MEMORANDUM

March 30, 2020

TO: The Consumer Financial Protection Bureau
    State Attorneys General
    State Banking Departments and Financial Regulators
    The U.S. Department of Education

FROM: Mike Pierce, Director of Policy & Managing Counsel
      Tamara Cesaretti, Counsel

RE: Income Share Agreements and TILA’s Ban on Prepayment Penalties

I. Introduction

Income Share Agreements (ISAs) are a risky form of student financing often advertised as an “innovative solution to the student debt crisis” but are often drivers of consumer harm and fair lending risk. Like traditional student financing, borrowers receive funding for their higher education and in turn agree to repay this money in the future—in this case via monthly payments tied to borrowers’ post-attendance earnings. ISAs have received increased attention as schools and companies touting these products increasingly promote them as a response to the economic instability driven by the coronavirus crisis.

Despite the risky and untested nature of these financial products, ISA lenders often attempt to avoid any federal or state consumer protection laws by claiming their product does not constitute “credit” or “loans.” The representations ISA companies make to evade oversight and

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5 See Pearl & Shearer, supra note 3.  
accountability, including by claiming that ISAs are “not a loan,” are false as a matter of law. ISAs, as typically structured, meet the definition of credit under various federal laws and, specifically with regard to the analysis in this memorandum, many are covered under the definition of a private education loan as defined in the Truth in Lending Act (TILA).

As the following memorandum discusses, applying TILA to ISAs is critically important because the law expressly prohibits harmful features of ISAs, including "prepayment penalties"—a lending industry practice that forces borrowers to repay an extra sum if they elect to pay off a debt early.

Policymakers have banned prepayment penalties in certain consumer credit contracts because they lock borrowers into expensive credit and discourage them from refinancing high-rate debt as borrowers' credit improves, interest rates fall, or the products available in the marketplace change. As the following memorandum discusses in detail, this consumer protection is particularly important in the student financing market, where borrowers’ credit often rapidly improves after earning a credential and where prepayment penalties trap potentially vulnerable borrowers in high-cost credit in order to preserve the lender’s future financial return.

II. Background and Overview

The risks posed by ISAs have long been the subject of warnings from regulators, law enforcement officials, advocates, and even some in the student loan industry. Over the past year, these risks have emerged in a range of investigations, government actions, and serious allegations of abuse by former students:

8. See Pearl & Shearer, supra note 3 (“ISA lenders market these products as alternatives to traditional education loans and debt. The first words in the sample ISA contract Purdue makes available on its website are: ‘THIS IS NOT A LOAN OR CREDIT.’”) (citing Utah’s ISA, Clarkson’s ISA, and Purdue’s ISA).


• **Deceptive marketing by ISA lenders to students at large public universities.** In 2020, the National Consumer Law Center (NCLC) and the Student Borrower Protection Center (SBPC) filed a complaint with the Federal Trade Commission (FTC) alleging that ISA provider Vemo Education undertook an illegal marketing scheme that made Vemo-backed ISAs appear cheaper than certain federal and private student loans, deceiving students at University of Utah and Purdue University about the cost of its products.¹⁶

• **Illegal operations by unlicensed coding bootcamps providing ISAs.** In October 2020, the California Bureau of Private Postsecondary Education issued the unaccredited coding

