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## MEMORANDUM

March 11, 2021

**TO:** The Consumer Financial Protection Bureau  
The Federal Trade Commission  
State Attorneys General  
State Banking Departments and Financial Regulators

**FROM:** Ben Roesch, Senior Fellow  
Ben Kaufman, Head of Investigations & Senior Policy Advisor

**RE:** **Income Share Agreements and the FTC’s Holder Rule**

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### I. Introduction

The Federal Trade Commission’s (“FTC”) Rule on the Preservation of Claims and Defenses, known colloquially as the “Holder Rule,” has been hailed by consumer advocates as the best thing that the FTC has ever done<sup>1</sup> and described as the “FTC’s most effective tool against fraud.”<sup>2</sup> It was implemented to solve a fundamental problem in the context of consumer finance: before the Holder Rule, a seller of goods and services who provided financing for the consumer’s purchase could sell the consumer’s credit contract to another party free and clear of any claims relating to the goods or services themselves. Thus, if the goods or services were defective or fraudulent, consumers were stuck paying on the credit contract. The FTC implemented the Holder Rule to remedy this fundamentally unfair dynamic by ensuring that consumers could assert any claims they had against the seller against a subsequent purchaser of their credit contract. The Holder Rule therefore provides “recourse to consumers who otherwise would be legally obligated to make full payment to a creditor or assignee despite breach of warranty, misrepresentation, or even fraud on the part of the seller.”<sup>3</sup>

The Holder Rule has become central to educational lending. It forms the philosophical basis for the Department of Education’s Borrower Defense to Repayment Rule, which provides for the discharge of federal student loans if the borrower establishes that their school violated state law in recruiting the student—for example, misrepresenting job placement rates, the transferability of

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<sup>1</sup> See Jonathan Sheldon, Carolyn Carter & Deanne Loonin, Nat’l Consumer Law Ctr., Protecting and Improving the Best Thing the FTC Has Ever Done: The Holder Rule, <https://www.nclc.org/images/pdf/udap/letter-ftc-holder.pdf>.

<sup>2</sup> Federal Trade Commission, *Trade Regulation Rule Concerning Preservation of Consumers’ Claims and Defenses*, 84 Fed. Reg. 18711, 18711 (May 2, 2019) (quoting comment of National Association of Consumer Advocates).

<sup>3</sup> *Id.*

credits, or other material considerations.<sup>4</sup> It applies to loans issued under the Federal Family Education Loan Program (“FFELP”)<sup>5</sup> as well as to private student loans issued by school-affiliated lenders.

However, companies that provide educational Income Share Agreements (ISAs)—consumer financial products in which students promise to pay a percentage of their future, post-graduation income in exchange for educational funding now—incorrectly contend that ISAs are not “credit.” As a result, the ISAs that we have examined do not include contractual language required by the Holder Rule,<sup>6</sup> leaving consumers vulnerable to the very problem the Holder Rule was designed to prevent. This is deeply problematic, because while ISAs are issued to students at many for-profit (and a few public) schools, many are issued by the coding bootcamp industry—career or vocational programs that promise to transform students into software engineers with lucrative career opportunities—which has engaged in problematic and harmful behavior toward consumers.<sup>7</sup> In addition, as was true during past periods of high unemployment, for-profit schools have sought to exploit concerns about a purported mismatch between workers' skills and labor market opportunities as a marketing tactic.<sup>8</sup> For-profit schools seeking to capitalize on this demand may offer ISAs as a financing alternative to cash-strapped students, and it is critical that these vulnerable students be fully protected from misconduct.

This memorandum explains why the Holder Rule applies to ISAs, provides historical context to identify the risks to students and harm to the market for educational services that results from failure to include Holder Rule language in students' credit contracts, briefly outlines the risks posed by coding bootcamps—some of the most prolific ISA issuers—and sets forth enforcement and regulatory actions that state attorneys general, federal financial regulators, and the Federal Trade Commission should take to eliminate those risks and ensure compliance.

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<sup>4</sup> The Minnesota Attorney General's Office explains that “[t]he Department of Education also has regulations applying principles similar to the Holder Rule to many federal student loans,” and “[f]or federal direct loans, the promissory notes include a statement about your rights and will tell you to contact your direct loan servicer if you believe you should not have to repay the loan.” See Off. of the Minn. Att’y Gen., *The Holder Rule: When You Take Out a Loan and the Product is Defective or Fraudulent*, <https://www.ag.state.mn.us/Brochures/pubHolderRule.pdf>. Federal regulations state that for loans issued before 2017, the “borrower defense to repayment” regulation refers to “any act or omission” by the school relating to enrollment, the provision of educational services, or the making of the Direct loan “that would give rise to a cause of action against the school under applicable State law.” 34 C.F.R. § 685.206(c)(1).

<sup>5</sup> In a statement dated July 2, 1993, the Secretary of Education stated that the language required by the Holder Rule should be in the promissory note for the FFELP student loan program, effective January 1, 1994. See *Jackson v. Culinary School of Washington*, 27 F.3d 573, 587 (D.C. Cir.1994). This action was taken pursuant to a congressional directive to the Secretary to “prescribe a common application form and promissory note.” 20 U.S.C. 1082(m)(1)(A).

<sup>6</sup> See *infra* Appendix A.

<sup>7</sup> See *infra* Section III.C.

<sup>8</sup> See Heather Long, *Millions of Jobs Probably Aren't Coming Back, Even After the Pandemic Ends*, Wash. Post (Feb. 17, 2021), <https://www.washingtonpost.com/road-to-recovery/2021/02/17/unemployed-workers-retraining/>.

## II. The Holder Rule Applies to ISAs

The Holder Rule applies to two types of consumer credit contracts—“financed sales”<sup>9</sup> and “purchase money loans.”<sup>10</sup> The bootcamp-issued ISAs discussed below are “financed sales,” which the Holder Rule defines as “[e]xtending credit to a consumer in connection with a ‘Credit Sale’ within the meaning of the TILA and Regulation Z.”<sup>11</sup> In turn, the Truth in Lending Act provides “[t]he term ‘credit sale’ refers to any sale in which the seller is a creditor,”<sup>12</sup> and defines “creditor” as

a person who both (1) regularly extends, whether in connection with loans, sales of property or services, or otherwise, consumer credit which is payable by agreement in more than four installments or for which the payment of a finance charge is or may be required, and (2) is the person to whom the debt arising from the consumer credit transaction is initially payable on the face of the evidence of indebtedness or, if there is no such evidence of indebtedness, by agreement.<sup>13</sup>

ISAs, including the attached examples (see Appendix), generally share certain characteristics. First, the “Funding Amount” is the sum the bootcamp credits to the borrower’s account, generally in the amount of its up-front tuition charge, and is analogous to the principal for a traditional student loan. Second, the “Income Share” is the percentage of the borrower’s monthly income that they must pay each month of the payment term as long as they are making enough money to “trigger” the repayment obligation. Third, an ISA’s “Payment Term” or “Payment Window” refers to the period during which the borrower will pay the Income Share back to the provider on a monthly basis. Finally, the “Payment Cap” represents the total fixed amount a student borrower must pay to fulfill the ISA before the end of the Payment Term, similar to an early payoff of a traditional student loan. And if a consumer defaults on the ISA, the ISA may be accelerated and the borrower typically owes the Payment Cap (less any payments already made). Yet, as described in this memorandum, each of the bootcamp-issued ISAs examined for this memorandum omits the Holder Rule’s contractual language, seemingly in violation of the law.

As set forth below, coding bootcamps that issue ISAs appear to be “creditors” under TILA, and their ISAs therefore “financed sales” subject to the Holder Rule. First, bootcamps such as Lambda School, Rithm School, and others “regularly” enter or entered into ISAs with their students—indeed, this appears to be students’ primary means of financing tuition.

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<sup>9</sup> 16 C.F.R. § 433.2(a).

<sup>10</sup> 16 C.F.R. § 433.2(b). “Purchase money loans” are defined as a cash advance to the consumer in exchange for “finance charge” as defined by TILA and its implementing regulations, where the cash advance is made by a creditor (a) to whom the seller refers consumers, or (b) who is affiliated with the seller by common control, contract, or business arrangement. *See* 16 C.F.R. § 433.1. “Finance Charge” is “the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit. It does not include any charge of a type payable in a comparable cash transaction.” 12 C.F.R. § 1026.4. “Credit” is “the right to defer payment of debt or to incur debt and defer its payment.” 12 C.F.R. § 1026.2(14).

<sup>11</sup> 16 C.F.R. § 433.1(e).

<sup>12</sup> 15 U.S.C. § 1602(h).

<sup>13</sup> 15 U.S.C. § 1602(g).

Second, the ISAs are “payable ... in more than four “installments.”<sup>14</sup> For example, Rithm School and Lambda’s ISAs provide for 24 monthly payments.<sup>15</sup>

Third, the ISA instruments confirm that the bootcamps are the person to whom the debt arising from the ISA is initially payable. For example, Rithm School’s and Lambda School’s ISAs are each e-signed by their CEOs, and identify “Rithm, Inc.” and “Lambda, Inc.,” respectively, as the parties to whom the student’s monthly payments are owed.<sup>16</sup>

Fourth, the bootcamps’ ISAs appear to meet TILA’s definition of “credit,” which is “the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.”<sup>17</sup> TILA does not define “debt,” but instead instructs courts to look to state law to determine whether an obligation is “debt.” ISAs are “debt” under many states’ laws. For example, California—where many bootcamps are based—defines “debt” as “liability on a claim,” where “claim” is defined as “a right to payment, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured.”<sup>18</sup> Indeed, various bootcamps’ promotion of ISAs also appears to confirm that they are “credit.” For example, Rithm School’s website describes payment by ISA as “the deferred tuition model,”<sup>19</sup> and the ISA is styled as a “Deferred Tuition Agreement” that allows students to avoid paying tuition up front.<sup>20</sup>

Many of the same considerations that indicate bootcamp-issued ISAs are subject to the Holder Rule as “financed sales” illustrate why ISAs issued by affiliates of public institutions like Purdue University are “purchase money loans,”<sup>21</sup> and therefore subject to the Holder Rule. However, the ISAs reviewed for this memorandum uniformly fail to include Holder Rule language.<sup>22</sup> As

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<sup>14</sup> *Id.*

<sup>15</sup> See Appendix A.

<sup>16</sup> See Appendix A.

<sup>17</sup> 15 U.S.C. § 1602(f). For a thorough discussion of the application of TILA and other federal financial statutes to ISAs, see Joanna Pearl & Brian Shearer, *Credit by Any Other Name: How Federal Consumer Financial Law Governs Income Share Agreements*, Student Borrower Prot. Ctr. (July 2020), <https://protectborrowers.org/paper-series-consumer-law-and-income-share-agreements/>.

<sup>18</sup> Cal. Civil Code 3439.01(b) and (d). Similarly, the Rosenthal Fair Debt Collection Practices Act defines “debt” as “money, property, or their equivalent that is due or owing or alleged to be due or owing from a natural person to another person.” Cal. Civ. Code § 1788.2.

<sup>19</sup> Rithm School, *Income Share Agreements*, <https://www.rithmschool.com/faq#isa> (last accessed Mar. 9, 2021).

<sup>20</sup> See Appendix A.

<sup>21</sup> For example, Purdue University promotes its “Back-a-Boiler” ISA on its financial aid webpage, see Purdue Univ., *Worried About How to Pay For Your Purdue Education*, <https://www.purdue.edu/backaboiler/index.php>, (last accessed Mar. 9, 2021). But the ISA itself is backed by the Purdue Research Foundation, see Purdue Univ., *Back a Boiler Program Overview*, <https://www.purdue.edu/backaboiler/overview/index.html> (last accessed Mar. 9, 2021). The sample ISA is initially owed to “Back a Boiler – ISA Fund, LLC.” See Purdue Univ., *ISA Sample Contract (Academic Year)*, <https://www.purdue.edu/backaboiler/disclosure/contract.html> (last accessed Mar. 9, 2021). The proceeds of the ISA are applied toward educational expenses, including tuition, and as explained in another SBPC report, the difference between the ISA’s funding amount and the sum the borrower repays during the Repayment Term is a “finance charge” under relevant federal law. Joanna Pearl & Brian Shearer, *Credit by Any Other Name: How Federal Consumer Financial Law Governs Income Share Agreements*, Student Borrower Prot. Ctr. (July 2020), <https://protectborrowers.org/paper-series-consumer-law-and-income-share-agreements/>.

<sup>22</sup> See Appendix A.

explained below, this failure is an unfair act or practice by the bootcamps, and exposes borrowers to significant risk.

### **III. Schools' Refusal to Include Holder Rule Language in ISAs Harms Students and the Education Market**

#### **A. The Holder Rule Does Not Apply Automatically.**

Rather than applying automatically,<sup>23</sup> the Holder Rule requires sellers to ensure the inclusion of specific contract language in consumer credit contracts to which it applies.<sup>24</sup> The contract's own language therefore preserves the consumer's claims against the seller and makes them enforceable against any party that later acquires the contract.

For seller-financed sales—for example ISAs offered by a school directly to its students—the contract must state that “ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF...”<sup>25</sup> The Holder Rule regulation itself explicitly states that failure to include this language in a contract to which the Holder Rule applies “is an unfair or deceptive act or practice” by the seller.<sup>26</sup>

These provisions preserve purchasers' remedies and allow them to assert their rights in a meaningful way—to stop future payments and recoup prior payments against a seller-affiliated creditor or purchaser of their consumer credit contract. “But should the seller for any reason omit the Notice clause, whether through simple lack of knowledge, oversight, uncertainty as to whether it need comply or fear of not finding a creditor willing to assume the risk, the buyers lose the Notice's qualified protection.”<sup>27</sup> The omission of the Holder Rule language is therefore an unfair practice<sup>28</sup> that puts borrowers at extreme risk.

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<sup>23</sup> In 2019, the FTC declined requests by consumer advocates—including eleven state Attorneys General—to make the Holder Rule apply automatically in the absence of the requisite contractual language, reasoning that automatic application was unnecessary because there was not evidence of widespread failure to include the requisite Holder Rule language. *See* Fed. Trade Comm'n, *Trade Regulation Rule Concerning Preservation of Consumers' Claims and Defenses*, 84 Fed. Reg. 18711, 18714 (May 2, 2019).

<sup>24</sup> *See* 16 C.F.R. § 433.2(a) (prohibiting seller from “[t]ak[ing] or receiv[ing] a consumer credit contract which fails to contain the following provision in at least ten point, bold face, type”); 16 C.F.R. § 433.2(b) (prohibiting seller from accepting the proceeds of a purchase money loan “unless any consumer credit contract made in connection with such purchase money loan contains the following provision in at least ten point, bold face, type . . .”).

<sup>25</sup> 16 C.F.R. § 433.2(a) (emphasis in original). Similarly, the Holder Rule prohibits sellers from accepting the proceeds of purchase money loans—for example, ISAs promoted by or issued by lenders affiliated with the school—unless the credit contract states that “ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED WITH THE PROCEEDS HEREOF . . .” 16 C.F.R. § 433.2(a) (emphasis in original).

<sup>26</sup> 16 C.F.R. § 433.2.

<sup>27</sup> Comment, *The FTC's Holder-in-Due-Course Rule: An Ineffective Means of Achieving Optimality in the Consumer Credit Market*, 25 UCLA L.Rev. 821, 854 (1978).

<sup>28</sup> 16 C.F.R. § 433.2.

**B. Well-Documented Problems with the GSSL Program Establish that When the Holder Rule Does Not Apply to Educational Financing, Fraudulent Schools Proliferate and Students Suffer the Consequences.**

The risks to borrowers and market distortions that arise when Holder Rule language is omitted from students' credit contracts are not theoretical; they are illustrated by the disastrous results of deregulation in the Reagan Administration. In 1982, Congress attempted to encourage private lenders to make vocational school student loans by excluding federally guaranteed student loans from TILA.<sup>29</sup> "As a result, the Federal Trade Commission stopped enforcing various TILA regulations against lenders who issued federally guaranteed student loans, including the 'Holder Rule.'"<sup>30</sup> One court explained the consequences:

Lending to for-profit school students mushroomed, increasing more than six-fold between 1982 and 1988. The changes also had unintended consequences. As a result of the [federally guaranteed student loans] easy source of funding, large numbers of for-profit schools sprang up, admitted poorly prepared students, and offered shoddy programs. Graduates of these schools were often unable to get jobs. Default rates climbed dramatically, rising as high as 39%.<sup>31</sup>

Similarly, the National Consumer Law Center has previously explained that the Holder Rule's inapplicability to federally guaranteed student loans in the 1980s resulted in "fraud on a scale hard to comprehend as over a thousand scam vocational schools eventually closed and millions of the most vulnerable students were ripped off, with no remedy."<sup>32</sup>

By 1991, the FTC resumed enforcement of the Holder Rule for federally guaranteed student loans,<sup>33</sup> and shortly thereafter the Department of Education moved to insert a provision modelled on the Holder Rule into its model promissory note for loans made by lenders affiliated with for-profit schools.<sup>34</sup> But for many defrauded students, the damage was done. Courts declined to insert the missing Holder Rule language as an implied term into federally guaranteed student loan promissory notes issued in the 1980s, leaving students defrauded by for-profit schools deep in debt

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<sup>29</sup> See Pub. L. No. 97-320, sec. 701(a), § 1603, 96 Stat. 1469, 1538 (1982). At that time, federal student loans were issued under the Guaranteed Student Loan Program, or "GSLP." The GSLP was subsequently renamed the Federal Family Education Loan Program, or "FFELP." See Higher Education Act Amendments of 1992, Pub. L. No. 102-325, sec. 411(a)(1), § 1071, 106 Stat. 448, 510.

<sup>30</sup> *Armstrong v. Accrediting Council for Continuing Education and Training, Inc.*, 168 F.3d 1362, 1365 (D.C. Cir. 1999).

<sup>31</sup> *Id.*

<sup>32</sup> Nat'l Consumer Law Ctr., *supra* note 1. See also Cathy Lesser Mansfield, *The Federal Trade Commission Holder Rule and Its Applicability to Student Loans-Reallocation of the Risk of Proprietary School Failure*, 26 Wake Forest L. Rev. 635 (1991).

<sup>33</sup> *Armstrong*, 168 F.3d at 1365 (citing Letter from Jean Noonan, Associate Director for Credit Practices, Federal Trade Commission, to Jonathan Sheldon, National Consumer Law Center (July 24, 1991)).

<sup>34</sup> *Id.* (citing U.S. Dep't Of Educ., Application and Promissory Note For Federal Stafford Loans (Subsidized And Unsubsidized) and Federal Supplemental Loans For Students (SLS) (1993)). See also Dep't Of Educ., Federal Trade Commission (FTC) Holder Rule: Questions/Answers (July 27, 1993) (explaining circumstances in which Holder Rule-based provision applies) (on file with the author).

and without a remedy.<sup>35</sup> However, they explicitly acknowledged the injustice of these consequences:

[D]enying relief to [the student] may seem unfair. Lenders that permitted schools to abuse the [federally] Guaranteed Student Loan Program and that profited enormously prior to the 1992 changes are protected by federal preemption. Owners of schools that profited from student loans while failing to provide promised training and resources are protected by bankruptcy laws. Only the students, the very people the [federally] Guaranteed Student Loan Program was intended to benefit, are left holding the bag.<sup>36</sup>

Unfortunately, history appears poised to repeat itself.

### **C. Publicly Reported Practices of Coding Bootcamps Indicate that ISA Borrowers Have Been Subjected to Unfair and Deceptive Practices, and Are Vulnerable to Continuing ISA Payments if their Contracts Omit Holder Rule Language.**

An emerging chorus of consumers,<sup>37</sup> journalists,<sup>38</sup> legal experts,<sup>39</sup> and regulators<sup>40</sup> have voiced grave concerns regarding educational quality at coding bootcamps, as well as the manner in which they advertise to and recruit students. Lambda School provides a prominent example.

