen-tation	Annual Service Fee
Credit Agreement and two bonds	$11-13K	$17-19K	$4-5K	$32-38K	$12-15K

Perhaps prospects really needed the Covenant Manager (the questionnaire) and saw the Document Manager and Calendar Manager as nice but worth the total cost of the package. We've decided to change our proposal pricing for the Debt Manager to an a la carte pricing basis, with the Covenant Manager the first tier.

Pivoting to the DCS Covenant Checklist℠

Our major concern is that after 15 years of selling the Debt Manager, the real reason for the poor sales is that corporate treasurers do not want to buy the full scope of the Debt Manager to manage their debt compliance responsibilities.

As a result, we are pivoting to a new service called the DCS Covenant Checklist℠. Based upon our 15 years of writing covenant questions, we've identified some 60 common covenant subjects and nearly 200 related questions for these covenants that all companies would have regardless of their credit rating. We have developed an easy-to-follow implementation plan that has the client customize the base covenants to client's own debt agreements. It is powered by the robust web questionnaire and reporting of the DCS Covenant Manager℠.

We are excited by the Checklist because it overcomes the substantial barriers that prevent many companies from having an effective compliance process. It is formidable task to identify and summarize the key covenants and then implement an efficient questionnaire process when Treasury has limited staff, limited debt compliance expertise at the junior level, no access to web automation tools, and tight budgets.

The initial pricing is still tentative, but we are thinking of a $5,000 implementation fee and a $5,000 annual service fee. The sales and implementation process will be much simpler:

- Email and direct mail campaign generating interest
- Phone call discussion
- MNDA signed
- Standard intro and proposal
- Signed service agreement
- Initial implementation work by the client
- Updating the questionnaire to reflect some basic customization
- Opening the questionnaire at a dedicated client subdomain at our website
- Instruction in the system
- Other customization work at the client's option.

In focusing on the Checklist, our target markets are companies with $100M+ in debt. We are not sure that large corporate issuers will have any interest, but they do suffer from the same barriers of having an effective compliance process.

Proposal Deliverables

Develop a product launch strategy for the Checklist to be completed by August-end. This would include:

1. An email campaign of at least three emails
2. Pros and cons of a direct mail campaign with two letters
3. An intro and proposal deck
4. Evaluation of our target market contacts in the US and Canada using Zoominfo and possibly other sources.

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Timeline

1. Consulting firm expresses interest in submitting proposal to Jeff Wallace at 303-442-4433 or jeff.wallace@debtcompliance.com
2. Consulting firm signs MNDA
3. DCS delivery of intro decks to the Debt Manager and to the Checklist
4. Background on corporate debt compliance
5. Phone call discussion with DCS
6. Submission of proposal by 8/4
7. Decision by DCS by 8/11, including checking of references
8. Completion of deliverables by 9/8

Additional Information to Be Provided to the Winning Proposal

1. A demo of the DCS Debt Manager and the DCS Covenant Checklist
2. A walk-through of the www.debtcompliance.com website
3. Other historic intro decks for the DCS Debt Manager to understand our selling points
4. Copies of historic decks and written proposals for the DCS Debt Manager
5. Copies of various email solicitations that have gone out over the years.
6. Target market lists
7. Discussions with the three DCS principals.