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¹⁶ See Advocates File Complaint with FTC: Urge Enforcement Action Against Vemo Education for Its Deceptive Marketing for Income-Share Agreements to Students, Nat’l Consumer LawCtr. (June 1, 2020), https://www.nclc.org/media-center/advocates-file-complaint-with-ftc-urge-enforcement-action-against-vemo-education-for-its-deceptive-marketing-of-income-share-agreements-to-students.html. In response to NCLC and SBPC’s complaint, Vemo and its affiliate schools made substantial changes to their online ISA cost comparison tools. For example, the University of Utah no longer displays a comparison tool. See Income Share Agreement: Research & Compare your Options, Univ. of Utah, [https://perma.cc/K4AW-GYHA] (“We are in the process of developing a compilation of resources and tools to assist you; in the meantime, we suggest you to contact the U’s ISA Counselor at isa@utah.edu for an appointment to help you with your research.”). Purdue University continues to offer an online ISA private comparison tool but with several substantial changes in that the NCLC and SBPC’s complaint addressed. For example, NCLC and the SBPC noted that Purdue’s comparison tool used likely inaccurate or inappropriately generalized starting incomes for graduates. See Complaint, Request for Investigation, Injunction and Other Relief, In re Vemo Educ., Inc., F.T.C. at 15 (May 31, 2020), https://protectborrowers.org/wp-content/uploads/2020/05/Vemo-Complaint.pdf [hereinafter “Vemo Complaint’’]. Afterwards, Purdue or Vemo added substantial new disclosures and options for borrowers to select for a starting income. See Comparison Tool, Purdue Univ., [https://perma.cc/R6P8-WTTM]. However, it is not obvious that these changes amount to an improvement. In the NCLC and SBPC complaint, it was noted that Purdue’s comparison tool represented the starting income for an Accounting major as $49,000 while the College Scorecard indicated that Purdue students with this major had median incomes of $56,300, and another area of Purdue’s website indicated that students in the accounting major had median incomes of roughly $55,000. See Vemo Complaint, supra at 19. Now, the default option in the comparison tool for annual starting income for accounting majors graduating in May 2021 is “$47k,” an even lower figure than the apparently incorrect $49,000 measure pointed to in the NCLC and SBPC complaint. See Comparison Tool, Purdue Univ., [https://perma.cc/9DL6-6KGS]. Purdue’s comparison tool represents this figure as reflecting the median income for an “[o]verall blend of students,” but it remains unclear how this statistic was derived. Further, after NCLC and the SBPC noted that Purdue’s comparison tool overstated the cost of a Parent Plus loan by inappropriately assuming that the borrower would not enter repayment until after graduation (see Vemo Complaint, supra at 10), Purdue or Vemo added a toggle allowing borrowers to select whether the tool models repayment on Parent Plus loans as beginning during the in-school period or after graduation. See Comparison Tool, Purdue Univ., [https://perma.cc/VFX6-34ZZ]. Finally, the NCLC and SBPC complaint noted that Purdue’s Vemo-backed ISA cost comparison tool does not transparently represent how income growth is modeled. See Vemo Complaint, supra at 24. This issue appears not to have been addressed, except for Vemo/Purdue’s addition of the disclosure “The income projections also show a range of projected income growth over time, which will always reflect an overall blend of students regardless of graduation and employment outcomes. Income projections are derived using various data sources, including government sources and school information.” See Comparison Tool, Purdue University, [https://perma.cc/26UJ-4APV]. Note that the continued “blending” of graduate and non-graduate incomes may still mislead borrowers by artificially deflating starting incomes, as noted in the NCLC and SBPC complaint. See Vemo Complaint, supra at 28. Moreover, the SBPC and NCLC noted in their complaint that the nature of Vemo’s structuring of income growth projections may present income as growing at an artificially low rate by applying a faster percentage growth rate earlier in the borrower’s career than later in the borrower’s career, when the same percent increase would lead to a greater dollar-value increase in the cost of the ISA (given that the borrower’s income would be higher at that time). See Vemo Complaint, supra at 27. It appears that Vemo continues to misleadingly structure incomes as growing more quickly earlier in borrowers’ careers. See New Purdue Income Math, Student Borrower Prot. Ctr [https://perma.cc/HA6T-TYZ2].
bootcamp Lambda School a $50,000 fine for operating in California without a license, despite a prior warning by the state regulator about Lambda’s noncompliance.17 Lambda also allegedly misled students about job placement rates and the funding source of its ISAs.18

- **Failure to integrate borrowers’ legal rights into ISA contracts.** The FTC’s Holder Rule is a central consumer protection in educational lending that ensures consumers can effectively assert claims they have when their consumer contracts are purchased by a subsequent creditor.19 An SPBC investigation revealed that it was common for ISA contracts to lack language required by the Holder Rule, leaving borrowers vulnerable to abuse by future creditors when their loan is sold or transferred.20

- **Possible violations of fair lending law by a company that issues ISAs, exposing risks of discrimination in the ISA business model.** An investigation by the SBPC has uncovered evidence that one company, Stride Funding, may be penalizing borrowers for attending minority-serving institutions (MSIs) and Historically Black Colleges and Universities (HBCUs).21 This suggests students attending those schools may pay more for the same ISA funding than if they were to pursue their education at a school that is not an MSI. These findings, highlighted in a demand letter to Stride Funding written jointly with the NAACP Legal Defense and Education Fund, underscore recent warnings by fair lending experts that the risk of so-called “educational redlining”—wherein the use of borrowers’ educational background in credit decisioning reinforces systemic barriers to fair financing—is especially pronounced in among ISA providers.22