Lambda School received a \$75,000 fine in April 2019 for failing to register with California's Bureau for Private Postsecondary Education (BPPE).<sup>41</sup> Absent authorization to operate, Lambda

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<sup>35</sup> *Id.* at 1367–68.

<sup>36</sup> *Id.* at 1370.

<sup>37</sup> Zoe Schiffer & Megan Farokhmanesh, *The High Cost of a Free Coding Bootcamp*, The Verge (Feb. 11, 2020), <https://www.theverge.com/2020/2/11/21131848/lambda-school-coding-bootcamp-isa-tuition-cost-free>.

<sup>38</sup> Vincent Woo, *Lambda School's Misleading Promises*, N.Y. Mag. (Feb. 19, 2020),

<https://nymag.com/intelligencer/2020/02/lambda-schools-job-placement-rate-is-lower-than-claimed.html>.

<sup>39</sup> See Stephen Hayes, Alexa Milton, *Student Borrower Prot. Ctr., Solving Student Debt or Compounding The Crisis* (July 2020), [https://protectborrowers.org/wp-content/uploads/2020/07/SBPC\\_Hayes\\_Milton\\_Relman\\_ISA.pdf](https://protectborrowers.org/wp-content/uploads/2020/07/SBPC_Hayes_Milton_Relman_ISA.pdf); Cal.

Dep't of Consumer Affairs, Bureau for Private Postsecondary Educ., *Appeal of Citation Informal Conference Decision: Citation Affirmed* (July 24, 2019),

[https://www.bppe.ca.gov/enforcement/actions/lambda\\_appealaffirm.pdf](https://www.bppe.ca.gov/enforcement/actions/lambda_appealaffirm.pdf).

<sup>40</sup> Cal. Dep't of Consumer Affairs, *supra* note 39; *In re: Holberton School*, No. 1004073, Cal. Dep't of Consumer Affairs, 9, 11 (2020) (First Amended Accusation),

[https://www.bppe.ca.gov/enforcement/actions/holbertonschool\\_1stamendacc.pdf](https://www.bppe.ca.gov/enforcement/actions/holbertonschool_1stamendacc.pdf); Christina Farr, *California regulator seeks to shut down 'learn to code' bootcamps*, VentureBeat (Jan. 29, 2014),

<https://venturebeat.com/2014/01/29/california-regulator-seeks-to-shut-down-learn-to-code-bootcamps/>; Student

Borrower Prot. Ctr., *Emerging Risks Virtual Conference Series Panel #2: Fair Lending, Discrimination, & ISAs*,

YouTube (Jul. 31, 2020), [https://www.youtube.com/watch?v=6J7l2eVcg4s&feature=emb\\_logo](https://www.youtube.com/watch?v=6J7l2eVcg4s&feature=emb_logo) (then-FTC

Commissioner Rohit Chopra saying, “our student debt market is definitely broken, and it needs a massive overhaul.

And I'm not sure that new products like Income Share Agreements will be an antidote, especially if they worsen existing disparities. . . . However elaborate the financial product, discrimination is discrimination, and regulators need to be vigorous in rooting it out to protect those we've designated as in need of defense against discrimination”).

<sup>41</sup> Rosalie Chen, *The hot Silicon Valley coding bootcamp Lambda School is paying a \$75,000 fine for not registering properly with the state of California*, Bus. Insider (Aug. 29, 2019), <https://www.businessinsider.com/lambda-school-coding-bootcamp-california-bppe-2019-8>.

School’s advertisement to and enrollment of students was unlawful under California law.<sup>42</sup> By early 2020, reports began emerging from consumers that Lambda School’s class materials come “from free training materials . . . which anyone can access on the internet,” that instructors had little to no programming background and made “roughly \$13 an hour,” and that the school was leaving students wholly unprepared for employment.<sup>43</sup> Further reporting indicated that Lambda School had inflated job placement rates, staffed teaching assistants who had received “no training” in coding education, and misled consumers regarding whether the company sells students’ ISA contracts to investors.<sup>44</sup> Meanwhile, many borrowers were left with an education that fell well short of Lambda School’s promises, but saddled with an ISA that nevertheless demanded 17% of their gross monthly income.<sup>45</sup> While Lambda School reached a settlement with BPPE in August 2020 that allowed it to operate,<sup>46</sup> reports indicate that educational quality continued to deteriorate.<sup>47</sup> For example, Lambda School truncated its curriculum, eliminated certain promised student mentors, and instituted “self grading” for assessments in late 2020.<sup>48</sup> Lambda students have also been vocal on social media about the quality of education Lambda School is offering and poor employment outcomes associated with their credentials.<sup>49</sup> But as of the present writing, this situation remains unresolved.

Lambda is not an outlier. For example, BPPE has also sought to revoke its approval of coding bootcamp Holberton School for allegedly misrepresenting job placement rates, hiring unqualified teachers (including students who had not graduated from the program), and continuing to pursue former students for the balance of their ISAs even when Holberton School failed to deliver a full

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<sup>42</sup> Cal. Educ. Code § 94886 (providing in relevant part that “a person shall not open, conduct, or do business as a private postsecondary educational institution in this state without obtaining an approval to operate under this chapter.”).

<sup>43</sup> Zoe Schiffer & Megan Farokhmanesh, *supra* note 37 (“The Verge had an outside engineering expert, Ben Sandofsky, review Lambda’s iOS curriculum and give feedback on the overall quality. Sandofsky, who has 16 years of programming experience and previously worked as a mobile engineer at Twitter before starting the popular iPhone camera app Halide, says [Lambda’s] program doesn’t prepare people to pass even a first-round tech interview. ‘After looking through Lambda School’s curriculum, I’d say students are going to struggle with very basic questions you’ll get on first phone screens,’ he explains.”).

<sup>44</sup> Vincent Woo, *supra* note 38. This revelation was particularly relevant for students, because the notion that “ISAs align [Lambda’s] incentives with the goals and aspirations of the students” is a central feature by which the school presents itself as vouching for the quality of its educational product. See Zoe Schiffer & Megan Farokhmanesh, *As Lambda students speak out, the school’s debt-swapping partnership disappears from the internet*, The Verge (Feb. 12, 2020), <https://www.theverge.com/2020/2/12/21135134/lambda-school-students-edly-isa-debt-swapping-partnership-shares-investors>.

<sup>45</sup> For example, one student was quoted wondering, “Have I just wasted 11 months of my life and money to chase a dream that maybe was not something I could achieve in such a short time? I am at the end of my rope here and nothing seems to be helping.” See Zoe Schiffer & Megan Farokhmanesh, *supra* note 37.

<sup>46</sup> Austen Allred, Lambda School Approved by the BPPE in California, Lambda School: The Commons (Aug. 20, 2020), <https://lambdaschool.com/the-commons/lambda-school-approved-bppe-california>.

<sup>47</sup> Hacker News Forums, *Lambda School is the Biggest Mistake I Made This Year*, @barry-cotter, <https://news.ycombinator.com/item?id=25415017>.

<sup>48</sup> *Id.*

<sup>49</sup> See, e.g., J (@CodeQueenJ), Twitter (Mar. 3, 2020), <https://twitter.com/CodeQueenJ/status/1366882655397011458?s=20>; Tre3house (@tre3house), Twitter (Mar. 2, 2020), <https://twitter.com/tre3house1/status/1367185559685373955?s=20>.



course of study.<sup>50</sup> This followed a similar 2014 action wherein BPEE issued cease and desist letters to six California coding bootcamps for concerns related to “consumer safety and fraud prevention.”<sup>51</sup>

ISA proponents may contend that Holder Rule protection is unnecessary because if the school engages in misconduct or fails to deliver an education sufficient for the student to obtain gainful employment after graduation, the student pays nothing. But such “protection” is insufficient for several reasons. First, some bootcamp-issued ISAs apply to income earned from any employment in a position requiring knowledge of “software” or “information technology,” even if the borrower’s course of study at the bootcamp “was in a discipline not directly related to that position.”<sup>52</sup> This means that an ISA borrower who obtained employment in the information technology field to which their bootcamp education was irrelevant would still be obligated to make payments on the ISA. Second, enterprising consumers may find gainful employment despite, not because of, their bootcamp experiences. For example, reports from some students that instructors recommend they take paid courses from other providers in order to gain critical knowledge and skills for which sufficient instruction is not provided by the bootcamp.<sup>53</sup> Moreover, bootcamp ISAs generally become binding on students well before graduation,<sup>54</sup> and ISA borrowers who withdraw from dysfunctional bootcamp programs before graduation, but who manage to gain skills, knowledge, and gainful employment through their own efforts (or by paying for subsequent training) would nonetheless be obligated to make payments on the ISA. Indeed, since some ISAs have maximum repayment terms of 83 months (almost 8 years),<sup>55</sup> such circumstances are realistic. Accordingly, there are many circumstances in which a student, defrauded by their school, may nevertheless make enough money to trigger an ISA repayment obligation. These students need the protection afforded by the Holder Rule.

#### **D. Deceptive Practices in the Marketing of ISAs Further Demonstrate Why the Holder Rule Must Apply.**

SBPC and the National Consumer Law Center (“NCLC”) have previously identified deceptive marketing practices used by schools, and administered by Vemo Education, Inc., a private

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<sup>50</sup> Cal. Dep’t of Consumer Affairs, *supra* note 39; *In re: Holberton School*, No. 1004073, Cal. Dep’t of Consumer Affairs, 9, 11 (2020) (First Amended Accusation), [https://www.bppe.ca.gov/enforcement/actions/holbertonschool\\_1stamendacc.pdf](https://www.bppe.ca.gov/enforcement/actions/holbertonschool_1stamendacc.pdf)

<sup>51</sup> Christina Farr, *supra* note 40.

<sup>52</sup> See Appendix A (Lambda sample ISA at p. 3).

<sup>53</sup> One bootcamp student reported that “[n]early every instructor would say, at some point during their class, ‘You should really take this Udemy course to really understand the material.’” *Lambda School Reviews*, Course Report, <https://www.coursereport.com/schools/lambda-school#reviews> (review of John Michaels on 10/19/2020).

<sup>54</sup> See Appendix A. This aspect of a school’s relationship with its students may lead to other potentially unfair and deceptive practices. For example, one student has reported major changes made to program curriculum made after their ISA became binding. *See id.* (“After I was a few Units in (3) and thus financially obligated to pay the ISA, they removed core components of the program.”) (review of Jessica Fuller on 12/12/2020). Another student reported that “[t]he first month or two of Lambda is good and has a lot of useful information, but the moment your ISA takes effect and you owe them money the curriculum goes downhill fast.” *Id.* (review of “Sean” on 12/9/2020).

<sup>55</sup> See Appendix A (Lambda Sample ISA at 1).

company that manages ISA programs, to promote ISAs to their current and prospective students.<sup>56</sup> Vemo created proprietary online “Comparison Tools” that students at partner schools like Purdue University could use to compare its ISAs with other student loan options. However, a complaint submitted to the FTC by SBPC and NCLC alleged that the Comparison Tools used deceptive methods to understate the cost of ISAs and overstate the cost of federal loan options. This deceptive marketing scheme could steer borrowers into risky and expensive ISAs, leading to thousands of dollars in unexpected costs for some students. Deceptive acts in ISA marketing—even by public institutions—underscore the need for ISAs to preserve borrower remedies by including the language required by the Holder Rule.

#### **IV. State and Federal Law Enforcement Agencies Should Take Immediate Action to Protect Students**

In light of these problems, state attorneys general and federal regulators must act quickly to protect ISA borrowers by bringing enforcement actions to reform ISAs and hold sellers accountable for omitting the requisite Holder Rule language from their contracts. Without prompt action, schools and affiliates may sell their ISAs—and may be motivated to do so in order to raise capital—and expose borrowers to risks deemed “unfair” during the Gerald Ford Administration.

##### **A. Failure to Include Holder Rule Language Is an “Unfair or Deceptive Act or Practice” under State Consumer Protection Statutes.**

In states whose consumer protection statutes are modeled on Section 5 of the Federal Trade Commission Act, often known as “Mini-FTC Acts,”<sup>57</sup> the failure to include Holder Rule language into ISAs falls squarely within the statutes’ prohibition on “unfair or deceptive acts or practices.” Indeed, these statutes generally direct courts to consider the FTC’s position when interpreting state law,<sup>58</sup> and the FTC explicitly stated that the failure to include Holder Rule language in a contract to which the rule applies “is an unfair or deceptive act or practice” by the seller.<sup>59</sup> Moreover, attempts by sellers and creditors to circumvent the Holder Rule have also been held to violate state consumer protection statutes.<sup>60</sup>

In addition, the absence of Holder Rule language in ISAs is often accompanied by other misrepresentations and deceptive statements concerning the nature of the transaction that take advantage of consumers’ lack of familiarity with ISAs. For example, Rithm School’s ISA represents that “\*\*\* THIS IS NOT A LOAN OR CREDIT \*\*\*” and “[t]his Agreement is not a loan or other debt or credit instrument.” However, as explained above, ISAs appear to be “credit”

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<sup>56</sup> See Press Release, Student Borrower Prot. Ctr. and Nat’l Consumer Law Ctr., SBPC and NCLC File FTC Complaint Against Vemo Education for Deceptive Marketing Practices (May 31, 2020) <https://protectborrowers.org/sbpc-and-nclc-file-ftc-complaint-against-vemo-education-for-deceptive-marketing-practices/>.

<sup>57</sup> *E.g.*, *Rush v. Blackburn*, 190 Wn. App. 945, 962–63, 361 P.3d 217, 224–25 (2015) (quoting *Magney v. Lincoln Mut. Sav. Bank*, 34 Wn. App. 45, 57, 659 P.2d 537 (1983)).

<sup>58</sup> See, e.g., Rev. Code Wash . § 19.86.920.

<sup>59</sup> 16 C.F.R. § 433.2.

<sup>60</sup> See, e.g., *Heastie v. Cmty. Bank of Greater Peoria*, 727 F. Supp. 1133 (N.D. Ill.), *supplemented*, 727 F. Supp. 1140 (N.D. Ill. 1989) (affiliated lender’s inclusion of contractual language attempting to neutralize Holder Rule language violated Illinois Consumer Fraud Act).

under TILA, as well as “loans” under many states’ laws.<sup>61</sup> ISAs also fail to include provisions required by various state laws governing credit extended to students of private career schools.<sup>62</sup>

## **B. Failure to Include Holder Rule Language as an “Unfair, Deceptive, or Abusive Act or Practice” under the CFPA.**

The Consumer Financial Protection Act (CFPA) also prohibits “unfair, deceptive, or abusive acts or practices in connection with any transaction with a consumer for a consumer financial product or service.”<sup>63</sup> The CFPA defines “consumer financial product or service” to include “extending credit” in consumer transactions,<sup>64</sup> and ISAs appear to be “credit” as defined by the CFPA for the reasons explained above.<sup>65</sup> The failure to include Holder Rule language in ISAs is an “unfair, deceptive, or abusive” act or practice for the reasons explained above—it deprives consumers of important rights in violation of well-established public policy and traditional notions of fairness.

State Attorneys General have the statutory authority to enforce the CFPA, either in conjunction with the Consumer Financial Protection Bureau (the “Bureau”) or independently following consultation.<sup>66</sup> Several aspects of the CFPA make it a particularly important enforcement vehicle for Holder Rule-related violations discussed herein. First, because the CFPA encompasses those who “acquire” or “purchase” consumer credit contracts,<sup>67</sup> injunctive and other relief may be imposed upon any companies who have already purchased ISAs from bootcamps or other ISA issuers. Second, the CFPA explicitly provides for the “rescission or reformation of contracts,”<sup>68</sup> which would permit the insertion of Holder Rule language where appropriate and empower consumers to protect their own interests.

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<sup>61</sup> See generally Benjamin Roesch, *Applying State Consumer Finance and Protection Laws to Income Share Agreements*, Student Borrower Prot. Ctr. (August 2020), <https://protectborrowers.org/applying-state-consumer-finance-laws-to-income-share-agreements/>. Many states’ laws state that providing credit or money “as consideration for any sale or assignment of, or order for, the payment of wages, salary, commission, or other compensation for services, whether earned or to be earned, shall for the purposes of this chapter be deemed a loan of money secured by the sale, assignment or order.” Va. Code Ann. § 6.2-1525 (2020). Numerous other states have similar statutes. See, e.g., Alaska Stat. § 06.20.290 (2020); Fla. Stat. Ann. § 516.26 (2020); Md. Code Ann., Com. Law § 12-303(c)(2)(i) (2020); Mo. Rev. Stat. § 408.210 (2020); Neb. Rev. Stat. Ann. § 45-1021 (West 2020); Nev. Rev. Stat. Ann. § 675.330 (2020); N.M. Stat. Ann. § 58-15-21 (2020); 7 Pa. Stat. and Cons. Stat. Ann. § 6218 (2020); 19 R.I. Gen. Laws § 19-14.2-6 (2020); Vt. Stat. Ann. tit. 8, § 2234 (2020).

<sup>62</sup> See, e.g., Cal. Educ. Code § 94916 (requiring a private career school extending credit to its students to include language stating “You may assert against the holder of the promissory note you signed in order to finance the cost of the educational program all of the claims and defenses that you could assert against this institution, up to the amount you have already paid under the promissory note.”); Ore. Rev. Stat. 345.113(1) (“In any contract for the provision of instruction or training or other services by a career school on credit entered into between a career school and a student, . . . such contract, note or any instrument or evidence of indebtedness of the student shall have printed on the face thereof the words ‘Student Loan.’”).

<sup>63</sup> 12 U.S.C. § 5531(a); 12 U.S.C. § 5536(a).

<sup>64</sup> 12 U.S.C. § 5481(5), referencing 12 U.S.C. § 5481(15)(a)(1).

<sup>65</sup> The CFPA defines “credit” as “the right granted by a person to a consumer to defer payment of a debt, incur debt and defer its payment, or purchase property or services and defer payment for such purchase.” 12 U.S.C. § 5481(7).

<sup>66</sup> 12 U.S.C. § 5552(a)(1).

<sup>67</sup> 12 U.S.C. § 5481(15)(a)(1).

<sup>68</sup> 12 U.S.C. § 5565(a)(2)(A).

**C. The FTC Should Take Action Directly to Enforce the Holder Rule, and Re-Examine Whether the Holder Rule Should Be Modified to Apply Automatically.**

As the agency ultimately responsible for the Holder Rule, the FTC should take steps to enforce it, including without limitation bringing enforcement actions against sellers who issue or accept ISAs to which the Holder Rule applies, and who have failed to include the required language. In addition, the FTC should reconsider its 2019 decision not to modify the Holder Rule so that it applies automatically, rather than relying on sellers to include (or require inclusion of) its mandated language in credit contracts. At the time, the FTC reasoned “[t]his issue would arise only in those instances where sellers make contracts or accept the proceeds from purchase money loans that omit a required Holder Rule Notice,” and those who proposed the modification did “not provide evidence that such violations are widespread.”<sup>69</sup> The acts described above indicate that violations of the Holder Rule may indeed be widespread, and the FTC should revisit the issue of whether the Holder Rule should apply even in the absence of the required written notice.

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<sup>69</sup> Fed. Trade Comm’n, *Trade Regulation Rule Concerning Preservation of Consumers’ Claims and Defenses*, 84 Fed. Reg. 18711, 18711 (May 2, 2019).

## Appendix: ISA Contracts

The following is a sample set of ISA contracts. The market for ISAs is extremely opaque, and very few contracts for ISAs associated with coding bootcamps are publicly available. The set of bootcamps chosen for inclusion in this Appendix drawn from the cohort of bootcamp ISAs discussed in Career Karma’s “State of the Coding Bootcamp Market Report 2020,”<sup>70</sup> which provides a useful overview of the contemporary status of the ISA market in the context of bootcamps. In particular, we searched for publicly available examples of ISAs included in Appendix B of the Career Karma report,<sup>71</sup> which enumerates the provisions of the most prominent bootcamp ISAs that have publicly available terms. We supplemented this online search with additional consultations with industry participants, legal practitioners, and researchers.