- **Allegations of deception and abuse against schools that push students into ISAs then offload debts to Wall Street investors.** Where schools or coding bootcamps offer ISAs directly to their own students, this can create a powerful financial incentive to stick borrowers with unaffordable debts.23 This occurs because schools that make ISAs often sell them to investors in a secondary market—offloading the risk of nonpayment, while immediately booking revenue.24 Without “skin in the game,” this structure creates a powerful financial incentive for schools to use misrepresentations to enroll students and to ignore the quality of the education they provide. For example, one coding bootcamp, San Francisco-based Holberton School, allegedly used tactics like advertising “ivy league salaries” and “no up-front tuition,” targeted to people of color.25 Many of these practices were hallmarks of the most predatory for-profit schools a decade ago.

19 Roesch & Kaufman, supra note 9.
20 Id.
22 See Hayes & Milton, supra note 2.
24 See id.
25 See id.
III. Income Share Agreements and the Truth in Lending Act

a. ISAs Meet TILA’s Definitions of “Credit” and Are Typically “Private Education Loans”

Under TILA, “credit” is defined as “the right granted by a creditor to defer payment of debt or to incur debt and defer its payment.”26 In the common structure of an ISA, ISA providers pay tuition or education expenses on behalf of a borrower.27 In exchange, the borrower agrees to repay the provider after they leave school in an amount that is tied to their income for a prescribed period, up to a payment cap.28 In most cases, the borrower will repay more than the amount financed, which in effect functions as a finance charge.29

According to recent analysis authored by two former senior regulators at the Consumer Financial Protection Bureau (CFPB), an ISA’s structure meets all of the requirements of credit, and they should be treated as credit for the purposes of TILA.30 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.”31 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 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.”32 Moreover, school websites promoting ISAs confirm that the student receives educational funding immediately (this taking on “debt”) in exchange for a promise to defer payment.33 This is the very definition of credit.

28 Id.; for further discussion of payment caps and the repayment structure of an ISA see infra text accompanying notes 59-63.
29 Supra note 27.
30 Pearl & Shearer, supra note 3; Roesch, supra note 6; Roesch & Kaufman, supra note 9; Adam Levitin, What is ‘Credit’? AfterPay, Earnin’, and ISAs, Student Borrower Prot. Ctr. (July 17, 2019); https://protectborrowers.org/what-is-credit/.
31 15 U.S.C. § 1602(f). For a thorough discussion of the application of TILA and other federal financial statutes to ISAs, see Pearl & Shearer, supra note 3.
32 Cal. Civil Code §§ 3439.01(b) & (d). Statutory definitions of “debt” in states where large public universities offer ISAs clearly encompass these financial obligations. For example, Ind. Code Ann. § 28-1-29-1(6) defines “debt” as “an obligation arising out of personal, family, or household use.”). Similarly, Colorado’s Fair Debt Collection Practices Act defines “debt” in relevant part as “any obligation or alleged obligation of a consumer to pay money arising out of a transaction, whether or not the obligation has been reduced to judgment.” Col. Rev. Stat. § 5-16-103(8)(a). Utah’s Collection Agency Act defines “debt” as “an obligation or alleged obligation to pay money arising out of a transaction for money, property, insurance, or services.” Utah Code Ann. § 12-1-11. Because ISAs are “obligations” to pay money in accordance with the contractual terms, and educational services are “personal” rather than commercial, ISAs appear to be “debt” under these statutes’ plain language.
33 Purdue’s website explains that “an Income Share Agreement (ISA) is a contractual agreement in which a student receives education funding in exchange for an agreed upon percentage of post-graduation income over a defined
Despite representations by the ISA industry that these products’ income-contingent structures place them outside TILA’s definition of “credit,” ISAs parallel income-driven repayment programs universally available to federal student loan borrowers. Further, in part based on the success of income-driven repayment in protecting creditors’ long-term financial interests by encouraging successful repayment, a growing number of other student lenders have adopted income-contingent loan features as part of private education loans.

Upon surveying this landscape, the analysis by former CFPB regulators cited above concludes that ISAs should be subject to a broad range of federal consumer financial laws, including regulation as “credit” under TILA. The authors explain their reasoning:

ISAs are functionally equivalent to student loans with income-driven repayment options. Both ISAs and student loans provide financing for higher education. They both require the borrower to repay with a set number of payments calculated as a percentage of income. In both circumstances, the monthly payments can be as low as $0. And student loans with income-driven repayment options are subject to federal consumer financial law governing credit, unless explicitly exempted. The fact that ISA lenders claim they do not extend credit to student borrowers does not change this analysis. In the consumer law context, courts consistently look to the substance of agreements over conclusory claims of the parties to determine whether an arrangement is an extension of credit. When faced with contracts that purport not to be “credit,” courts will interpret the nature of the parties’ agreement “after peeling away . . . labels from these transactions.

TILA also defines specific types of consumer credit, including a “private education loan,” which is “a loan provided by a private educational lender that . . . is issued expressly for postsecondary educational expenses to a borrower.” Regulation Z implements this definition, defining a private education loan as “an extension of credit that:

(i) Is not made, insured, or guaranteed under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.);

(ii) Is extended to a consumer expressly, in whole or in part, for postsecondary educational expenses, regardless of whether the loan is provided by the educational institution that the student attends;

(iii) Does not include open-end credit or any loan that is secured by real property or a dwelling; and

number of years.” FAQ about Back a Boiler – ISA Fund, Purdue Univ.,

See, e.g. 20 U.S.C. § 1098e.

See, e.g. Income Based Repayment (IBR), Chicago Student Loans by A.M. Money,
https://chicagostudentloans.com/repayment; Income-Based Repayment, R.I. Student Loan Authority,

Pearl & Shearer, supra note 3.

(iv) Does not include an extension of credit in which the covered educational institution is the creditor if:

(A) The term of the extension of credit is 90 days or less; or

(B) an interest rate will not be applied to the credit balance and the term of the extension of credit is one year or less, even if the credit is payable in more than four installments.\(^{38}\)

To determine whether an ISA constitutes a private education loan, we must establish the five principal elements included in this definition: 1) that an ISA is an “extension of credit,” 2) that an ISA is not a federal student loan 3) that an ISA is “extended to a consumer expressly, in whole or in part, for postsecondary educational expenses,” 4) that an ISA is not “open-end credit” or “secured by real property,” and 5) that an ISA is not a short-term extension of credit or an interest-free installment loan with a term less than one year. It is clear that a typical ISA satisfies each of these elements:

- **An ISA is an “extension of credit.”** As described above, ISAs meet TILA’s definition of “credit”—the functionality of ISAs makes them a “right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.”\(^{39}\)

- **An ISA is not a federal student loan.** As an extension of credit made outside of the government lending programs authorized under the Higher Education Act, ISAs clearly satisfy this element. Consistent with current higher education law and regulations, an ISA definitionally can never be “made, insured, or guaranteed under Title IV . . . .”\(^{40}\)

- **An ISA is typically extended “expressly, in whole or in part, for postsecondary educational expenses.”** Based on the review of common ISA agreements and ISA providers described in the subsequent section of this memorandum, ISA providers expressly market these products\(^{41}\) for “postsecondary education expenses,” which are defined in Regulation Z as:

> [A]ny of the expenses that are listed as part of the cost of attendance, as defined under section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll), of a student at a covered educational institution. These expenses include tuition and fees, books, supplies, miscellaneous personal expenses, room and board, and an allowance for any loan fee, origination fee, or

\(^{38}\) 12 C.F.R. § 226.46(b)(5).

\(^{39}\) 15 U.S.C. § 1602(f). For a thorough discussion of the application of TILA and other federal financial statutes to ISAs, see Pearl & Shearer, supra note 3. See also, Roesch, supra note 6; Roesch & Kaufman, supra note 9; Levitin supra note 30.

\(^{40}\) 20 U.S.C. § 1078 et. seq.

insurance premium charged to a student or parent for a loan incurred to cover the cost of the student’s attendance.\textsuperscript{42}

- \textit{An ISA is not “open-end credit” and not tied to real property.} Under Regulation Z, “open-end credit” is defined as “consumer credit extended by a creditor under a plan in which: (i) The creditor reasonably contemplates repeated transactions; (ii) The creditor may impose a finance charge from time to time on an outstanding unpaid balance; and (iii) The amount of credit that may be extended to the consumer during the term of the plan (up to any limit set by the creditor) is generally made available to the extent that any outstanding balance is repaid.”\textsuperscript{43} Unlike a loan where all funds are provided at the beginning of the term, open-end credit signifies a revolving line of credit that can repeatedly be used and repaid, like a credit card.\textsuperscript{44} In contrast, as a non-revolving extension of credit with a defined maximum repayment term, an ISA is a closed-end credit transaction and satisfies this element of the definition of a private education loan.