The set of ISA contracts resulting from this investigation consists of those from the following schools, which are included *infra* in the following order:

- Lambda School (p. 15)
- Rithm School (p. 25)
- Purdue University (p. 45)

Our review of these ISAs, as well as ISAs provided by consumers which are not publicly available, indicates that none of them includes the language required by the Holder Rule.

Public data related to the scale of ISA origination and volume of ISAs outstanding is extremely sparse. However, reports indicate that Lambda School had 3,000 students enrolled in its program before certain students became ineligible for the company’s ISA product in 2020.<sup>72</sup> Lambda School’s \$30,000 funding amount for students implies that \$90 million of notional ISA value is based on its contracts that do not contain language required by the Holder Rule. Other reporting indicates that over 300 additional students had already graduated from Lambda School before 2020, adding over \$9 million of notional value to the sum of Lambda ISA credit that does not include Holder Rule language.<sup>73</sup> In all, it is possible that there is over \$100 million worth of Lambda ISAs outstanding, all of which appears to lack the key contractual language required by the Holder Rule.

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<sup>70</sup> James Gallagher, *State of the Coding Bootcamp Market Report 2020*, Credit Karma (Apr. 29, 2020), <https://careerkarma.com/blog/bootcamp-market-report-2020/>.

<sup>71</sup> Credit Karma, *Appendix A: Coding Bootcamps Included in Our Study*, <https://careerkarma.com/blog/wp-content/uploads/2020/02/bootcamp-market-report-2020-appendices.pdf>.

<sup>72</sup> Ingrid Lunden, *Lambda School raises \$74M for its virtual coding school where you pay tuition only after you get a job*, Tech Crunch (Aug. 21, 2020), <https://techcrunch.com/2020/08/21/lambda-school-raises-74m-for-its-virtual-coding-school-where-you-pay-tuition-only-after-you-get-a-job/>.

<sup>73</sup> Letter from Austen Allred, CEO & Co-Founder of Lambda School (2019), [https://assets-global.website-files.com/5cd091cfb5499f22bdf72905/5fc95f2bb39ee0c8b064088b\\_Lambda%20School%20H2%202019%20Outcomes%20Report.pdf](https://assets-global.website-files.com/5cd091cfb5499f22bdf72905/5fc95f2bb39ee0c8b064088b_Lambda%20School%20H2%202019%20Outcomes%20Report.pdf).

Similarly, Make School reports that 265 people participated in its bootcamps through 2019.<sup>74</sup> Make School made certain changes to its ISA program in 2020,<sup>75</sup> but before that time the funding amount of the Make School ISA was \$60,000.<sup>76</sup> It therefore appears that nearly \$16 million of notional Make School ISA credit does not contain the relevant Holder Rule language.

Finally, while it offers less data, Rithm School reports that it produced 53 graduates in the past six months.<sup>77</sup> Given Rithm's \$24,000 funding amount for its ISA<sup>78</sup> and the findings discussed above, it appears that Rithm produced almost \$1.25 million in notional ISA credit based on contracts that lack required Holder Rule language just since September 2020.

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<sup>74</sup> Make Sch., *Student Profiles, Graduation, and Outcomes Data*, <https://www.makeschool.com/computer-science-degree/outcomes/data> (last accessed Mar. 9, 2021).

<sup>75</sup> Make Sch., *Extended Income-Based Repayment (EIBR) Protection Plan*, <https://www.makeschool.com/computer-science-degree/eibr-protection-plan> (last accessed Mar. 9, 2021).

<sup>76</sup> Credit Karma, *Appendix A: Coding Bootcamps Included in Our Study*, *supra* note 1.

<sup>77</sup> Rithm Sch., *Outcomes*, <https://www.rithmschool.com/outcomes> (last accessed Mar. 9, 2021).

<sup>78</sup> Rithm Sch., *Tuition*, <https://www.rithmschool.com/tuition> (last accessed Mar. 9, 2021).

Student: [Name]  
[Address]  
[Email address]



# Lambda

250 Montgomery Street, 16th Floor  
San Francisco, CA 94104  
www.lambdaschool.com

## INCOME SHARE AGREEMENT

This income share agreement is between Lambda Inc. (“Lambda School”) and a student (“you”). You have previously completed an application to become a Lambda School student. Prior to or concurrently with signing this agreement, you and Lambda School are signing an enrollment agreement in which Lambda School accepts you as a student. Your entering into the enrollment agreement is a condition to Lambda School admitting you to the program of educational services outlined in your enrollment agreement. If you sign this agreement before signing an enrollment agreement, you are agreeing to Lambda School’s standard enrollment agreement currently in effect until such time as you sign an enrollment agreement.

Lambda School charges tuition, but instead of paying tuition directly, a student may elect to have Lambda School provide tuition funding on behalf of that student. That student commits to paying Lambda School a fixed percentage of their income each month toward the cost of attending Lambda School, up to a maximum number of payments and a maximum amount, on condition that the student’s income is above the monthly equivalent of \$50,000 annually.

In this agreement, you commit to reporting your income and to making a number of monthly payments in return for Lambda School providing tuition funding on your behalf.

### IF YOU CANCEL

If you terminate this agreement during the allowable full cancellation period specified in your enrollment agreement, you will not owe Lambda School anything under this agreement.

### YOUR PAYMENTS

Here’s a summary of the key details of your monthly payments under this agreement. More information is provided elsewhere in this agreement.

|  |            |
|--|------------|
| Tuition funding provided to Lambda School on your behalf                                     | \$30,000   |
| Percentage of your monthly earned income you must pay Lambda School                          | 17%        |
| Minimum monthly earned income required for monthly payments                                  | \$4,166.67 |
| Equivalent annual earned income  | \$50,000   |
| Maximum number of monthly payments   | 24         |
| Maximum term of this agreement   | 83 months  |
| Maximum total amount you are required to pay<br>(excluding fees for late or failed payments) | \$30,000   |

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### FEEES FOR LATE OR FAILED PAYMENTS

Here are the fees you might have to pay.

|   |       |
|---|-------|
| if Lambda School doesn't receive a monthly payment by the 15th of the month it is due   | \$100 |
| if Lambda School receives a monthly payment but that payment fails because you don't have enough money in your account, or for any other reason | \$20  |

### THIS IS NOT A LOAN

In making monthly payments to Lambda School, you will not be repaying a student loan. In the case of a student loan, a student borrows a set amount and repays the principal amount of the loan plus interest or a finance charge, or both. Under this agreement, you will instead pay a fixed percentage of your income each month for up to a maximum number of payments.

You acknowledge that the income-tax consequences of this agreement are uncertain and that Lambda School has not provided you with any tax advice and has not assured you of specific tax consequences. You acknowledge that you have had an opportunity to consult with your own advisors about the tax implications of entering into this agreement.

### EXAMPLES OF WHAT YOU MIGHT HAVE TO PAY

This table shows some examples of monthly and total payments under this agreement at different income levels.

| Monthly Income       | Equivalent Annual Income | Monthly Payment | Total Amount Paid | Number of Payments |
|----------------------|--------------------------|-----------------|-------------------|--------------------|
| Less than \$4,166.67 | Less than \$50,000       | Not applicable  | \$0               | None               |
| \$4,166.67           | \$50,000                 | \$708.33        | \$17,000          | 24                 |
| \$5,000.00           | \$60,000                 | \$850.00        | \$20,400          | 24                 |
| \$5,833.33           | \$70,000                 | \$991.67        | \$23,800          | 24                 |
| \$6,666.67           | \$80,000                 | \$1,133.33      | \$27,200          | 24                 |
| \$7,500.00           | \$90,000                 | \$1,275.00      | \$30,000          | 24                 |
| \$8,333.33           | \$100,000                | \$1,416.67      | \$30,000          | 22                 |
| \$10,000.00          | \$120,000                | \$1,700.00      | \$30,000          | 18                 |

### DETERMINING YOUR MONTHLY PAYMENTS

The amount of each of your monthly payments is equal to 17% of your earned income in the previous month from all your qualified positions, plus any fees you owe under this agreement. You are not





required to make a monthly payment if your earned income for the previous month is less than \$4,166.67.

### ***What “Earned Income” Means***

For purposes of this agreement, “earned income” means all you are paid or that you earn in all your qualified positions. Earned income is your gross income—your income before taxes or any other withholdings (including contributions to retirement plans and savings plans). For example, the US Internal Revenue Service for the 2019 reporting year defines income to include on an annual basis (a) the sum of Line 1 (Wages, salaries, tips, etc.), Line 7a (Other income), and Line 8a (Business income or loss) of IRS Form 1040, as reported or required to be reported on U.S. federal income Tax returns . All of those are examples of “earned income.”

Earned Income does not include (1) income earned by your children or spouse (if any), (2) any money you inherit, (3) any amounts paid to you under the Social Security disability insurance program (title II of the Social Security Act) or the Supplemental Security Income program (title XVI of the Social Security Act), or (4) any amounts paid to you under the Child Nutrition Act of 1966.

For purposes of this agreement, “qualified position” means work as an employee, independent contractor, or business owner in a field related to, or position requiring knowledge of, one or more of software, data science, full-stack web, iOS/Android development, cybersecurity, information technology, UX, and web and app development and design and any other field or position for which you would not have been qualified, or not have been considered or promoted into, but for your participation in your Lambda School program or the job placement efforts of Lambda School.

If a position would otherwise be a qualified position, it will not be relevant that your Lambda School program was in a discipline not directly related to that position.

Examples of titles for positions that would qualify include software engineer, data scientist, web developer, and app developer. Positions in quality assurance, sales, product management, or other fields that may seem unrelated to your Lambda School program might nevertheless qualify if your work actually calls on skills related to your Lambda School program. A position at a company that doesn’t sell technology products or offer technology services might also qualify—for example, a web-developer position for any kind of company.

It will be up to Lambda School to decide whether income you earned can be attributed to a qualified position. You must provide Lambda School any information it asks for to allow it to decide whether income you earned should be attributed to a qualified position.

### ***Establishing Your Earned Income***

You must inform Lambda School no later than five days after starting work in a qualified position paying you at least the minimum amount required for you to be required to make monthly payments under this agreement. Every three months or as requested by Lambda School thereafter you must inform Lambda School of the name of your employer, your job title, and your earned income.

You must submit to Lambda School via Lambda School’s online portal the following documentation evidencing your earned income:



- before your first monthly payment and every time your earned income increases or decreases, a pay stub, letter from your employer, independent-contractor agreement, or other evidence of your monthly income
- by 30 April each year, a year-end pay stub, form W-2, form 1099, schedule K-1, or other official documentation showing your sources of earned income and the dates of your employment for the previous calendar year
- if Lambda School requests it, a completed and signed IRS form 4506-T (or any successor form) designating Lambda School as the recipient of your tax return information for returns covering any months for which you are required to make a monthly payment, dated no earlier than 30 days before the date you provide it Lambda School

You authorize Lambda School to verify your earned income and your credit history by checking with your employer (for example through the employer's verification line), credit reporting agencies, payroll providers, or other services. You acknowledge that Lambda School may adjust your monthly payments to reflect any information so discovered. And Lambda School might review public information about your employment and income, such as your profile on social media or job sites. Lambda School will act reasonably in verifying your earned income but ultimately it will be up to Lambda School to decide whether your documentation or other materials sufficiently prove your earned income.

You must notify Lambda School no later than 30 days if you change your tax filing status from single filing to joint filing (or vice-versa), so Lambda School knows whether to exclude earnings of your spouse when calculating your earned income.

### ***Setting Your Monthly Payments***

Based on the information you provide, Lambda School will determine the amount of your monthly payments.

Lambda School may estimate one or more of your monthly payments for any period during which you fail to submit to Lambda School documentation evidencing your earned income as required under this agreement. In making such an estimate, Lambda school may assume that your earned income is equivalent to the average full-time income for occupations related to your Lambda School program.

At any time you may ask Lambda School to confirm the amount of your next monthly payment.

You may not pay more than your monthly payment without Lambda School's consent.

### **WHEN YOU MUST START MAKING MONTHLY PAYMENTS**

After you have completed, withdraw from, or are withdrawn from (for any reason) your Lambda School program, you are required to begin making payments. You will have a one-month grace period before your first payment is due. The first month for which you are required to make a monthly payment is the second full month in which your earned income exceeds the minimum. Here are two examples:



- if you graduate from Lambda School on 15 May and on 5 June you start a job for which you are paid monthly \$4,166.67 or more and in June you are paid \$4,166.67 or more, the first month for which you must make a monthly payment is August
- if you graduate from Lambda School on 15 May and on 20 June you start a job for which you are paid monthly at least \$4,166.67 but in June you are paid less than \$4,166.67, the first month for which you must make a monthly payment is August

For purposes of this agreement only, you have completed your Lambda School program upon the earlier of (1) the date for completing your program specified in your enrollment agreement and (2) your accepting a qualified position after the date specified in your enrollment agreement on which you are responsible for the entire amount of tuition funding allocated to your program.

Your monthly payment for a given month is due on the first business day of the following month.

You will not be required to make further monthly payments under this agreement if (1) you have made 24 monthly payments, (2) you have paid the maximum amount of \$30,000 (excluding fees), or (3) you have not been required to make a monthly payment for a total of 60 months, whichever is the earliest to occur. The maximum term of this agreement is 83 months. That would happen if you have made 24 monthly payments and you have not been required to make a monthly payment for a total of 59 months.

## HOW TO MAKE MONTHLY PAYMENTS

### ***Income-Sharing Manager and Other Lambda School Partners***

Lambda School has appointed an income-sharing manager to administer students' monthly payments and this agreement generally. Lambda School might on one or more occasions replace the income-sharing manager, or itself act as or serve some functions of the income-sharing manager. You acknowledge that any income-sharing manager and its or Lambda School's partners will be authorized to act on behalf of Lambda School for all purposes relating to this agreement. You may also need to accept or be subject to terms, policies, or other practices of the income-sharing manager or other partners.

### ***Payment Options***

The income-sharing manager will offer you the option of making your monthly payments by automated clearing house (ACH) payment—you would authorize the income-sharing manager to deduct from the designated account, as it comes due, the amount of each monthly payment, until such time as you withdraw your authorization. Or you could instead elect to pay by another method approved by Lambda School or the income-sharing manager. Lambda School or the income-sharing manager might in the future provide additional payment options or programs, but you might not be eligible for any such programs.

### ***Your Designated Bank Account***

At the request of the income-sharing manager, you must establish and maintain through the online portal during the term of this agreement a bank account with a financial institution designated by the income-sharing manager. The income-sharing manager will be permitted to view your transactions on



that account. That information will help determine the amount of your monthly payments. You may maintain other bank accounts too, but you must deposit all of your earned income after taxes or any other withholdings (including contributions to retirement plans and savings plans) into your designated bank account. It would violate this agreement for you to deposit some of your earned income after taxes or any other withholdings (including contributions to retirement plans and savings plans) in a bank account other than your designated bank account.

The income-sharing manager sends or calls with payment reminders and account statements by email, phone, or SMS, or all of these—do whatever is necessary to make sure you receive them. If you don't receive a reminder to make a monthly payment, that will not affect the due date of that monthly payment.

### ***Online Portal***

The income-sharing manager maintains an online portal that will allow you to access a copy of this agreement, documentation relating to your account, and information about your payment terms, including the amount of your next monthly payment and when it's due and any past due amounts. Through this portal you will be able to update your information, upload documents, and change how you authorize payment of monthly amounts.

### ***Account Reconciliation***

Lambda School might review your account at any time to ensure that your monthly payments accurately reflect your earned income.

If you underpaid or failed to pay one or more monthly payments, Lambda School will notify you in writing of what you owe and any late charges. At Lambda School's discretion, any amount you owe will be added to one of your future monthly payments, will be spread evenly over up to six future monthly payments, or, if you are not required to make a monthly payment or if this agreement has been terminated, will be billed to you separately.

If you overpaid, Lambda School will notify you of the overpayment and reduce your next one or more monthly payments by the amount of the overpayment. If Lambda School discovers an overpayment after this agreement has terminated, it will refund the excess amount to you.

## CHANGE OF STATUS

### ***Withdrawing Early***

If after the cancellation period has passed you withdraw from your program or are dismissed from the program, under your enrollment agreement you might be required to pay Lambda School an amount up to the maximum total amount you are required to pay under this agreement. You must notify Lambda School if you wish to withdraw from the program.

### ***Disability***

If you die or become totally disabled, as determined by the U.S. Social Security Administration, due to a condition that began or deteriorated after the date of this agreement, you will not be required to pay



Lambda School what you owe under this agreement, including any past due amounts and fees, during the period of total disability.

#### DEFAULT

Except as provided by law, you will be in default under this agreement if any of the following occurs:

- you do not pay a monthly payment in full when due or otherwise don't do something you promise to do in this agreement or your enrollment agreement
- you make an inaccurate statement of fact in this agreement or your enrollment agreement
- you provide inaccurate or incomplete information in your Lambda School application, your enrollment agreement, or any other written communication with Lambda School
- you begin a voluntary bankruptcy case under title 11 of the United States Code
- anyone begins an involuntary bankruptcy case against you under title 11 of the United States Code and either (1) the case is not dismissed by midnight at the end of the 60th day after it is begun or (2) the court hearing the case issues an order approving the case
- you fail generally to pay your debts as they become due (other than any debts for which you dispute in good faith your liability or the amount) or you acknowledge in writing that you are unable to do so

#### **Remedies**

If you are in default under this agreement, at Lambda School's request you must pay Lambda School the entire amount you owe under this agreement. Lambda School will also have all other remedies available by law.

#### DISPUTES

#### **Arbitration**

As the exclusive means of initiating adversarial proceedings to resolve any dispute arising out of this agreement, your Lambda School tuition, or your payments to Lambda School (other than any proceeding commenced by either party seeking an injunction, a restraining order, or any other equitable remedy or a proceeding commenced by either party in small claims court), either party may demand that the dispute be resolved by binding arbitration administered by the American Arbitration Association in accordance with its Consumer Arbitration Rules available at [www.adr.org](http://www.adr.org). If AAA is completely unavailable, and if you and Lambda School cannot agree on a substitute, then either you or Lambda School may request that a court appoint a substitute. The rules in this arbitration agreement will be followed if there is disagreement between the agreement and the arbitration forum's procedures. Judgment on any award rendered in any such arbitration may be entered in any court having jurisdiction. This arbitration agreement is governed by the Federal Arbitration Act (FAA).



Any such arbitration must be conducted by one arbitrator and must be conducted in San Francisco, California, the county with a major commercial airport nearest to where you live, or another mutually agreed location. If the claim is for \$25,000 or less, you may choose whether the arbitration will be conducted (1) solely on the basis of documents submitted to the arbitrator or (2) by means of a hearing conducted by telephone.

***No Class Action***

YOU AND LAMBDA SCHOOL MAY EACH BRING CLAIMS AGAINST THE OTHER ONLY IN AN INDIVIDUAL CAPACITY AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. CLAIMS OF TWO OR MORE PERSONS MAY NOT BE JOINED OR CONSOLIDATED IN THE SAME ARBITRATION UNLESS THEY ARISE FROM THE SAME TRANSACTION.

***Jury Trial***

You and Lambda School hereby waive your respective right to a trial by jury in any proceedings arising out of this agreement, your Lambda School tuition, or your payments to Lambda School.

YOUR INFORMATION AND YOUR PRIVACY

Lambda School may use information you provide Lambda School under this agreement to improve its administration of income share agreements with its students and for its other operations, including working with its partners in performing under this agreement. Otherwise, Lambda School may disclose information you provide Lambda School under this agreement only if it is aggregated with information from other students or has removed from it all information that identifies it as originating with you. Lambda School owns any information derived from or based on the information you provide Lambda School. Lambda School maintains a privacy notice at [www.lambdaschool.com/privacy](http://www.lambdaschool.com/privacy). If you have any concerns about how Lambda School treats your information, please contact Lambda School through its website.

CONTACTING EACH OTHER

***Valid Notice***

For a notice under this agreement to be valid, it must be in writing and delivered by email to the email address stated at the top of this agreement (in the case of an email message from you to Lambda School) or to the most current email address in Lambda School's records (in the case of an email message from Lambda School to you), or submitted to the income-sharing manager's online portal (in the case of an email to the income-sharing manager). It will be deemed to have been received when sent, even if the sender receives a machine-generated message that delivery has failed.

If a party sending an email notice under this agreement receives a machine-generated message that delivery has failed, for that notice to be valid the sender must deliver to the intended recipient a tangible copy of that notice with end-to-end tracking and all fees prepaid to the address stated at the top of this agreement (in the case of delivery by you to Lambda School) or to the most current address in Lambda School's records (in the case of notice from Lambda School to you).



***Other Communications***

For any reason related to this agreement, including any amounts you owe, Lambda School may contact you at any physical or electronic addresses or numbers (including wireless cellular telephone numbers, ported landline numbers, VOIP, or other services) you have provided Lambda School or provide Lambda School in the future. Lambda School may use any means of communication, including postal mail, electronic mail, voice calls, text messaging, and recorded message using automatic-dialing devices. You may ask that Lambda School not contact you using one or more of these means of contacting you, and the law might impose restrictions on how Lambda School contacts you.

***Changing Your Contact Information***

You must notify Lambda School no later than 30 days after change in your primary residence, your phone number, email address, or any other contact information you previously provided Lambda School.

OTHER TERMS

***Governing Law***

New York law governs all adversarial proceedings arising out of this agreement, your Lambda School tuition, or your payments to Lambda School.

***Transfers***

You may not transfer (1) any discretion granted under this agreement, (2) any right to satisfy a condition under this agreement, (3) any remedy under this agreement, or (4) any obligation imposed under this agreement. Any purported transfer in violation of the previous sentence will be void.

Lambda School might transfer all or part of its interest in this agreement. If Lambda School transfers its entire interest in this agreement to someone else and by mistake you pay Lambda School or its income-sharing manager after that transfer, Lambda School has the choice of forwarding your payment to the transferee or its project manager, returning the payment to you, or handle it in any other way Lambda School thinks reasonable.

***Your Application***

You state that all information you provided in your Lambda School application was complete and accurate when you submitted your application.

***Your Age***

You state that you are the age of majority or older in the state where you currently reside. (The age of majority is the age at which you are considered an adult and responsible for your actions in the legal sense.)



**Citizenship**

You state that you are a citizen of the United States, a permanent resident of the United States, or a Deferred Action for Childhood Arrivals (DACA) recipient.

**No Other Income Share Agreements**

You state that you are not currently party to any other income share agreements with Lambda School or anyone else. You must not enter into another income share agreement with anyone else during the term of this agreement.

**Lambda School’s Liability Is Limited**

The liability of Lambda School under this agreement is limited to the aggregate of all payments you make to Lambda School under this agreement.

**Modifying Unenforceable Provisions**

You acknowledge that if a dispute between the parties arises out of this agreement, your Lambda School tuition, or your payments to Lambda School, you would want the court to interpret this agreement as follows:

- with respect to any provision that it holds to be unenforceable, by modifying that provision to the minimum extent necessary to make it enforceable or, if that modification is not permitted by law, by disregarding that provision
- if an unenforceable provision is modified or disregarded in accordance with this section, by holding that the rest of the agreement will remain in effect as written
- by holding that any unenforceable provision will remain as written in any circumstances other than those in which the provision is held to be unenforceable
- if modifying or disregarding the unenforceable provision would result in failure of an essential purpose of this agreement, by holding the entire agreement unenforceable

By signing below, you acknowledge that you have read all of this agreement carefully and agree to its terms.

|                   |       |             |
|-------------------|-------|-------------|
| [NAME OF STUDENT] | Date: | <u>2020</u> |
|-------------------|-------|-------------|

|             |       |             |
|-------------|-------|-------------|
| Lambda Inc. | Date: | <u>2020</u> |
|-------------|-------|-------------|



## INCOME SHARE AGREEMENT (ISA)

**PARTICIPANT:**

John Lynch  
1402 Comfort St  
Lansing, Michigan  
48915

**INSTITUTION:**

Rithm, Inc.  
500 Sansome Street Suite 300  
San Francisco, California  
94111

**\*\*\* THIS IS NOT \*\*\***

**\*\*\* A LOAN \*\*\***

**\*\*\* OR CREDIT \*\*\***

### PARTICIPATION DISCLOSURE

| ISA Amount   | Income Share | Maximum Number of Payments | Payment Cap  |
|--------------|--------------|----------------------------|--------------|
| \$ 23,000.00 | 17.00%       | 24                         | \$ 34,500.00 |

The cost of the services you will receive through this ISA

The percent of your gross monthly earned income that you will pay

The maximum number of monthly payments you may have to make

The maximum amount you could pay

### ITEMIZED TOTAL ISA AMOUNT

|   |                       |
|---|-----------------------|
| Amount paid to you  | \$0.00                |
| Amount credited to others on your behalf:<br>Rithm School | + \$ 23,000.00        |
| <b>ISA Amount</b>   | <b>= \$ 23,000.00</b> |

### ABOUT YOUR CONTRACT TERMS

- **Your Income Share is a fixed percentage of your future earned income you will owe in return for the ISA Amount** credited to your account. It is not an interest rate or annual percentage rate.
- **Your payments will vary based on your earned income.** As a result, the total amount you will pay may be **more or less than** your ISA Amount, but will never exceed your Payment Cap.
- **Your minimum income threshold is \$ 5,000.00 per month** (equivalent to \$ 60,000/year). You will not make monthly payments in months during which your earned income is less than this amount.

**FULFILLING YOUR OBLIGATION:** Your payment obligation under your ISA ends upon the *earliest* to occur of the following – (a) you make the Maximum Number of Payments; (b) the total of your payments (not including fees) reaches the Payment Cap; or (c) more than 60 months elapse after your Grace Period ends.

**FEES:** **Late Fee** – The lesser of \$5 and 5% of the payment amount due. **Returned Payment Fee** – \$25.

### Payment Illustration

An ISA is different from a loan (which has principal and interest payments) or a conventional tuition payment plan (which requires payment in full and may include interest charges). An ISA requires you to pay a fixed percentage of your earned income each month for a fixed period of time. The table below compares illustrative monthly and total ISA payments for different levels of earned income.

| Annual Earned Income | \$ 23,000.00 ISA<br>17.00% income share,<br>Up to 24 monthly payments |                    |               |
|----------------------|---|--------------------|---------------|
|                      | Monthly Payment   | Number of Payments | Total Payment |
| \$65,000             | \$ 921  | 24                 | \$22,100      |
| \$85,000             | \$1,204   | 24                 | \$28,900      |
| \$105,000            | \$1,488   | 24                 | \$34,500      |
| \$125,000            | \$1,771   | 20                 | \$34,500      |
| \$135,000            | \$1,913   | 19                 | \$34,500      |

- This illustration assumes that you make up to 24 monthly payments tied to gross earned income and that your income is constant.
- When you return to school or when your monthly earned income is less than \$ 5,000.00 (equivalent to \$ 60,000/year), your account will be placed in a deferment status, and you will not make payments for every month your income is below this threshold.
- If your cumulative payments reach the Payment Cap, then you will make no further payments, and your account will be closed in good standing.
- Since your earnings may change over time, your actual payments may also vary over time, so this illustration may not apply to your specific circumstances.
- All payments have been rounded to the nearest dollar.

## Next Steps & Terms of Acceptance

**This offer  
is good until:  
January 10,  
2019**

### 1. Questions?

Contact the Rithm School Admissions team ([info@rithmschool.com](mailto:info@rithmschool.com)) for more information.

### 2. 30 days or first day of class

The terms of this offer will not change except as required by law.

**To accept the terms of this ISA, sign and date below.**

## Participation Disclosure Reference Notes

### Income Share Agreement (ISA)

- An ISA is not a loan or other credit instrument. It represents your obligation to make payments linked to a specific percentage of your earned income and does not give us any rights regarding the direction of your educational, training, or employment pursuits.
- The amount you will be required to pay under this ISA may be **more or less than** the ISA amount credited and will vary in proportion to your future earned income. If you withdraw from the program, you are still responsible for your ISA payments, subject to Rithm School's refund policy.

### Eligibility Criteria

- You must be enrolled full-time in a Rithm School program.
- You must be a U.S. citizen (includes naturalized citizens) or permanent resident.
- At the time of the application, you must be at least the age of majority for your current state of residence.
- Your total obligations under all income-based agreements with us or another person must not require you to pay an aggregate income share in excess of 15% of your earned income in any given month.

### Grace Period, Monthly Payments, Annual Reconciliation, and Prepayment

- After you leave the program, you will have a 3-month Grace Period during which you will not make payments. You will begin making payments based on income earned in the month following the end of your Grace Period, and your 1<sup>st</sup> payment will be due when that month ends.
- Your monthly payments equal your income share times the amount of your monthly total earned income.
  - Your payments will be based on the income you earn based on work performed in any given month and will be due at the end of that month or the month in which you are compensated for that work, whichever comes later.
  - We will calculate your initial payments using your pay stub, letter from your employer, or other source acceptable to us and will re-calculate your monthly payments any time your income changes.
  - If you do not provide documentation of your initial earnings or changes in your earnings, we will assume that your starting earned income matches the average full-time income for occupations directly related to the course of study or training for which this ISA will be used (determined based on federal U.S. data), and we will assume that your income increases by 10% effective June 1 each year.
- On or before April 30<sup>th</sup> of each year, you must submit copies of your year-end pay stub, Form W-2, Form 1099, Schedule K-1, consulting agreement, or similar source and validation of the dates of your employment (due on or before April 30), all of which must reflect each source of your earned income. Each year we may also require your authorization to access your tax return information directly from the Internal Revenue Service or similar taxing authority for any and all years of your payment obligation. We will use this information to confirm that your payment amounts during the prior year were correct. You must reimburse us for any underpayments, and we will credit your account for any overpayments (or refund the excess amount if your payment obligation has ended).
- You may extinguish your obligation under your ISA at any time by paying a prepayment amount equal to \$ 34,500.00, less any prior payments made and plus any outstanding fees.

### Deferment and Default

- You will not make monthly payments during any period of deferment. Your account will be placed in a deferment if, after you leave the program, (i) you have enrolled at least half-time in higher education or training or (ii) you earn less than \$ 5,000.00/month (equivalent to \$ 60,000/year), including if you are unemployed or not in the labor force, up to a maximum of 36 months.
- If your account is delinquent for 180 days or more, we may consider your account to be in default.

**See the Additional Terms below for further information about payment, deferment, and default and your legal obligation under this Income Share Agreement.**

## ADDITIONAL TERMS

THIS INCOME SHARE AGREEMENT IS NOT A LOAN OR CREDIT. THIS AGREEMENT IS NOT AN ASSIGNMENT OF WAGES.

THIS AGREEMENT REQUIRES THE USE OF ARBITRATION ON AN INDIVIDUAL BASIS TO RESOLVE DISPUTES, RATHER THAN JURY TRIALS OR CLASS ACTIONS. YOU MAY OPT-OUT OF ARBITRATION BY FOLLOWING THE PROCEDURE SET FORTH IN SECTION 21.(B) BELOW. PLEASE READ SECTION 21 CAREFULLY AS IT AFFECTS YOUR LEGAL RIGHTS IN THE EVENT OF A DISPUTE.

YOU SHOULD SEEK ADVICE ABOUT YOUR FINANCING OPTIONS FROM A TRUSTED ADVISOR BEFORE SIGNING THIS AGREEMENT.

Read this entire document carefully and note Section 16 (about your tax liability), Section 17 (about information about you that we use and reports about you that we make to credit bureaus), and Section 22.(m) (about this being an arms-length transaction between you and us).

This Income Share Agreement (“ISA” or “Agreement”) includes: (i) this document, including the Participation Disclosure above and the Arbitration Agreement in Section 21(b) below (which you can reject); (ii) the Registration Form; (iii) the Final Disclosure, which will be provided to you upon execution of this Agreement to summarize the terms of the Agreement and your obligations (the “**Final Disclosure**” and, collectively with the Participation Disclosure, the “**Disclosures**”); and (iv) the Consent to Electronic Communications. In the event of any inconsistency between this document and the Final Disclosure, or between the Final Disclosure and the other Disclosures, the Final Disclosure controls. In this Agreement, “you,” “your,” and “Participant” mean the person who completes and/or signs the Application and/or Registration Form and this Agreement. “We,” “our,” “us,” and “Rithm School” mean Rithm Inc., a Delaware corporation, and any of its successors, successors-in-interest, transferees, assignees, agents, designees, or servicers.

This Agreement is not a loan or other credit instrument. It represents your obligation to pay a specific percentage of your future earned income and does not give us any rights regarding your educational, training, or employment pursuits. The amount of the payments you will make will depend upon your future earned income. The total amount you will pay under this Agreement will vary depending upon your future earned income and may be more or less than the amount of funds credited.

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## 1. What definitions are used in this Agreement?

In addition to the definitions listed above and as otherwise called out in this Agreement, the following definitions apply to terms used in this Agreement:

- (a) “Business Day” means Monday through Friday, except for federal holidays in the United States.
- (b) “Earned Income” means your total wage and self-employment income. On an annual basis, this amount is currently the sum of Line 7 (“Wages, salaries, tips, etc.”) and Line 12 (“Business income or (loss).”) of IRS Form 1040 or Line 1 (“Wages, salaries, and tips.”) of IRS Form 1040EZ on U.S. federal income tax returns (2015 revision). If applicable, “Earned Income” includes all income reported on a joint income tax return, *minus*, to the extent documented to our satisfaction, any income earned solely by your spouse. In our discretion, we may estimate your Earned Income using documentation other than your U.S. federal income tax return, provided the documentation is another verifiable source acceptable to us.
- (c) “Higher Education or Training” means a program of study at an institution that is eligible under Title IV of the Higher Education Act, as amended from time to time, a gap year program, or a proprietary or vocational education or training program (e.g., a coding bootcamp program) that provides a more advanced degree or certification than you are receiving through this Agreement.
- (d) “Income Share” means the fixed percentage of your Earned Income that you will owe during your payment obligation in return for the ISA Amount you receive. It is not an interest rate or annual percentage rate.
- (e) “ISA Amount” means the amount of funds . The ISA Amount represents the market charge for the educational or training services you will receive from Rithm School, less any up-front payments, scholarships, or other financial assistance.
- (f) “Maximum Deferment” means the maximum number of months that we can place your account in a deferment status.
- (g) “Minimum Monthly Income Threshold” means the monthly earned income below which payments will not be made, and your account will be placed in a paused status.
- (h) “Maximum Number of Payments” means the maximum number of payments you will make based on your monthly Earned Income.
- (i) “Monthly Payment” means your Income Share multiplied by the amount of your monthly Earned Income.
- (j) “Payment Cap” means the maximum amount you will pay under this Agreement, not including fees and collection costs.
- (k) “Qualifying Circumstances” means the circumstances described in Section 7(c).
- (l) “Reconciliation Information” means the information described in Section 9(b).

2. **When do you have to start making payments under your ISA?**

- (a) **While Enrolled at School.** You are not required to make any payments while you remain enrolled at Rithm School.
- (b) **Grace Period.** You are not required to make any payments during your 3-month Grace Period. Your Grace Period begins on the 1<sup>st</sup> day of the month following the date you complete or withdraw from the program.
- (c) **Start of Your Payment Obligation.** After your Grace Period ends, you will have to start making payments as soon as your monthly earned income is above the Minimum Monthly Income Threshold. For example, if your Grace Period ends in February 2019 and you earn above the Minimum Monthly Income Threshold in March 2019, then your first payment will be due at the beginning of April 2019.

3. **How many payments will you have to make?**

The maximum number of payments you will have to make is the listed in the Participation Disclosure above. However, once either (i) the cumulative total of your payments reaches the amount of the Payment Cap or (ii) the number of months after your Grace Period that have elapsed exceeds the sum of (a) your Maximum Number of Payments and (b) your Maximum Deferment, you will not have to make any additional monthly payments even if you have not made the Maximum Number of Payments listed in your Participation Disclosure above.

4. **How much will you have to pay each month and when?**

- (a) **Monthly Payments.** Monthly payments are due on the 1st day of each month during your payment obligation. If you and we both agree, a different monthly payment date can be chosen.
- (b) **Payment Amount.** Your monthly payment will be your Income Share multiplied by the amount of your monthly Earned Income.
- (c) **Qualifying Circumstances.** In any month during which (1) you have a qualifying circumstance (as described in Section 7); and (2) your account is ineligible for a deferment solely because it has already been placed in a deferment status for 36 months, then your monthly payment due will be \$0 for that month and your remaining payments due will be reduced by 1 month for each such month.

5. **When do your payments end?**

Your monthly payments end upon the earliest to occur of: (i) you make the Maximum Number of Payments; (ii) you have cumulatively paid an amount equal to the Payment Cap (plus any required fees); or (iii) the number of months that pass after your Grace Period ends is greater than the sum of (a) your Maximum Number of Payments and (b) your Maximum Deferment period.

6. **What is the maximum total amount that you may have to pay?**

You will never have to pay more than the Payment Cap.

7. **When are payments suspended?**

- (a) **Deferments.** During your payment obligation, you will not make monthly payments during months in which you meet certain criteria, such as going back to school or earning below an Earned Income threshold (each a “Deferment Period”).
- (b) Your account will be placed in a deferment status for no more than 36 months. In any month during which (1) you have a qualifying circumstance (as described in Section 7); and (2) your account is ineligible for a deferment solely because it has already been placed in a deferment status for 36 months, then your monthly payment due will be \$0 for that month and your remaining payments due will be reduced by 1 month for each such month.
- (c) **Deferment Period Criteria.** Your account will be placed into a paused status, and you will not make payments if you:
- Are enrolled at least half-time (as defined by your institution) in Higher Education or Training and are making satisfactory academic or training progress in the program
  - Are employed and earning less than \$ 5,000.00 monthly (equivalent to an annual Earned Income of \$ 60,000)
  - Are unemployed (not working but actively seeking employment)
  - Are not in the labor force (not working and not actively seeking employment; for instance, taking time off due to illness or to care for a child, relative or spouse)

8. **What is Annual Reconciliation?**

Annual Reconciliation is the process by which we verify that you have been paying the proper amounts owed to us and, if not, make appropriate adjustments to future Monthly Payment amounts if you have underpaid us, or, if you have overpaid, we will credit your account for any such overpayments.

- (a) **Reconciliation Information.** In order to conduct Annual Reconciliation, you must provide the information described in the “**What information do you need to provide and when?**” section (Section 9) of the Additional Terms regarding the total income you earned in the prior calendar year.
- (b) **Prior Year Reconciliation.** On or before April 30<sup>th</sup> of each year, we will review your Reconciliation Information for the prior year and determine if you overpaid or underpaid in the prior year. If you underpaid, we will bill you for, and you agree to pay, the difference by the deadline stated in the bill. If you overpaid, we will apply excess amounts first to unpaid fees and second as a credit toward future payments

due. If you overpaid in the final year of your payment obligation, we will refund the excess amounts.

- (c) **Current Year Reconciliation.** On June 1<sup>st</sup> of each year, we use your Reconciliation Information regarding your expected Earned Income for the coming year to re-estimate the amount of your Monthly Payment. If you have not provided us with your expected Earned Income as part of your Reconciliation Information, we will assume your Earned Income has increased by 10% and adjust your Monthly Payments accordingly, beginning with the payment due June 1. Since this is an estimate of your current Earned Income, it may result in Monthly Payments that are either higher or lower than what you actually owe. Any overpayments or underpayments will be reconciled the following calendar year.