- \textit{Even in cases where an ISA is made directly by a covered educational institution, An ISA is not short-term credit.} Typically, ISAs are set to be paid over several years—in fact, the defining feature of an ISA from the perspective of a lender is the ability to capture a portion of the financial gains attained by the borrower as a result of the borrower’s newly acquired education or training.\textsuperscript{45} Presumably for this reason, no ISA contracts or marketing materials reviewed by the authors of this memorandum featured a repayment term of one year or less. Consequently, these ISAs do not meet the parameters of short-term credit for the purposes of being excluded from the definition of a private education loan.\textsuperscript{46}

\textsuperscript{42} 12 C.F.R. § 1026.46(b)(3). Readers should note that when determining whether an ISA satisfies this element, we must also consider whether the program financed is one offered by a “covered educational institution.” Regulation Z defines a “covered educational institution” as “(i) An educational institution that meets the definition of an institution of higher education, as defined in paragraph (b)(2) of this section, without regard to the institution’s accreditation status ….” and “(2) Institution of higher education has the same meaning as in sections 101 and 102 of the Higher Education Act of 1965 (20 U.S.C. § 1001-1002) and the implementing regulations published by the U.S. Department of Education.” The official staff commentary about this provision of Regulation Z further clarifies that “A covered educational institution includes any educational institution that meets the definition of an institution of higher education in § 1026.46(b)(2). An institution is also a covered educational institution if it otherwise meets the definition of an institution of higher education, except for its lack of accreditation. Such an institution may include, for example, a university or community college. It may also include an institution, whether accredited or unaccredited, offering instruction to prepare students for gainful employment in a recognized profession, such as flying, culinary arts, or dental assistance. A covered educational institution does not include elementary or secondary schools.” With regard to the market for income-share agreements, all ISAs offered to students at 4-year colleges and universities are products offered by a covered educational institution, consistent with the definition set forth above. Further, some ISAs offered by unaccredited coding academies and bootcamps, and other career training providers may also constitute programs offered by a “covered educational institution” since these programs are “offering instruction to prepare students for gainful employment in a recognized profession.” For the purpose of the foregoing analysis, this memorandum does not attempt to offer detailed consideration of what constitutes an unaccredited “gainful employment” program, which may merit further scrutiny.


\textsuperscript{45} See Appendix A

\textsuperscript{46} 12 C.F.R. § 226.46(b)(5).
As described above, a typical ISA plainly constitutes a student loan, albeit one with an income-contingent repayment feature. Based on a careful reading of the elements of a private education loan, a typical ISA also meets this definition under TILA. For products meeting the definitions of both “credit” and a “private education loan” under TILA certain legal requirements follow, including the ban on prepayment penalties discussed below.

b. TILA Prohibition on Prepayment Penalties for Private Education Loans

In response to significant scandals in the private student loan market exposed by state law enforcement officials, Congress enacted a package of provisions known at the time as the Student Loan Sunshine Act, included as part of the 2008 reauthorization of the Higher Education Act. This set of consumer protections, intended to protect students from backroom deals cut between lenders and schools to drive students into high cost student loans, included amendments to the Truth in Lending Act expressly regulating private student loans for the first time. Congress intended these changes to ensure that students would be “better protected from dangerous levels of private student loan debt” and the “questionable practices by some lenders.” One provision of this new law made it “unlawful for any private educational lender to impose a fee or penalty on a borrower for early repayment or prepayment of any private education loan,” also known as a prepayment penalty.

In doing so, Congress incorporated a consumer protection that had long existed in the mortgage market. As early as 1994, federal law prohibited the imposition of prepayment penalties on certain high-cost mortgages. Because this ban on prepayment penalties only applied to a small subset of the mortgage market, these provisions continued to be widely used by subprime mortgage lenders and unregulated finance companies, particularly in the run up to the financial crisis. Companies would include these predatory terms to strip wealth from vulnerable borrowers and trap them in high cost credit, despite widespread availability of lower-cost refinancing. Recognizing the limits of the 1994 ban on prepayment penalties, Congress and regulators subsequently expanded and strengthened this prohibition to capture other mortgage products and a greater share of the