9. **What information do you need to provide to us and when?**

- (a) **Initial Income Information.** Not later than one month before your first scheduled payment is due, you agree to provide us with one of the following kinds of documentation, dated not earlier than 30 days before the date you provide it to us:
- (i) A copy of any pay stub or letter from your employer containing your salary information, a self-employment contract, a consulting agreement, a good faith estimate of your self-employment income for the current calendar year (along with documentation of the basis for your estimate), or another verifiable source acceptable to us (collectively, **“Informal Earned Income Documentation”**) for each source of Earned Income; or
  - (ii) Documentation acceptable to us demonstrating a circumstance that qualifies you for a deferment as described in Section 7 (“Deferment Period Criteria”).
- (b) **Reconciliation Information.** On or before April 30 each year of your payment obligation and April 30 following the end of your payment obligation, you agree to provide us with:
- (i) A completed and signed IRS Form 4506-T or Form 4506T-EZ (or any successor form), designating us as the recipient of your tax return information for returns covering any and all months of your payment obligation, dated not earlier than 30 days before the date you provide it to us; and one of the following to verify your Earned Income or deferment status for the preceding year:
    - (ii) A year-end pay stub, Form W-2, Form 1099, Schedule K-1, or other verifiable source acceptable to us (collectively, **“Formal Earned Income Documentation”**) for each source of Earned Income in the prior calendar year, or
    - (iii) If your ISA is in a deferment status, updated documentation to re-verify your Documentation for Deferment.
    - (iv) You must also provide us with Informal Earned Income Documentation for each source of Earned Income that you expect to have in the coming year.



(c) **Deferment Information.**

- (i) You must notify us as soon as possible if you have a Qualifying Circumstance that would make you eligible for a Deferment Period and provide supporting documentation acceptable to us (“**Documentation for Deferment**”).
- (ii) If you are in a Deferment Period, you must notify us as soon as possible when you are no longer eligible for that Deferment Period and provide us with relevant Formal Earned Income Documentation or Informal Earned Income Documentation so that we can compute an updated monthly payment amount.

(d) **Notice of Certain Changes.** You agree to notify us within 30 days of any change in your:

- (i) primary residence address, phone number or e-mail, or any other material change to information you previously provided to us;
- (ii) employment status, including both terminations of employment and new employment;
- (iii) Earned Income measured on a monthly basis;
- (iv) marital status, to the extent reasonably required for us to exclude earnings of your spouse from the calculation of your Earned Income; and
- (v) enrollment status in Higher Education or Training.

(e) **Tax Information.**

- (i) **Tax returns; extensions.** For the tax year in which your payment obligation begins through the tax year in which your payment obligation ends, you agree either (a) to file your U.S. federal income tax returns by no later than April 15 of the following year or (b) to notify us as provided in Section 20 of any extension you seek for filing federal income tax returns. Moreover, if we request, you agree to complete, sign, and provide to us IRS Form 4506-T or Form 4506T-EZ (or any successor form), designating us as the recipient of your tax return information for returns covering any and all years of your payment obligation, within 30 days of our request. You agree to perform any similar requirements or procedures for any other applicable country’s taxing authority.
- (ii) **Joint tax filing information.** If you are married or get married and file your taxes jointly with your spouse, you agree to provide evidence of your individual Earned Income so that we can exclude your spouse’s income from your Monthly Payment.

10. **How are your payments applied to your obligations?**

Payments are applied first to fees, if any, and then to the Monthly Payment amount owed. If you make all required payments on time during your payment obligation, you will not owe anything at the end of your payment obligation regardless of how much you have paid.

11. **What additional fees might you have to pay?**

The following fees apply, subject to applicable law:

| Description   | Amount  |
|---|---|
| <p><b>Late Payment Fee</b><br/>A fee charged if you do not make any payment due under this ISA on or before the 10th day after the due date. Any payment received after 6:00 PM Eastern time on a Business Day is deemed received on the next Business Day. Payments due on a non-Business Day will be considered to be due on the next Business Day.</p> | <p>The lesser of \$5 and 5% of the payment amount due</p> |
| <p><b>Returned Payment Fee</b><br/>A fee charged if any payment is returned or fails due to insufficient funds in your account or for any other reason.</p>   | <p>\$25</p>   |
| <p><b>Service Fees</b><br/>You may be required to pay for certain optional value-added services that you request, such as overnight mail, expedited payments, faxes, etc. The amount of each Service Fee will be clearly disclosed to you beforehand.</p>   | <p>Varies</p>   |

12. **What if you leave your school early?**

If you leave the program before completion, you may be entitled to a reduction of your ISA Amount, Income Share, and other terms based on our refund policy. We will notify you as provided in Section 20 of any changes to your ISA Amount or other terms.

13. **Can you prepay your ISA?**

You can prepay your ISA at any time by paying to us an amount (the “**Prepayment Amount**”) equal to (i) the Payment Cap, (ii) less all previous Monthly Payments, (iii) plus any outstanding fees.

14. **What if you don’t comply with the requirements of this Agreement?**

- (a) **Default.** Without prejudice to our other rights and remedies hereunder, and subject to applicable law, we may deem you to be in default under this Agreement upon: (i) your failure to make any payment in full and on time for 6 consecutive months; (ii) your failure to provide any information required under this Additional Terms agreement when required, including, without limitation, your failure to provide us a completed and signed IRS Form 4506-T or Form 4506T-EZ (or any successor form) within 30 days of the annual deadline or our separate request; or (iii) your violation

of any other provision of this Agreement that impairs our rights, including but not limited to our receipt of information we deem to be materially false, misleading, or deceptive.

- (b) **Remedies Upon Default.** Subject to applicable law (including any notice and/or cure rights provided by applicable law), upon default, we may elect to (i) collect the Prepayment Amount, (ii) enforce all legal rights and remedies in the collection of such amount and related fees (including any rights available to us to set off any state tax refund), or (iii) utilize any combination of these remedies. You agree to pay our court costs, reasonable attorneys' fees, collection fees charged by states for state tax refund set-off, and other collection costs related to the default (including our fees and costs due to your bankruptcy or insolvency, if applicable) to the extent permitted by applicable law.
- (c) **Equitable Remedies.** If we conclude that money damages are not a sufficient remedy for any particular breach of this Agreement, then we will be entitled to seek injunctive or other equitable relief as a remedy for any such breach to the fullest extent permitted by applicable law. Such remedy shall be in addition to all other remedies available at law or equity to us.

15. **Can you enter into other Income Share Agreements during the term of this Agreement?**

You agree that you have not and will not enter into additional private income-based agreements with us or another person that, in the aggregate, obligate you to pay a total share of your income exceeding of your Earned Income in any given month. Loans with income-driven repayment plans, including federal student loans, will not be considered private income-based agreements under this Section.

16. **What are the tax implications of entering into this Agreement?**

- (a) You acknowledge and agree that the federal, state, and local income tax consequences of this Agreement are not certain and that we have not provided you with any tax advice or assurance of specific consequences.
- (b) Notwithstanding the foregoing, recognizing that all parties are best served by consistent, good faith tax reporting of the transaction in accordance with what the parties believe to be its economic substance, except as otherwise required by law, you agree to report the transaction for federal, state, and local income tax purposes as a financial contract (in other words, as the "sale" by you of part of the income stream you will earn in the future) and not as a loan or any other form of indebtedness. Whether the financial contract results in a gain or loss will be unknown until the end of your payment obligation or until this Agreement is terminated, if prior to the end of your payment obligation. Under the tax law, when the parties do not know the extent of the gain or loss from a transaction when it occurs, they can treat the transaction as an "open transaction" and determine the consequences once the final terms are known. Under this tax treatment, it is expected that you will not recognize the ISA Amount as income when you enter into this Agreement. **Upon the maturity or termination of this Agreement, if the aggregate amount of funding is greater**

**than the aggregate sum of payments you made to us during your payment obligation, then you will likely recognize the difference as ordinary income equal to the difference between the amount of funding and the sum of payments you made to us.** You agree to file your federal, state, and local income tax returns in accordance with this expected tax treatment unless you notify us in writing at least 30 days before filing any such return (as provided in Section 20) that you intend to take a contrary position.

- (c) You acknowledge that because the appropriate tax reporting is uncertain, the IRS and/or state or local taxing authorities may challenge the method of reporting described above, and new legislation may affect the federal, state, or local tax treatment of this Agreement. If such a challenge were to succeed, you could have significantly greater tax liability at a significantly earlier time or times than would be the case under the method described above. While we are under no obligation to do so, it also is possible that we may seek a ruling from the IRS during your payment obligation regarding these tax consequences. **You agree and acknowledge that you have had an opportunity to consult with your own trusted advisor about the tax consequences of entering into this ISA and receiving the ISA Amount.**

17. **Will we obtain a copy of your credit report and will we report your ISA to a credit reporting agency?**

You authorize us to obtain your credit report, verify the information that you provide to us, and gather additional information that may help us assess and understand your performance under this Agreement. You understand that we may verify your information and obtain additional information using a number of sources, including but not limited to consumer reporting agencies, other third-party databases, past and present employers, other school registrars, public sources, and personal references provided by you. If you ask, you will be informed whether or not we obtained a credit report and, if so, the name and address of the consumer reporting agency that furnished the report. You also understand and agree that we may obtain a credit report and gather additional information, including from the sources described above, in connection with the review or collection of your ISA. You consent to our sharing of your information with our affiliates and financing parties, which we will do using reasonable data security procedures.

**Although this Agreement is not a loan or other credit instrument, we may inform credit bureaus about your positive payment behavior when you make payments as agreed. However, this also means that late payments, missed payments, or other defaults under this Agreement may be reflected in your credit report.**

18. **Who can we share information with about you, your payment behavior, and your ISA?**

You agree that we may share information about you, your payment behavior, and your ISA with (a) our agents and service providers, (b) other schools you may attend, but only to the extent necessary to enforce this ISA (for example, to ensure that you qualify for any in-school deferment periods or that that you do not exceed your maximum ISA commitment as specified in Section 15), (c) investors in your ISA, (d) anyone to whom you authorize us to disclose information about this ISA, and (e) anyone else as permitted by law. If we sell or

assign some or all of our rights under this ISA, you authorize such assignee or purchaser of your ISA to share with us information about you, your payment behavior, and your ISA.

19. **What information about you must be true in order for you to enter into this Agreement?**

- (a) You represent that all information provided in connection with your Application and/or Registration Form is true and accurate and you have not provided any false, misleading or deceptive statements or omissions of fact.
- (b) You represent that:
  - (i) you have never been convicted of a felony or of any crime involving dishonesty or breach of trust under any federal or state statute, rule or regulation;
  - (ii) you are not contemplating bankruptcy and you have not consulted with an attorney regarding bankruptcy in the past 6 months;
  - (iii) you are at least the age of majority based on your current state of residence;
  - (iv) ; and
  - (v) you have filed all federal tax returns and reports as required by law, they are true and correct in all material respects, and you have paid all federal taxes and other assessments due.

20. **How can we communicate with you?**

- (a) **Electronic Communications.** We may decide to deliver any documents or notices related to this Agreement by electronic means. Except as otherwise provided in the Consent to Electronic Communications, you agree to receive such documents or notices by electronic delivery and to participate through an on-line or electronic system established and maintained by us or a third party designated by us.
- (b) **Automatic Reminders.** We may use automated telephone dialing, text messaging systems and electronic mail to provide messages to you about payment due dates, missed payments, and other important information. The telephone messages may be played by a machine automatically when the telephone is answered, whether answered by you or someone else. These messages may also be recorded in your voicemail. You give us your permission to call or send a text message to any telephone number you provide us now or in the future and to play pre-recorded messages or send text messages with information about this Agreement over the phone. You also give us permission to communicate such information to you via electronic mail. You agree that we will not be liable to you for any such calls or electronic communications, even if information is communicated to an unintended recipient. You understand that, when you receive such calls or electronic communications, you may incur a charge from the company that provides you with telecommunications, wireless, and/or Internet services. You agree that we have no liability for such charges. If you want to change your communication preferences, such as no longer wanting to

receive automatic reminders, you can update your preferences through your online servicing account or by contacting our servicer at [answers@vemo.com](mailto:answers@vemo.com).

- (c) **Telephone Recording.** You understand and agree that we may monitor and/or record any of your phone conversations with us.

21. **What if we have a dispute about this Agreement? What are the terms of the arbitration agreement and how can you opt-out of mandatory arbitration?**

- (a) **Notice and Cure.** Prior to initiating a lawsuit or arbitration regarding a Claim (as defined in Section 21 below), the party asserting the Claim (the "**Complaining Party**") shall give the other party (the "**Defending Party**") written notice of the Claim (a "**Claim Notice**") and a reasonable opportunity, not less than 30 days, to resolve the Claim. If we are the Complaining Party, we will send the Claim Notice to you at your e-mail and/or physical mail address appearing in our records or, if you are known to be represented by an attorney, to your attorney at his or her office address. Any Claim Notice must explain the nature of the Claim and the relief that is demanded. The Complaining Party must reasonably cooperate in providing any information about the Claim that the Defending Party reasonably requests.
- (b) **Arbitration Agreement.** Except as expressly provided below, Participant and Rithm School agree that any past, present or future claim, dispute or controversy, regardless of the legal theory on which it is based, arising out of, relating to or in connection with this Agreement, or that arises from or is related to any relationship resulting from this Agreement (a "**Claim**"), may be submitted to and resolved on an individual basis by binding arbitration under the Federal Arbitration Act, 9 U.S.C. §§1 et seq. (the "FAA") before the American Arbitration Association (the "**AAA**") under its Consumer Arbitration Rules (the "**AAA Rules**"), in effect at the time the arbitration is brought, unless Rithm School and the Participant agree in writing to arbitrate before a different party. If the AAA is unable to serve as administrator and the Rithm School and the Participant cannot agree on a replacement, a court with jurisdiction will select the administrator or arbitrator. The AAA Rules are available online at <http://www.adr.org>. If a Claim is arbitrated, it will be resolved by a neutral third-party arbitrator, and not by a judge or a jury, and Participant and Rithm School knowingly and voluntarily waive the right to a jury trial on such Claim.

The party bringing the Claim may elect arbitration of the Claim by initiating an arbitration in accordance with the Administrator's rules. The other party may elect arbitration by giving written notice of an election to arbitrate. This notice may be given after a lawsuit has been filed and may be given in papers or motions in the lawsuit. If such a notice is given, the Claim shall be resolved by arbitration under this Arbitration Agreement and the applicable rules of the Administrator then in effect. It will be up to the party bringing the Claim to commence the arbitration proceeding. Even if all parties have opted to litigate a Claim in court, or the Participant may elect arbitration with respect to any Claim made by a new party or any Claim later asserted by a party in that or any related or unrelated lawsuit (including a Claim initially asserted on an individual basis but modified to be asserted on a class, representative or multi-party basis). Nothing in that litigation shall constitute a waiver of any rights under this Arbitration Agreement. The arbitrator will be selected under the

Administrator's rules, except that the arbitrator must be a lawyer with at least ten years of experience or a retired judge, unless you and we agree otherwise.

"Claim" has the broadest possible meaning and includes initial claims, counterclaims, cross-claims, and third-party claims. It includes disputes based upon contract, tort, consumer rights, fraud and other intentional torts, constitution, statute, regulation, ordinance, common law, and equity (including any claim for injunctive or declaratory relief). If the AAA is unable to serve as administrator and the Participant cannot agree on a replacement, a court with jurisdiction will select the administrator or arbitrator. The AAA Rules are available online at <http://www.adr.org>. For purposes of this Arbitration Agreement, (1) the term "" includes (a) Rithm, Inc., (b) any successor, successor-in-interest, transferee, assignee, agent, designee, or servicer of; (c) any affiliates, subsidiaries, and/or parent of the persons and entities referenced in (a) or (b), (d) the officers, directors, employees, stockholders, members, affiliates, subsidiaries, and parents of all of the foregoing in (a) through (c); and (e) any party named as a co-defendant with in a Claim asserted by the Participant, such as servicers and debt collectors; and (2) the term "Participant" means the Participant. Notwithstanding the above, if a Claim that the Participant or wishes to assert against the other is cognizable in a small claims court (or your state's equivalent court) having jurisdiction over the Claim and the parties, the Participant or may pursue such Claim in that small claims court; however, if the Claim is transferred, removed, or appealed to a different court, it shall be resolved by arbitration. Nothing in that small claims court lawsuit shall constitute a waiver of any party's rights under this Arbitration Agreement with respect to Claims asserted in any related or unrelated lawsuits. Moreover, any dispute concerning the validity or enforceability of this Arbitration Agreement or any part thereof (including, without limitation, the class action waiver below) must be decided by a court; any dispute concerning the validity or enforceability of the Agreement as a whole is for the arbitrator.

Any arbitration hearing that you attend will take place in a location that is reasonably convenient for you. If you cannot obtain a waiver of the AAA's or arbitrator's filing, administrative, hearing, and/or other fees, we will consider in good faith any request by you for us to bear such fees. Each party will bear the expense of its own attorneys, experts, and witnesses, regardless of which party prevails, unless applicable law or this Agreement gives a right to recover any of those fees from the other party. The arbitrator shall follow applicable substantive law to the extent consistent with the FAA, applicable statutes of limitation, and privilege rules that would apply in a court proceeding, and shall be authorized to award all remedies available in an individual lawsuit under applicable substantive law, including, without limitation, compensatory, statutory, and punitive damages (which shall be governed by the constitutional standards applicable in judicial proceedings), declaratory, injunctive and other equitable relief, and attorneys' fees and costs. Upon the timely request of either party, the arbitrator shall write a brief explanation of the basis of his or her award. The arbitrator's award will be final and binding, except for any appeal right under the FAA. Any court with jurisdiction may enter judgment upon the arbitrator's award. No arbitration award involving the parties will have any preclusive effect as to issues or claims in any dispute involving anyone who is not a party to the arbitration, nor will an arbitration award in prior disputes involving other parties

have preclusive effect in an arbitration between the parties to this Arbitration Agreement.

This Arbitration Agreement shall survive the termination of this ISA, your fulfillment or default of your obligations under this ISA and/or your or our bankruptcy or insolvency (to the extent permitted by applicable law). In the event of any conflict or inconsistency between this Arbitration Agreement and the administrator's rules or other provisions of this ISA, this Arbitration Agreement will govern.

**CLASS ACTION WAIVER: IF A CLAIM IS ARBITRATED, NEITHER PARTICIPANT NOR WILL HAVE THE RIGHT TO PARTICIPATE IN A CLASS ACTION, PRIVATE ATTORNEY GENERAL ACTION OR OTHER REPRESENTATIVE ACTION IN COURT OR IN ARBITRATION, EITHER AS A CLASS REPRESENTATIVE OR CLASS MEMBER.** Further, unless both Participant and agree otherwise in writing, the arbitrator may not join or consolidate Claims with claims of any other persons. The arbitrator shall have no authority to conduct any class, private attorney general, or other representative proceeding, and shall award declaratory or injunctive relief only in favor of the party seeking relief and only to the extent necessary to provide relief warranted by that party's individual claim. The arbitrator shall have no authority to issue any relief that applies to any person or entity except Participant or individually.

If any portion of this Arbitration Agreement cannot be enforced, the rest of the Arbitration Agreement will continue to apply, except that (A) if a determination is made in a proceeding involving and the Participant that the class action waiver is invalid or unenforceable, only this sentence of this Arbitration Agreement will remain in force and the remainder of this Arbitration Agreement shall be null and void, provided that the determination concerning the class action waiver shall be subject to appeal, and (B) if a Claim is brought seeking public injunctive relief and a court determines that the restrictions in the class action waiver prohibiting the arbitrator from awarding relief on behalf of third parties are unenforceable with respect to such Claim (and that determination becomes final after all appeals have been exhausted), the Claim for public injunctive relief will be determined in court and any individual Claims seeking monetary relief will be arbitrated. In such a case the parties will request that the court stay the Claim for public injunctive relief until the arbitration award pertaining to individual relief has been entered in court. In no event will a Claim for public injunctive relief be arbitrated.

- (c) **RIGHT TO REJECT:** Participant may reject this Arbitration Agreement by mailing a signed rejection notice to , c/o Vemo Education, 3905 Tampa Rd #2453, Oldsmar, FL, 34677, or by faxing it to (813) 438-7862 within 30 calendar days after the date of this Agreement. Any rejection notice must include Participant's name, address, e-mail address, telephone number, and account or contract number. If you reject this Arbitration Agreement, that will not affect any other provision of the Agreement.
- (d) **Waiver of Jury Trial.** YOU ACKNOWLEDGE AND AGREE THAT, INASMUCH AS THE PURPOSE OF THE ARBITRATION AGREEMENT IN SECTION 21.(B) IS TO REQUIRE THAT ALL CLAIMS BE RESOLVED BY BINDING ARBITRATION, NO PARTY TO THIS AGREEMENT SHALL BE ENTITLED TO A TRIAL BY JURY IF SUCH ARBITRATION



AGREEMENT IS IN EFFECT. MOREOVER, TO THE EXTENT YOU TIMELY AND ADEQUATELY REJECT THE ARBITRATION AGREEMENT IN SECTION 21.(B), OR IF FOR ANY OTHER REASON A CLAIM IS NOT ARBITRATED, AND YOU KNOWINGLY AND VOLUNTARILY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO A TRIAL BY JURY WITH RESPECT TO ANY CLAIM.

22. **What other information do you need to know?**

- (a) **ISA proceeds; Setoff.** We will credit the ISA Amount set forth in your Final Disclosure against your financial obligations to us, and, if so, we will send you an account confirmation notice that itemizes the allocated amounts. You understand that we may apply the ISA proceeds towards any preexisting financial obligations you owe to us, in which case this ISA may not be sufficient to meet your entire tuition obligation to us and a balance may remain due.
- (b) **Your ISA Contract Terms.** The Participation Disclosure above sets forth your ISA Amount, Income Share, Maximum Number of Payments, and Payment Cap, which terms will also be reflected in your Final Disclosure. In the event that these terms are adjusted during a review or certification process, you will be provided with a new or amended Final Disclosure. Your Final Disclosure and any new or amended Final Disclosure(s) will also inform you of your right-to-cancel period and instructions for exercising your right to cancel this Agreement in its entirety. In the event of any inconsistency between this ISA and the Disclosures, or between the Disclosures, the last Final Disclosure controls.
- (c) **Waiver of ISA Due to Death or Total and Permanent Disability.** We will waive the remainder of what you owe under this Agreement, including any past due amounts and fees, if you die or become totally and permanently disabled. You or your estate must provide us with any tuition refund, which we will apply to the ISA Amount. If you would like to assert a waiver based on total and permanent disability, you will need to submit an application accompanied by a physician's statement and such other information or documentation that we may require, showing that you are unable to work in any occupation due to a condition that began or deteriorated after the date of the Final Disclosure and that the disability is expected to be permanent. Unless your Monthly Payments already are deferred under Section 7, you must continue to make payments until the time the disability application is completed to our satisfaction. If we approve your disability waiver application, the waiver will be effective as of the date of the completed application.
- (d) **Correction of Errors.** All parties to this Agreement agree to fully cooperate and adjust all typographical, computer, calculation, or clerical errors discovered in any or all of the ISA documents including this document, the Application and/or Registration, the Participation Disclosure, the Final Disclosure, and any Notice to Married Residents of Arizona or Wisconsin, as applicable. Errors in the names and/or addresses of the parties will be corrected by notice to all parties. In the event this procedure is used for any other errors, all parties involved will be notified and will receive a corrected copy of the changed document.

- (e) **Amendments and Waivers.** We may amend this Agreement as necessary to comply with changes in applicable law without providing you with advance notice. We will provide you with at least thirty (30) days' advance notice of any other amendments, which must be signed by both parties in order to be effective. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance.
- (f) **Customer Identification Policy.** To help the government fight the funding of terrorism and money laundering activities, we will obtain, verify, and record information that identifies each person who enters into this Agreement. What this means for you: when you enter into this Agreement, we reserve the right to ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents, or for you to provide true and correct copies to us.
- (g) **Governing Law.** The validity, interpretation, construction, and performance of this Agreement, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto and thereto shall be governed, construed, and interpreted in accordance with the laws of the State of California without giving effect to principles of conflicts of law. Notwithstanding the foregoing, federal law shall govern the Arbitration Agreement in Section 21.(b).
- (h) **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings, and agreements, whether oral or written, between you and us relating to the subject matter hereof.
- (i) **Successors and Assigns.** Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators, and legal representatives. We may sell, assign, or otherwise transfer any of our rights, economic benefits, or obligations under this Agreement. You may not assign, whether voluntarily or by operation of law, any of your rights, economic benefits or obligations under this Agreement, except with our prior written consent given in accordance with Section 20.
- (j) **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and, except as otherwise provided, shall be deemed sufficient when sent by e-mail or 2 Business Days after being deposited in the U.S. mail as certified or registered mail with postage prepaid. Notices to shall be sent to [answers@vemo.com](mailto:answers@vemo.com) or to c/o Vemo Education, 3905 Tampa Rd #2453, Oldsmar, FL, 34677, or as subsequently modified by written notice. Notices to Participant shall be sent to the e-mail and/or physical mail addresses you provided in your Application and/or Registration Form, or as subsequently modified by written notice to us.
- (k) **Severability.** Except as set forth in the Arbitration Agreement, if one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision,

then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

- (l) **Execution; Electronic Transactions.** This Agreement may be executed electronically or manually. Execution may be completed in counterparts (including both counterparts that are executed on paper and counterparts that are electronic records and executed electronically), which together constitute a single agreement. Any copy of this Agreement (including a copy printed from an image of this Agreement that has been stored electronically) shall have the same legal effect as an original.
- (m) **Independent Decision to Enter into this ISA.** You agree that this Agreement is an arms-length transaction. You agree that we are not an agent or fiduciary or advisor in your favor in connection with the execution of this Agreement. You agree that we have not provided any legal, accounting, investment, regulatory or tax advice with respect to this Agreement.
- (n) **Marital Property.** If you are married and live in Wisconsin on the date you sign this Agreement or during the term hereof, your signature on this ISA confirms that any financial obligation incurred as a result of this ISA is being incurred in the interest of your marriage or family. If you are married and live in Texas on the date you sign this Agreement or during the term hereof, you agree to hold your Earned Income in a separate bank account from your spouse.

[Signature Page Follows]

The parties, intending to be legally bound, have executed this Agreement as of the date set forth below.


**NOTICE TO PARTICIPANT**

1. Do not sign this ISA before you read it or if it contains any blank terms.
2. You are entitled to a completely filled-in copy of this ISA.
3. You have the right to pay off this Agreement in advance by paying the amount set forth in Section 13.

**PARTICIPANT:** By signing below, you acknowledge that you have read this entire Agreement carefully and agree to its terms, including Section 16 (about your tax liability), Section 17 (about information about you that we use and reports about you that we may make to credit bureaus), Section 22.(m) (about this being an arms-length transaction between you and us), and Section 21 (about arbitration on an individual basis and class-action waiver, including your opt-out right).

**RITHM, INC.:****PARTICIPANT:**

By: *Elie Schoppik*  
(Signature)

By:   
(Signature)

Date: Dec 11, 2018

Date: Dec 11, 2018

Name: Elie Schoppil

Name: John Lynch

Title: CEO, Rithm School

Address: **Rithm, Inc.**  
500 Sansome Street  
Suite 300  
San Francisco, California  
94111

Address: 1402 Comfort St  
Lansing, Michigan  
48915

E-mail: [info@rithmschool.com](mailto:info@rithmschool.com)

Phone: 111-111-1111

E-mail: maria.cantero+jlrs@vemo.com



## INCOME SHARE AGREEMENT (ACADEMIC YEAR 2019–20)

**PARTICIPANT:**  
 First and Last Name  
 Street Name  
 City, State  
 Zip Code

**FUNDER:**  
 Back a Boiler – ISA Fund, LLC  
 1281 Win Hentschel Blvd  
 West Lafayette, IN 47906  
 (765) 588-5495

**\*\*\* THIS IS NOT  
 A LOAN  
 OR CREDIT \*\*\***

### Participation Disclosure

| ISA (Funding)<br>Amount   | Income<br>Share  | Maximum Number of<br>Payments (Payment Term)                         | Payment<br>Cap  |
|---|--|--|---|
| <b>\$XX,XXX</b>   | <b>X.XX%</b>   | <b>XX months</b>   | <b>\$XX,XXX.XX</b>                                    |
| The amount of funds you will receive for the academic year plus any funding charges | The percent of your total earned income that you will share each month | The maximum number of months during which you will share your income | The maximum amount you will pay over the payment term |

#### ITEMIZED TOTAL FUNDING AMOUNT

|  |                   |
|--|-------------------|
| <b>Amount paid to you</b>  | \$0               |
| <b>Amount paid or credited to others on your behalf</b><br>• Purdue University | + \$XX,XXX        |
| <b>Initial funding charges</b><br>• Origination fee<br>• Disbursement fee      | + \$0             |
| <b>Total ISA (Funding) Amount</b>  | <b>= \$XX,XXX</b> |

#### ABOUT YOUR INCOME SHARE AGREEMENT (ISA)

- **Your income share is the percentage of your future earned income you will owe in return for the funding you receive.** Your share is not an interest rate or annual percentage rate.
- **Your income share is fixed.** This means that it will never differ from the income share percentage shown above.
- **Your payments will vary based on the amount of your earned income.** The total amount you will pay may be more or less than your funding amount.
- **The maximum you will pay is \$XX,XXX, regardless of your earned income.** You may also pay this maximum amount (less any payments made to date plus any outstanding fees) in order to extinguish your obligations before the payment term ends.

- FEES**
- **Late Fee:** The lesser of \$5 and 5% of the payment amount due.
  - **Returned Payment Fee:** \$25 (\$20 for NY residents).

### Payment Illustration

An ISA is different from a loan (which has principal and interest payments) or a conventional tuition payment plan (which requires payment in full and may charge interest). An ISA requires you to pay a fixed percentage of your earned income each month for a fixed period of time. The table below compares monthly and total ISA payments for different levels of earned income.

| Annual<br>Earned<br>Income | <b>\$10,000.00 ISA</b><br>3.31% income share,<br>96-month payment term |                       |                   |
|----------------------------|--|-----------------------|-------------------|
|                            | Monthly<br>Payments  | Number of<br>Payments | Total<br>Payments |
| < \$20,000                 | \$ X   | 0                     | \$ 0              |
| \$ 20,000                  | \$ XX  | XX                    | \$ X,XXX          |
| \$ 40,000                  | \$ XXX   | XX                    | \$ X,XXX          |
| \$ 60,000                  | \$ XXX   | XX                    | \$ X,XXX          |
| \$ 80,000                  | \$ XXX   | XX                    | \$ X,XXX          |
| \$ 100,000                 | \$ XXX   | XX                    | \$ X,XXX          |

#### About this illustration

- The illustration assumes that you make monthly payments tied to earned income over up to XX monthly payments.
- When your monthly earned income is less than \$1,666.67 (equivalent to \$20,000/year), your account will be placed in a deferment status, and you will not be required to make payments.
- If your cumulative payments reach the payment cap (\$23,100.00), then you make no further payments and your account is closed in good standing.
- The payments columns assume that your earnings remain the same over the payment term. Your actual total payments may be a blend of monthly payments since your earnings may fluctuate over time.
- Remember that your earned income will depend on many factors, including your occupation, industry, and the area of the country in which you work. All dollar figures have been rounded to the nearest dollar.



## Next Steps & Terms of Acceptance

This offer  
is good until:  
**August 30,  
2019**

1. **Questions?** Contact Back a Boiler – ISA Fund ([backaboilerinfo@prf.org](mailto:backaboilerinfo@prf.org)) or Purdue University's Division of Financial Aid (<http://www.purdue.edu/dfa>) for more information.
2. **You have until August 30, 2019, to accept this offer.** The terms of this offer will not change except as required by law. **To accept the terms of this ISA, sign and date below.**

## Reference Notes

### Income Share Agreement (ISA)

- An ISA is not a loan or other debt or credit instrument. It represents your obligation to make payments linked to a specific percentage of your earned income and does not give **Back a Boiler – ISA Fund** any rights regarding your educational or employment pursuits. The amount you will be required to pay under this ISA may be **more** or **less** than the **funding amount** you receive and will vary in proportion to your future earned income.

### Eligibility Criteria

- You must be a sophomore, junior, or senior enrolled full-time in a Purdue bachelor's-level academic program—or enrolled in the PharmD or DVM programs—and you must be making satisfactory academic progress (as defined by Purdue) toward your degree.
- You must be a U.S. citizen (includes naturalized citizens) or permanent resident, and at least the age of majority for your current state of residence.
- Your total obligations under all income-based agreements with us or another person must not require you to pay an aggregate Income Share in excess of 15% of your gross Earned Income in any given month.

### Making Payments; Refunds; Prepayment

- You will have a 6-month Grace Period after you leave Purdue or your enrollment status drops to less than half time. You will not make monthly payments based on income earned during your Grace Period.
- You will be required to make monthly payments based on income earned **after** the Grace Period ends. Payments will be due on the 1<sup>st</sup> day of each month in connection with income earned in the prior month.
- If you leave Purdue during the course of study or training being financed by this ISA, Purdue's refund policy provides that you may still be responsible to pay for some or all of your ISA.
- You may extinguish your obligation under this ISA at any time by paying a Prepayment Amount \$23,100.00, less any prior payments made and plus any outstanding fees.

### Circumstances When Payments Are Not Required (Deferments)

- No payments will be required in any month for which you provide appropriate documentation showing that your monthly Earned Income is below \$1,666.67 (equivalent to \$20,000/per year). We may extend your payment term by one month for each month in which no payment is due, up to an additional 60 months, unless you are employed full time or are unemployed.
- Months in which no payment is due are not credited toward your Maximum Number of Monthly Payments.

### Information You Must Provide; Annual Reconciliation

- One month before the due date of your 1<sup>st</sup> payment, you must provide to us acceptable documentation of your monthly income. If you do not provide acceptable documentation, we may estimate your income based on the average full-time income for occupations directly related to the course of study for which this ISA will be used (determined based on federal U.S. data). If you subsequently provide acceptable documentation of your income, we will use that information instead.
- Every time your income changes and by April 30 of each year, you must provide updated, acceptable documentation of your income. For each year of your Payment Term, if you do not provide the required information by April 30, we will assume that your income has increased by 10%.
- On or before April 30 of each year of your Payment Term, you must provide acceptable documentation demonstrating all of your Earned Income for the prior year and authorization to obtain your tax return information directly from the Internal Revenue Service or similar taxing authority. We will use this information to confirm your payment amounts were correct. You must reimburse us for any underpayments, and we will credit your account for any overpayments.

### Default

- If your payments are late by 270 days or more, we may declare your account to be in default.

*See the Additional Terms for further information about deferment, nonpayment, and early termination.*

**Back a Boiler – ISA Fund** will enforce the terms of its ISAs to the fullest extent allowed by law.

## Additional Terms

**THIS IS NOT A LOAN OR CREDIT. THIS IS NOT AN ASSIGNMENT OF WAGES.**

THIS INCOME SHARE AGREEMENT REQUIRES THE USE OF ARBITRATION ON AN INDIVIDUAL BASIS TO RESOLVE DISPUTES, RATHER THAN JURY TRIALS OR CLASS ACTIONS. YOU MAY OPT OUT OF ARBITRATION BY FOLLOWING THE PROCEDURE SET FORTH IN SECTION 28 BELOW (ARBITRATION AGREEMENT). PLEASE READ SECTION 28 CAREFULLY AS IT AFFECTS YOUR LEGAL RIGHTS IN THE EVENT OF A DISPUTE.

READ THIS ENTIRE AGREEMENT CAREFULLY AND NOTE SECTION 12 (ABOUT YOUR TAX LIABILITY), SECTION 16 (ABOUT INFORMATION ABOUT YOU THAT WE USE AND REPORTS ABOUT YOU THAT WE MAKE TO CREDIT BUREAUS), AND SECTION 25 (ABOUT THIS BEING AN ARMS-LENGTH TRANSACTION BETWEEN YOU AND US).

YOU SHOULD SEEK ADVICE ABOUT YOUR EDUCATION FINANCING OPTIONS FROM A TRUSTED ADVISOR BEFORE SIGNING THIS ISA.

This Income Share Agreement (“ISA” or “Agreement”) includes: (i) this document, including the Arbitration Agreement in Section 28 below (which you can reject); (ii) the Application; (iii) the Participation Disclosure above (“Participation Disclosure”) and the Final Disclosure (“Final Disclosure”), which will be provided to you upon execution of this Agreement to summarize the terms of the Agreement and your obligations (the Participation Disclosure and the Final Disclosure are referred to collectively as the “Disclosures”); and (iv) the Consent to Electronic Communications. You have also been provided with the Back a Boiler – ISA Fund Privacy Policy and the Privacy Notice. In the event of any inconsistency between this document and the Final Disclosure, or between the Final Disclosure and the other Disclosures, the Final Disclosure controls. In this Agreement, “you,” “your” and “Participant” mean the person who signed the Application and this Agreement. “We,” “our,” “us,” and “BaB” mean Back a Boiler – ISA Fund, LLC and any of its successors, successors-in-interest, transferees, assignees, agents, designees or servicers.

This ISA is not a loan or other debt or credit instrument. It represents your obligation to pay a specific percentage of your future earned income and does not give us any rights regarding your educational, training, or employment pursuits. The amount of the payments you make will depend upon your future earned income. The total amount you will pay under this Agreement will vary depending upon your future earned income and may be more or less than the amount of funds you receive.

### 1. **Definitions.**

(a) “Academic Period” means the period covering the first day of the fall 2019 semester through the last day of the spring 2020 semester.

(b) “Business Day” means Monday through Friday, except for federal holidays in the United States.

(c) “Earned Income” means your total wage and self-employment income. On an annual basis, this amount is currently the sum of Line 1 (“Wages, salaries, tips, etc.”) of IRS Form 1040, Line 1 (“Gross receipts or sales”) of Schedule C Part I, and Schedule E, Line 29a, Column (k) (“Nonpassive income from Schedule K-1”) of U.S. federal income tax returns (2018 revision). If applicable, “Earned Income” includes all income reported on a joint income tax return, minus, to the extent documented to our satisfaction, any income earned solely by your spouse. In our discretion, we may estimate your Earned Income using documentation other than your U.S. federal income tax return, provided the documentation is another verifiable source acceptable to us.

(d) “Funding Amount” means the amount of money set forth in your Final Disclosure that we disburse to the University on your behalf for the Academic Period. The Funding Amount is the total amount we will disburse for the Academic Period. The Funding Amount will be disbursed in two (2) equal parts, with the first part being disbursed at the beginning of the fall semester and the second part being disbursed at the beginning of the spring semester.

(e) “Higher Education or Training” means a program of study at a school that is eligible under Title IV of the Higher Education Act, as amended from time to time, or a proprietary or vocational education program.

(f) “Income Share” means the fixed percentage of your Earned Income that you will owe during the Payment Term in return for the funding you receive. The Income Share is not an interest rate or annual percentage rate.

(g) “Monthly Payment” means your Income Share multiplied by the amount of your monthly Earned Income.

(h) “Payment Cap” means the maximum amount you will pay under this ISA, not including fees and collection costs.

(i) “Payment Term” means the period during which you pay us a fixed percentage of your Earned Income. Your Payment Term may be extended as described in this ISA.

(j) “University” means Purdue University, its affiliates, successors and assigns.

2. **Disbursement; Setoff.** The servicer of this ISA will disburse the Funding Amount set forth in your Final Disclosure on your behalf to the University and send you a funding confirmation notice that itemizes the disbursed funds. You understand that we may have a right to set off the disbursement against amounts due to us for pre-existing outstanding tuition and fees on your University account.



3. **Your ISA Contract Terms.** The Participation Disclosure above sets forth your Funding Amount, Income Share, Payment Term and Payment Cap, which terms will also be reflected on your Final Disclosure. In the event that these terms are adjusted during the review and certification process, you will be provided with a new or amended Final Disclosure. Your Final Disclosure and any new or amended Final Disclosure will also inform you of your right to cancel period and instructions for exercising your right to cancel. In the event of any inconsistency between this ISA and the Disclosures, or between the Disclosures, the Final Disclosure controls. If the full Funding Amount is still available in your University account on the date that BaB receives notice of your cancellation, then this ISA will be cancelled in full. If you have already taken disbursements from your University account such that the full Funding Amount is not available in your University account on the date that BaB receives notice of your cancellation, then your ISA will be amended and a new Final Disclosure distributed to you showing a Funding Amount equal to the amount that BaB was not able to recapture from your University account, unless you refund such amount to BaB within three (3) Business Days after your cancellation notice.

4. **Grace Period.** You will not owe any payments while you are enrolled at the University or during your 6-month grace period. Your grace period begins on the date you graduate or withdraw from or fall below half-time enrollment status at the University. If you begin working prior to the end of your grace period, and your Earned Income is at least \$1,666.67 monthly (equivalent to annual Earned Income of \$20,000) or more, you may waive your grace period by submitting, in accordance with the Notice provisions of Section 22 of this Agreement, the following: (i) the Request for Waiver of Grace Period and Employment Income Verification Form, and (ii) Informal Earned Income Documentation (as defined in Section 6(c)(i) below). If you waive your grace period, your Payment Term will begin and end earlier, but waiver of your grace period does not make the Payment Term shorter or reduce the amount of your payments.

5. **Withdrawal.** If you withdraw or fall below half-time enrollment status, you may be entitled to a pro rata refund of tuition and fees as described in the University's refund policy. The funds disbursed to the University on your behalf under Section 2 of this ISA are considered to be a "private source of aid" under the refund policy. If you are entitled to a refund, and a portion of the refund is applied to this ISA, you will be provided with notice of any changes to your Funding Amount, Income Share, Payment Term and Payment Cap. If refund amounts available from the University are sufficient to cover the entire Funding Amount, this ISA will be terminated.

6. **Payment of Your ISA.**

(a) **Payment Term.** Your Payment Term begins on the first day of the month following the end of your grace period. For example, if you graduate or leave the program on May 14, 2020, your Grace Period will end on November 30, 2020, and your Payment Term will begin on December 1, 2020. As another example, if you drop below half-time enrollment status on April 10, 2020, your Grace Period will end on October 31, 2020, and your Payment Term will begin on November 1, 2020. Your Payment Term may

be extended for up to sixty (60) months in certain circumstances as explained in Section 6(g).

(b) **Monthly Payments.** Except as set forth below, during the Payment Term, you agree to make your Monthly Payments to us by the first Business Day of each month based on income earned in the prior month. Payments are applied first to fees, if any, and then to the Monthly Payment amount owed. If you make all required payments on time during your Payment Term, you will not owe anything at the end of your Payment Term even if your payments sum to less than your Funding Amount.

(c) **Calculation of Your Initial Monthly Payments.** Not later than one month before your first scheduled payment is due, you agree to provide us with one of the following kinds of documentation, dated not earlier than thirty (30) days before the date you provide it to us:

(i) A copy of any pay stub or letter from your employer containing your salary information, a self-employment contract, a consulting agreement, a good faith estimate of your self-employment income for the current calendar year (along with documentation of the basis for your estimate), or another verifiable source acceptable to us (collectively, “Informal Earned Income Documentation”) for each source of Earned Income; or

(ii) Documentation acceptable to us demonstrating a circumstance that qualifies you for a deferment as described in Section 6(g) (“Documentation for Deferment”).

(iii) If you do not provide your Informal Earned Income Documentation or Documentation for Deferment at least one (1) month prior to your first scheduled payment, we will calculate your initial monthly payments based on the average full-time income for occupations directly related to your major or program (as reported by graduates to the Purdue Center for Career Opportunities).

(iv) **Service Members Civil Relief Act Limitation on Monthly Payments.** If you are a “Servicemember” of the U.S. uniformed military services and, after you enter into this ISA, you enter “military service,” as those terms are defined in the Servicemembers Civil Relief Act (SCRA) at 50 U.S.C. § 3911, your monthly payment will be limited to the lesser of (i) your ISA payment as calculated based on your Informal Earned Income Documentation, or (ii) the maximum payment that would be due for a loan charging six percent (6%) interest, calculated based on the funding amount of your ISA. This limitation is intended to comply with 50 U.S.C. § 3937 of the SCRA. In order for this limitation to apply, you must provide us with (i) written notice of your request, and (ii) a copy of the military orders calling you to military service. For purposes of determining whether you qualify for this limitation, the terms “servicemember” and “military service” will have the meanings defined in the SCRA.

(d) **Annual Reconciliation.** On or before April 30 each year of the Payment Term and April 30 following the end of the Payment Term, you agree to provide us with:

(i) A completed and signed IRS Form 4506T or Form 4506T-EZ (or any successor form) designating us as the recipient of your tax return information for returns covering any and all months of your Payment Term, dated not earlier than thirty (30) days before the date you provide it to us; and one of the following to verify your Earned Income or deferment status for the preceding year:

(ii) A year-end pay stub, Form W-2, Form 1099, Schedule K-1, or other verifiable source acceptable to us (collectively, "Formal Earned Income Documentation") for each source of Earned Income in the prior calendar year, or

(iii) If your ISA is in a deferment status, updated documentation to re-verify your Documentation for Deferment.

If you are not in deferment status, we will use the Formal Earned Income Documentation to determine whether the payments you made in the prior calendar year were more or less than what you actually owed. If you underpaid, we will bill you for, and you agree to pay, the difference by the deadline stated in the bill. If you overpaid, we will apply excess amounts first to unpaid fees and second as a credit toward future payments due. If you overpaid in the final year of your Payment Term, we will refund the excess amounts.

(e) **Annual Adjustment of Monthly Payments.** We will re-estimate your Monthly Payment effective each June 1. You have two options:

(i) On or before April 30 each calendar year of your Payment Term, you can provide us with Informal Earned Income Documentation for each source of Earned Income for the current calendar year and we will use this to re-estimate your Monthly Payments.

(ii) Alternatively, if you choose not to provide us with new documentation and you are not in deferment, we will assume your Earned Income has increased by ten (10) percent and adjust your Monthly Payments accordingly, beginning with the payment due June 1. Since this is an estimate of your current Earned Income, it may result in Monthly Payments that are either higher or lower than what you actually owe. Any over- or under-payments will be reconciled the following calendar year as described in Section 6(d).

(f) **Periodic Adjustment of Monthly Payments.** If you are not in a deferment status, you will inform us of any changes in your monthly Earned Income within thirty (30) days of the change and send us updated Informal Earned Income Documentation as soon as it is available to you. When you send us Informal Earned Income Documentation we will re-calculate your Monthly Payments. In addition, if information that you provide to us pursuant to Section 8 shows that your Earned Income has changed during the year, we may also modify your Monthly Payments at the time

even if you did not supply us with updated Informal Earned Income Documentation. This includes changes in your Earned Income due to fluctuations in your self-employment income, whether as a consultant or otherwise. Periodic modifications in your Monthly Payments may avoid significant underpayments or overpayments during the annual reconciliation process set forth in Section 6(d).

(g) **Payment Deferment and Extensions of Payment Term.** After you leave the program, certain circumstances, such as going back to school or earning below an Earned Income threshold, qualify you for a deferment. If you provide Documentation for Deferment (as defined in Section 6(c)(ii)), we will place your account in an inactive/deferment status and you will not be required to make Monthly Payments. Depending on the qualifying circumstance, we may extend your Payment Term by one month for each month of deferment, up to an additional sixty (60) months, as described in the table below. If you meet two or more qualifying circumstances, and at least one provides for a Payment Term extension and at least one does not, you agree that a Payment Term extension shall apply.

| Qualifying Circumstance  | Monthly Payment | Is Payment Term Extended? |
|--|-----------------|---------------------------|
| At least half-time enrollment (as defined by your institution) in Higher Education or Training that provides a more advanced degree or certification than you are receiving from the University and making satisfactory academic or training progress in the program.          | \$0             | Yes                       |
| Employed full-time (working 35 hours or more per week on average at one or more jobs, including self-employment) and earning less than \$1,666.67 monthly (equivalent to an annual Earned Income of \$20,000)  | \$0             | No                        |
| Employed part-time (working less than 35 hours per week on average at one or more jobs, including self-employment) and earning less than \$1,666.67 monthly (equivalent to an annual Earned Income of \$20,000)  | \$0             | Yes                       |
| Unemployed (not working but actively seeking employment)<br><br>Note: You must provide proof of your efforts to seek employment satisfactory to us in our sole and absolute discretion. Otherwise, we will assume you are not in the labor force and extend your Payment Term. | \$0             | No                        |
| Not in the labor force (not working and not actively seeking employment; for instance, taking time off due to illness or to care for a child, relative or spouse)  | \$0             | Yes                       |
| Military Service Deferment (terms defined below)   | \$0             | Yes                       |

If you no longer qualify for deferment under any of the circumstances described in the table above, you must notify us within thirty (30) days.

We will retroactively count any deferred months toward your Payment Term if annual reconciliation shows that your earned income results in an average monthly income of \$1,666.67 or more for any month in which you were in deferment. For example, if you were paid a lump sum for contract work at any time during the prior calendar year, and you performed work under the contract during a month or months where your account was inactive/deferred, and if the lump sum paid averaged over the prior calendar year is \$1,666.67/month or more of effective income, we will retroactively count the deferred months towards your Payment Term.

If you are employed full-time or part-time and earn less than \$1,666.67 monthly (equivalent to an annual Earned Income of \$20,000), you cannot elect to make payments. If at the end of the maximum deferment period of sixty (60) months, you are still earning less than \$1,666.67 monthly (equivalent to an annual Earned Income of \$20,000) and are enrolled at least half-time in Higher Education or Training, employed only part-time or are not in the labor force (not working and not actively seeking employment), your payment term will continue to extend unless you provide proof of your efforts to seek adequate employment.

Military Service Deferment is available to members of any branch of the U.S. military, including members of the Reserves or National Guard during Military Service (as defined in the SCRA) while assigned to a duty station other than your normal duty station in connection with (i) a Contingency Operation (as defined in 10 U.S.C. §101(a)(13)), (ii) a national emergency declared by the President of the U.S., supported by federal funds and requiring military service for more than thirty (30) consecutive days, or (iii) a war declared by the U.S. Congress.

(h) **Early Termination; Payment Cap.** If you desire to extinguish your obligations under this ISA prior to the expiration of your Payment Term, you may at any time pay an amount equal to the Payment Cap, less any Monthly Payments you already made, plus any outstanding fees, as satisfaction in full of your payment obligations under this ISA. The sum of the total Monthly Payments you owe under this ISA will not exceed the Payment Cap, plus fees described in the Disclosures.

(i) **Limit on Other Income-Based Agreements.** You agree that you have not and will not enter into additional income-based agreements with us or another person that, in the aggregate, obligate you to pay a total share of your income exceeding fifteen (15) percent of your Earned Income. Loans with income-driven repayment plans, including federal student loans, will not be considered private income-based agreements under this Section.

(j) **Waiver of ISA Due to Death or Total and Permanent Disability.** We will waive the remainder of what you owe under this ISA, including any past due amounts and fees, if you die or become totally and permanently disabled. You or your estate must provide us with any tuition refund, which we will apply to the Funding Amount. If you would like to assert a waiver based on total and permanent disability, you will need to submit an application accompanied by a physician's statement and such other information or documentation that we may require, showing that you are unable to work

in any occupation due to a condition that began or deteriorated after the date of the Final Disclosure and that the disability is expected to be permanent. Unless your Monthly Payments already are deferred under Section 6(g), you must continue to make payments until the time the disability application is completed to our satisfaction. If we approve your disability waiver application, the waiver will be effective as of the date of the completed application.

7. **Fees.** The following fees apply, subject to applicable law:

| Description  | Amount  |
|--|---|
| <p><b>Late Payment Fee</b></p> <p>A fee charged if you do not make any payment due under this ISA on or before the 10th day after the due date. Any payment received after 6:00 PM Eastern time on a Business Day is deemed received on the next Business Day.</p> | <p>The lesser of \$5 and 5% of the payment amount due</p> |
| <p><b>Returned Payment Fee</b></p> <p>A fee charged if any payment is returned or fails due to insufficient funds in your account or for any other reason.</p>   | <p>\$25 (\$20 for NY residents)</p>                       |

8. **Notice of Certain Changes.** You agree to notify us within thirty (30) days of any change in your:

- (a) primary residence address, phone number or email, or any other material change to information previously provided to us;
- (b) employment status, including both terminations of employment and new employment;
- (c) monthly Earned Income;
- (d) marital status, to the extent reasonably required for us to exclude earnings of your spouse from the calculation of your Earned Income; and
- (e) enrollment status in Higher Education or Training.

9. **Review of Your Tax Returns.** For the tax year in which your Payment Term begins through the tax year in which your Payment Term ends, you agree to file your U.S. federal income tax returns no later than April 15 of the following year. You agree to notify us of any extension you seek for filing federal income tax returns. Moreover, if we request, you agree to sign and file IRS Form 4506-T or Form 4506T-EZ

(or any successor form) within thirty (30) days of our request, designating us as the recipient of your tax return information for returns covering any and all years of your Payment Term. You agree to perform any similar requirements or procedures for any other applicable country's taxing authority.

10. **Default and Remedies.**

(a) **Default.** Without prejudice to our other rights and remedies hereunder, and subject to applicable law, we may deem you to be in default under this ISA upon: (i) your failure to make any payment in full and on time for nine (9) consecutive months; (ii) your failure to provide Formal or Informal Earned Income Documentation or Documentation for Deferment as required by Sections 6(c), 6(d) and 6(g) within one (1) year of its due date; (iii) your failure to provide us a completed and signed IRS Form 4506-T or Form 4506T-EZ (or any successor form) within thirty (30) days of the annual deadline or our separate request, as set forth in Sections 6(d) and 9; or (iv) your violation of any other provision of this ISA that impairs our rights, including but not limited to our receipt of information we deem to be materially false, misleading or deceptive.

(b) **Remedies Upon Default.** Subject to applicable law (including any notice and/or cure rights provided by applicable law), upon default, we may elect to (i) collect the Payment Cap, less any Monthly Payments already made and plus any outstanding fees, (ii) enforce all legal rights and remedies in the collection of such amount and related fees (including any rights available to us to set off any state tax refund), (iii) put a hold on the release of your transcript from the University, or (iii) utilize any combination of these remedies. You agree to pay our court costs, reasonable attorneys' fees, collection fees charged by states for state tax refund set-off (currently fifteen percent in Indiana), and other collection costs related to the default (including our fees and costs due to your bankruptcy or insolvency, if applicable) to the extent permitted by applicable law.

(c) **Equitable Remedies.** If we conclude that money damages are not a sufficient remedy for any particular breach of this ISA, then we will be entitled to seek injunctive or other equitable relief as a remedy for any such breach to the fullest extent permitted by applicable law. Such remedy shall be in addition to all other remedies available at law or equity to us.

11. **Truthfulness of Application.** You represent that all information provided in connection with your Application is true and accurate and you have not provided any false, misleading or deceptive statements or omissions of fact. Except as disclosed to us in your Application, you represent that: (i) you have never been convicted of a felony or of any crime involving dishonesty or breach of trust under any federal or state statute, rule or regulation; (ii) you are not contemplating bankruptcy and you have not consulted with an attorney regarding bankruptcy in the past six months; (iii) you are at least 18 years of age and the age of majority in your state of current residence; (iv) you are a U.S. citizen or permanent resident; (v) the Funding Amount will be used toward your cost of attendance at the University; and (vi) you have filed all federal tax returns and reports as

required by law, they are true and correct in all material respects, and you have paid all federal taxes and other assessments due.

12. **Tax Reporting.** You agree and acknowledge that the federal, state and local income tax consequences of this ISA are not certain, and that we have not provided you with any tax advice or assurance of specific consequences.

Notwithstanding the foregoing, recognizing that all parties are best served by consistent, good faith tax reporting of the transaction in accordance with what the parties believe to be its economic substance, except as otherwise required by law, you agree to report the transaction for federal, state and local income tax purposes as a financial contract and not as a loan or any other form of indebtedness. Whether the financial contract results in a gain or loss will be unknown until the end of the Payment Term or until this Agreement is terminated, if prior to the end of the Payment Term. Under tax law, when the parties do not know the extent of the gain or loss from a transaction when it occurs, they can treat the transaction as an “open transaction” and determine the consequences once the final terms are known. Under this tax treatment, it is expected that you will not recognize the Funding Amount as income when you enter into this Agreement. **Upon the maturity or termination of this ISA, if the aggregate amount of cash you received from us is greater than the aggregate sum of the payments you made to us during your Payment Term, then you will likely recognize ordinary income equal to the difference between the amount of cash received from us and the sum of the payments you made to us.** You agree to file your federal, State and local income tax returns in accordance with this expected tax treatment unless you notify us in writing at least thirty (30) days before filing any such return that you intend to take a contrary position.

You acknowledge that because the appropriate tax reporting is uncertain, the IRS and/or state or local taxing authorities may challenge the method of reporting described above, and new legislation may affect the federal, state or local tax treatment of this Agreement. If such a challenge were to succeed, you could have significantly greater tax liability at a significantly earlier time or times than would be the case under the method described above. While we are under no obligation to do so, it is also possible that we may seek a ruling from the IRS during your Payment Term regarding these tax consequences. **You agree and acknowledge that you have had an opportunity to consult with your own trusted advisor about the tax consequences of entering into this ISA and receiving the Funding Amount.**

13. **Electronic Delivery.** We may decide to deliver any documents or notices related to this ISA by electronic means. Except as otherwise provided in the Consent to Electronic Communications, you agree to receive such documents or notices by electronic delivery and to participate through an on-line or electronic system established and maintained by us or a third party designated by us.

14. **Automatic Reminders.** We may use automated telephone dialing, text messaging systems and electronic mail to provide messages to you about payment due dates, missed payments and other important information. The telephone messages may



be played by a machine automatically when the telephone is answered, whether answered by you or someone else. These messages may also be recorded in your voicemail. You give us your permission to call or send a text message to any telephone number you provide us now or in the future and to play pre-recorded messages or send text messages with information about this ISA over the phone. You also give us permission to communicate such information to you via electronic mail. You agree that we will not be liable to you for any such calls or electronic communications, even if information is communicated to an unintended recipient. You understand that, when you receive such calls or electronic communications, you may incur a charge from the company that provides you with telecommunications, wireless and/or Internet services. You agree that we have no liability for such charges.

15. **Telephone Recording.** You understand and agree that we may monitor and/or record any of your phone conversations with us.

16. **Consent to Credit and Income Verification; Credit Reporting.** You authorize us to obtain your credit report, verify the information that you provide to us, and gather additional information that may help us assess and understand your performance under this ISA. You understand that we may verify your information and obtain additional information using a number of sources, including but not limited to consumer reporting agencies, other third-party databases, past and present employers, other school registrars, public sources, and personal references provided by you. If you ask, you will be informed whether or not we obtained a credit report and, if so, the name and address of the consumer reporting agency that furnished the report. You also understand and agree that we may obtain a credit report and gather additional information, including from the sources described above, in connection with the review or collection of your ISA. You consent to our sharing of your information with our affiliates and financing parties, which we will do using reasonable data security procedures.

**You authorize us to report information about this ISA to credit bureaus. Although this ISA is not “a loan or other debt or credit instrument,” we may inform credit bureaus about your positive payment behavior when you make payments as agreed. However, this also means that late payments, missed payments or other defaults under this ISA may be reflected in your credit report.**

17. **Amendments and Waivers.** We may amend this ISA by providing you with 30 days advance written notice of any significant changes to the address in our records. However, if an amendment is necessary to comply with changes in applicable law, we may amend this ISA without providing you with advance notice. No delay or failure to require performance of any provision of this ISA shall constitute a waiver of that provision as to that or any other instance.

18. **Customer Identification Policy.** To help the government fight the funding of terrorism and money laundering activities, we will obtain, verify and record information that identifies each person who enters into this ISA. What this means for you: when you enter into this ISA, we reserve the right to ask for your name, address, date of birth and

other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents, or for you to provide true and correct copies to us.

19. **Governing Law.** The validity, interpretation, construction and performance of this ISA, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto and thereto shall be governed, construed and interpreted in accordance with the laws of the State of Indiana, without giving effect to principles of conflicts of law. Notwithstanding the foregoing, federal law shall govern the Arbitration Agreement in Section 28.

20. **Entire ISA.** This ISA sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between you and us relating to the subject matter hereof.

21. **Successors and Assigns.** Except as otherwise provided in this ISA, this ISA, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. We may sell, assign or otherwise transfer any of our rights, economic benefits or obligations under this ISA. You may not assign, whether voluntarily or by operation of law, any of your rights, economic benefits or obligations under this ISA, except with our prior written consent.

22. **Notices.** Any notice, demand or request required or permitted to be given under this ISA shall be in writing and, except as otherwise provided, shall be deemed sufficient when sent by email or two (2) Business Days after being deposited in the U.S. mail as certified or registered mail with postage prepaid. Notices to BaB shall be sent by first class U.S. mail or nationally recognized overnight courier to Back a Boiler – ISA Fund, LLC c/o Vemo Education, P.O. Box 2453, Oldsmar, FL 34677, or faxed to (813) 438-7862, with a copy to [backaboilerinfo@prf.org](mailto:backaboilerinfo@prf.org). We may modify our notice address by written notice to you. Notices to Participant shall be sent to the e-mail or physical mail addresses set forth below your signature on your Application, or as subsequently modified by written notice to us.

23. **Severability.** Except as set forth in the Arbitration Agreement, if one or more provisions of this ISA are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this ISA, (ii) the balance of the ISA shall be interpreted as if such provision were so excluded and (iii) the balance of the ISA shall be enforceable in accordance with its terms.

24. **Execution; Electronic Transactions.** This ISA may be executed electronically or manually. Execution may be completed in counterparts (including both counterparts that are executed on paper and counterparts that are electronic records and executed electronically), which together constitute a single agreement. Any copy of this

ISA (including a copy printed from an image of this ISA that has been stored electronically) shall have the same legal effect as an original.

25. **Independent Decision to Enter into ISA.** You agree that this ISA is an arms-length transaction. You agree that we are not an agent or fiduciary or advisor in your favor in connection with the execution of this ISA. You agree that we have not provided any legal, accounting, investment, regulatory or tax advice with respect to this ISA.

26. **Marriage.** If you are married or get married, you agree to document your income separately from your spouse's and to provide us with the necessary documentation to calculate your individual Earned Income. If you are married and live in Wisconsin on the date you sign this ISA or during the term hereof, your signature on this ISA confirms that any financial obligation incurred as a result of this ISA is being incurred in the interest of your marriage or family. If you are married and live in Texas on the date you sign this ISA or during the term hereof, you agree to hold your Earned Income in a separate bank account from your spouse.

27. **Notice and Cure.** Prior to initiating a lawsuit or arbitration regarding a Claim (as defined in Section 28 below), the party asserting the Claim (the "Complaining Party") shall give the other party (the "Defending Party") written notice of the Claim (a "Claim Notice") and a reasonable opportunity, not less than 30 days, to resolve the Claim. If we are the Complaining Party, we will send the Claim Notice to you at your email or physical address appearing in our records or, if you are known to be represented by an attorney, to your attorney at his or her office address. Any Claim Notice must explain the nature of the Claim and the relief that is demanded. The Complaining Party must reasonably cooperate in providing any information about the Claim that the Defending Party reasonably requests.

28. **Arbitration Agreement.** Except as expressly provided below, Participant and BaB agree that any past, present or future claim, dispute or controversy, regardless of the legal theory on which it is based, arising out of, relating to or in connection with this ISA, or that arises from or is related to any relationship resulting from this ISA (a "Claim"), shall be submitted to and resolved on an individual basis by binding arbitration under the Federal Arbitration Act, 9 U.S.C. §§1 et seq. (the "FAA") before the American Arbitration Association (the "AAA") under its Consumer Arbitration Rules (the "AAA Rules"), in effect at the time the arbitration is brought, unless BaB and the Participant agree in writing to arbitrate before a different party. If a Claim is arbitrated, it will be resolved by a neutral third-party arbitrator, and not by a judge or a jury, and Participant and BaB knowingly and voluntarily waive the right to a jury trial on such Claim. "Claim" has the broadest possible meaning, and includes initial claims, counterclaims, cross-claims and third-party claims. It includes disputes based upon contract, tort, consumer rights, fraud and other intentional torts, constitution, statute, regulation, ordinance, common law and equity (including any claim for injunctive or declaratory relief). If the AAA is unable to serve as administrator, the arbitration shall be conducted under, and the arbitrator shall be selected in accordance with the Indiana Rules of Court Rules for Alternative Dispute Resolution. The AAA Rules are available online at [www.adr.org](http://www.adr.org). For purposes of this Arbitration

Agreement, (1) the term “BaB” includes (a) Back a Boiler – ISA Fund, LLC, (b) any successor, assignee, transferee, agent, designee or servicer of Back a Boiler – ISA Fund, LLC; (c) any affiliates, subsidiary, and/or parent of the persons and entities referenced in (a) or (b); (d) the officers, directors, employees, stockholders, members, affiliates, subsidiaries, and parents of all of the foregoing in (a) through (c); and (e) any party named as a co-defendant with BaB in a Claim asserted by the Participant, such as servicers and debt collectors; and (2) the term “Participant” means the Participant. Notwithstanding the above, if a Claim that the Participant or BaB wishes to assert against the other is cognizable in a small claims court (or your state’s equivalent court) having jurisdiction over the Claim and the parties, the Participant or BaB may pursue such Claim in that small claims court; however, if the Claim is transferred, removed, or appealed to a different court, it shall be resolved by arbitration. Nothing in a small claims court lawsuit or its outcome shall constitute a waiver of any party’s rights under this Arbitration Agreement with respect to Claims asserted in any related or unrelated lawsuits. Moreover, any dispute concerning the validity or enforceability of this Arbitration Agreement must be decided by a court; any dispute concerning the validity or enforceability of the ISA as a whole is for the arbitrator.

Any arbitration hearing that you attend will take place in a location that is reasonably convenient for you. If you cannot obtain a waiver of the AAA’s or arbitrator’s filing, administrative, hearing and/or other fees, we will consider in good faith any request by you for us to bear such fees. Each party will bear the expense of its own attorneys, experts and witnesses, regardless of which party prevails, unless applicable law or this ISA gives a right to recover any of those fees from the other party. The arbitrator shall follow applicable substantive law to the extent consistent with the FAA, applicable statutes of limitation and privilege rules that would apply in a court proceeding, and shall be authorized to award all remedies available in an individual lawsuit under applicable substantive law, including, without limitation, compensatory, statutory and punitive damages (which shall be governed by the constitutional standards applicable in judicial proceedings), declaratory, injunctive and other equitable relief, and attorneys’ fees and costs. Upon the timely request of either party, the arbitrator shall write a brief explanation of the basis of his or her award. The arbitrator’s award will be final and binding, except for any appeal right under the FAA. Any court with jurisdiction may enter judgment upon the arbitrator’s award.

This Arbitration Agreement shall survive the termination of this ISA, your fulfillment or default of your obligations under this ISA and/or your or our bankruptcy or insolvency (to the extent permitted by applicable law). In the event of any conflict or inconsistency between this Arbitration Agreement and the administrator’s rules or other provisions of this ISA, this Arbitration Agreement will govern. Purdue University, Purdue Research Foundation and Vemo Education, Inc. are third party beneficiaries of this Arbitration Agreement.

**CLASS ACTION WAIVER: IF A CLAIM IS ARBITRATED, NEITHER PARTICIPANT NOR BaB WILL HAVE THE RIGHT TO PARTICIPATE IN A CLASS ACTION, PRIVATE ATTORNEY GENERAL ACTION OR OTHER REPRESENTATIVE ACTION IN COURT OR IN ARBITRATION, EITHER AS A CLASS REPRESENTATIVE**

**OR CLASS MEMBER.** Further, unless both Participant and BaB agree otherwise in writing, the arbitrator may not join or consolidate Claims with claims of any other persons. The arbitrator shall have no authority to conduct any class, private attorney general or other representative proceeding, and shall award declaratory or injunctive relief only in favor of the party seeking relief and only to the extent necessary to provide relief warranted by that party's individual claim. If a determination is made in a proceeding involving BaB and the Participant that the class action waiver is invalid or unenforceable, only this sentence of this Arbitration Agreement will remain in force and the remainder of this Arbitration Agreement shall be null and void, provided, that the determination concerning the class action waiver shall be subject to appeal.

**RIGHT TO REJECT:** Participant may reject this Arbitration Agreement by mailing a signed rejection notice to Back a Boiler – ISA Fund, LLC, c/o Vemo Education, P.O. Box 2453, Oldsmar, FL 34677, or by faxing it to (813) 438-7862 within thirty (30) calendar days after the date of this ISA. Any rejection notice must include Participant's name, address, email address, telephone number and account number. If you reject this Arbitration Agreement, that will not affect any other provision of the ISA.

29. **Waiver of Jury Trial.** YOU ACKNOWLEDGE AND AGREE THAT, INASMUCH AS THE PURPOSE OF THE ARBITRATION AGREEMENT IN SECTION 28 IS TO REQUIRE THAT ALL CLAIMS BE RESOLVED BY BINDING ARBITRATION, NO PARTY TO THIS ISA SHALL BE ENTITLED TO A TRIAL BY JURY IF SUCH ARBITRATION AGREEMENT IS IN EFFECT. MOREOVER, TO THE EXTENT YOU TIMELY AND ADEQUATELY REJECT THE ARBITRATION AGREEMENT IN SECTION 28, OR IF FOR ANY OTHER REASON A CLAIM IS NOT ARBITRATED, BaB AND THE PARTICIPANT KNOWINGLY AND VOLUNTARILY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO A TRIAL BY JURY WITH RESPECT TO ANY CLAIM.

[SIGNATURE PAGE FOLLOWS]



The parties, intending to be legally bound, have executed this ISA as of the date set forth below.

**NOTICE TO PARTICIPANT:**

1. Do not sign this Agreement before you read it or if it contains any blank terms.
2. You are entitled to a completely filled in copy of this Agreement.
3. You have the right to pay off this Agreement in advance by paying the amount set forth in Section 6(h).

**Participant:** By signing below, you acknowledge that you have read this entire Agreement carefully and agree to its terms, including Section 12 (about your tax liability), Section 16 (about information about you that we use and reports about you that we make to credit bureaus), Section 25 (about this being an arms-length transaction between you and us), and Section 28 (about arbitration on an individual basis and class action waiver, including your opt-out right).

**BACK A BOILER – ISA FUND, LLC:**

**PARTICIPANT:**

By:  
 Date: 2019-08-01  
 Name:  
 Title:  
 Address: Back a Boiler – ISA Fund  
 1281 Win Hentschel Blvd.  
 West Lafayette, IN  
 47906  
 Phone: (765) 588-5495  
 E-mail: backaboilerinfo@prf.org

By: *First and Last Name*  
 Date: 2019-08-01  
 Name: First and Last Name  
 Address: Street  
 City, State  
 Zip Code  
 Phone: (XXX)XXX-XXXX  
 E-mail: youremail@purdue.edu

## Earned Income of Employed Workers by Undergraduate Major Category

### Persons aged 25–34 with a Bachelor’s Degree

| Undergraduate Major Category                              | Percent of Workforce | Earned Income Distribution |                             |                             |                 |                             |                             |
|---|----------------------|----------------------------|-----------------------------|-----------------------------|-----------------|-----------------------------|-----------------------------|
|   |                      | Average                    | 10 <sup>th</sup> Percentile | 25 <sup>th</sup> Percentile | Median          | 75 <sup>th</sup> Percentile | 90 <sup>th</sup> Percentile |
| Agricultural Sciences                                     | 1.1%                 | \$57,213                   | \$32,615                    | \$39,770                    | \$52,450        | \$68,438                    | \$91,357                    |
| Architecture  | 0.7%                 | \$58,257                   | \$31,436                    | \$42,349                    | \$53,336        | \$69,360                    | \$88,454                    |
| Arts & Humanities   | 1.2%                 | \$50,455                   | \$27,497                    | \$33,556                    | \$46,025        | \$59,872                    | \$79,177                    |
| Biological Sciences                                       | 3.7%                 | \$54,211                   | \$31,092                    | \$36,892                    | \$47,798        | \$67,647                    | \$86,742                    |
| Business & Management                                     | 24.0%                | \$68,932                   | \$32,910                    | \$43,039                    | \$59,255        | \$80,846                    | \$113,374                   |
| Communication Technologies                                | 0.4%                 | \$52,561                   | \$26,570                    | \$34,697                    | \$48,513        | \$62,770                    | \$84,661                    |
| Communications & Media                                    | 6.3%                 | \$57,706                   | \$28,174                    | \$37,534                    | \$50,781        | \$69,367                    | \$94,852                    |
| Computer Sciences   | 4.8%                 | \$69,834                   | \$34,105                    | \$45,918                    | \$62,880        | \$87,048                    | \$111,715                   |
| Construction Services                                     | 0.5%                 | \$72,762                   | \$36,452                    | \$51,525                    | \$69,410        | \$86,591                    | \$112,298                   |
| Cosmetology & Culinary Arts                               | 0.2%                 | \$45,036                   | \$24,686                    | \$31,965                    | \$41,693        | \$55,435                    | \$76,688                    |
| Criminal Justice & Fire Protection                        | 3.4%                 | \$52,690                   | \$26,003                    | \$34,165                    | \$46,040        | \$63,730                    | \$83,632                    |
| Education   | 6.3%                 | \$45,002                   | \$28,667                    | \$34,965                    | \$42,311        | \$51,093                    | \$64,973                    |
| Electrical & Mechanical Repairs & Technologies            | 0.1%                 | \$54,527                   | \$39,151                    | \$44,327                    | \$54,555        | \$61,894                    | \$72,121                    |
| Engineering   | 8.3%                 | \$81,835                   | \$47,799                    | \$60,575                    | \$79,405        | \$96,696                    | \$118,318                   |
| English Literature & Rhetoric                             | 2.4%                 | \$49,214                   | \$23,564                    | \$32,056                    | \$43,550        | \$59,582                    | \$79,625                    |
| Environmental Sciences                                    | 0.8%                 | \$49,303                   | \$27,172                    | \$34,738                    | \$46,792        | \$61,162                    | \$73,800                    |
| Ethnic & Civilization Studies                             | 0.3%                 | \$57,476                   | \$26,294                    | \$36,030                    | \$48,428        | \$66,975                    | \$107,571                   |
| Family & Consumer Sciences                                | 0.7%                 | \$44,503                   | \$22,682                    | \$29,538                    | \$38,758        | \$51,509                    | \$72,619                    |
| Health & Medical Professions                              | 5.9%                 | \$51,901                   | \$28,359                    | \$35,811                    | \$46,934        | \$64,036                    | \$83,147                    |
| History   | 1.8%                 | \$52,442                   | \$30,670                    | \$35,985                    | \$47,231        | \$59,169                    | \$77,240                    |
| Law & Legal Studies                                       | 0.2%                 | \$52,386                   | \$35,246                    | \$40,448                    | \$46,633        | \$55,694                    | \$87,268                    |
| Library Science   | 0.0%                 | \$33,235                   | \$33,159                    | \$33,159                    | \$33,159        | \$33,159                    | \$33,519                    |
| Linguistics & Comparative Language                        | 0.7%                 | \$53,508                   | \$27,843                    | \$36,099                    | \$47,767        | \$63,511                    | \$88,634                    |
| Mathematics & Statistics                                  | 1.0%                 | \$77,594                   | \$42,927                    | \$52,868                    | \$73,958        | \$91,860                    | \$121,427                   |
| Military Technologies                                     | 0.0%                 | \$52,038                   | \$50,610                    | \$50,610                    | \$52,920        | \$52,920                    | \$52,920                    |
| Multidisciplinary Studies                                 | 1.0%                 | \$57,380                   | \$36,356                    | \$41,102                    | \$53,012        | \$66,431                    | \$86,916                    |
| Nuclear, Industrial, Biotech, & Radiological Technologies | 0.0%                 | \$54,252                   | \$39,742                    | \$41,827                    | \$52,536        | \$67,558                    | \$73,294                    |
| Philosophy & Religious Studies                            | 0.5%                 | \$54,580                   | \$24,870                    | \$32,518                    | \$45,197        | \$62,435                    | \$85,502                    |
| Physical Fitness, Parks, Recreation, & Leisure            | 1.9%                 | \$48,621                   | \$24,548                    | \$32,612                    | \$42,875        | \$57,323                    | \$75,547                    |
| Physical Sciences   | 2.1%                 | \$59,698                   | \$38,036                    | \$45,192                    | \$55,264        | \$69,996                    | \$84,764                    |
| Psychology  | 4.5%                 | \$47,479                   | \$33,426                    | \$37,083                    | \$45,261        | \$56,726                    | \$64,485                    |
| Public Administration, Policy, & Services                 | 1.1%                 | \$55,770                   | \$31,253                    | \$37,435                    | \$47,805        | \$67,966                    | \$99,154                    |
| Social Sciences   | 7.2%                 | \$62,658                   | \$30,607                    | \$40,637                    | \$53,380        | \$75,927                    | \$102,174                   |
| Technology  | 0.8%                 | \$66,921                   | \$37,633                    | \$49,457                    | \$63,623        | \$80,014                    | \$101,400                   |
| Theology & Religious Vocations                            | 0.4%                 | \$43,100                   | \$22,951                    | \$30,034                    | \$38,515        | \$50,719                    | \$66,731                    |
| Transportation  | 0.3%                 | \$61,559                   | \$29,755                    | \$41,214                    | \$56,781        | \$74,628                    | \$100,802                   |
| Visual & Performing Arts                                  | 5.6%                 | \$50,590                   | \$24,137                    | \$32,534                    | \$43,419        | \$60,448                    | \$84,959                    |
| <b>Overall</b>  | <b>100.0%</b>        | <b>\$59,523</b>            | <b>\$33,238</b>             | <b>\$41,642</b>             | <b>\$54,312</b> | <b>\$70,910</b>             | <b>\$92,308</b>             |

**Source:** American Community Survey, US Bureau of the Census, 2015–17 Surveys (<https://www.census.gov/programs-surveys/acs/>).

**Notes:** Earned income figures reflect wages, deferred income, and self-employment income for both full- and part-time workers with a bachelor’s degree in each category of majors in the US. Dollar figures for 2015 and 2016 have been adjusted to 2017 dollars. For additional information about possible full-time salary outcomes after graduation for Purdue University students, visit the Purdue Center for Career Opportunities at <https://www.cco.purdue.edu/data> or the Back a Boiler Comparison Tool at <http://compare.backaboiler.org/>.