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48 Id.
50 Press Release, Off. of Speaker of the H. Nancy Pelosi, Student Loan Sunshine Act Comes to the Floor (May 9, 2007), https://www.speaker.gov/newsroom/student-loan-sunshine-act-comes-to-the-floor. HEOA also included provisions that would require institutions to disclose all relationships with lenders and only allow preferred lender lists when there were assurances that the lists were made for the students’ best interests. While this paper does not delve into the other protections offered in the HEOA, law enforcement officials and regulators should ensure institutions are complying with those provisions as well.
54 Goldstein & Strohauer Son, supra note 10.
55 Id.
mortgage market.\(^{56}\) Under the current federal regulations, a prepayment penalty for a high-cost mortgage is defined with respect to a closed-end credit transaction as any “charge imposed for paying all or part of the transaction’s principal before the date on which the principal is due . . . .”\(^{57}\)

Students, particularly those who may be drawn to ISAs, share many of the same characteristics as those subprime and high-cost mortgage borrowers described above. These borrowers may have thin or no credit and may be unable to access a creditworthy cosigner—effectively locking them out of the traditional prime or superprime private student loan market. These borrowers have been tricked into taking on risky and untested financial products, potentially as an act of financial desperation, whether by relying on promises that ISAs are “not a loan” or by deceptions around the costs of these financial products.\(^{58}\) Prepayment penalties ensure a borrower’s decision to take on high-cost credit cannot be undone without a significant cost and, as a result, this high-cost credit will remain a constant in their economic lives over years or decades.

c. Income Share Agreements Contain Prohibited Prepayment Penalties

Prepayment penalties are a key feature of a typical ISA. As the following section of this memorandum discusses in detail, an typical ISA imposes a hidden charge on borrowers who pay off ISA early, often in violation of federal law.

i. Background on ISA Repayment

To understand how a prepayment penalty affects a borrower repaying an ISA, first consider the structure of a typical agreement. Borrowers repaying ISAs can typically satisfy their obligation in one of two ways:

- **Completing a specified number of income-driven payments or months of non-payment.** A borrower may satisfy the terms of a typical ISA by making a series of monthly payments or months of non-payment pegged to income over a defined period of time, irrespective of whether the borrower ultimately repays the initial amount extended. As described by a national law firm that counsels ISA providers, “[a]fter the end of the [term of the ISA], no further payments will be required . . . regardless of how many payments have been made or how much has been paid.”\(^{59}\)

- **Repaying a specified amount of money.** In the alternative, a borrower can satisfy his or her obligation by making payments that total a specified amount of money disclosed in the agreement—typically an amount over-and-above the amount of credit extended by the ISA.


\(^{57}\) CFPB Requirements for High-Cost Mortgages, 12 C.F.R. § 1026.32(b)(6), [https://www.consumerfinance.gov/rules-policy/regulations/1026/32/#b-6](https://www.consumerfinance.gov/rules-policy/regulations/1026/32/#b-6). Alternatively, under open-end credit, a prepayment penalty is “a charge imposed by the creditor if the consumer terminates the open-end credit plan prior to the end of its term . . . .” \(^{58}\) See, *e.g.*, Asher-Schapiro, *supra* note 23; Woo, *supra* note 18.

provider. It is through this structure that an ISA most closely resembles a traditional installment loan. At the time an ISA is extended, the lender determines a so-called “payment cap” that is the combined amount of the principal funded and an additional fee (the equivalent of a finance charge, as noted above). A borrower with sufficient income repays this combined amount via a series of monthly payments over a period no longer than the loan term. If a borrower’s income-driven payments are large enough, a borrower with higher income may reach this Payment Cap ahead of schedule—a structure advertised as a benefit of an ISA.

The same law firm cited above casts the role of the payment cap as a “consumer protection”—a feature intended to protect high earners from spiraling costs under a typical ISA structure:

This amount is usually a multiple of the ISA Amount. For example, a student with a Payment Cap of 1.5x of the ISA Amount has a Payment Cap of $15,000 if the ISA Amount is $10,000. The Payment Cap benefits relatively high-income earners, and can be prepaid under many ISAs without any penalty. This is an important consumer protection aspect of many ISAs.

ii. How the Prepayment Penalty Functions in an ISA

This description ignores a key mechanical feature of an ISA payment cap—the obligation to repay the full amount remaining under the payment cap at any time, even if a borrower chooses to prepay the loan. Despite the contrary assertion in the quote above, this is a de facto prepayment penalty.

To illustrate this point, consider a borrower with a payment cap of 1.5 times the ISA amount who borrows $10,000. Should this borrower wish to exit the ISA immediately upon securing a job, rather than owing only the principal borrowed ($10,000), the contract requires the borrower to repay 150 percent of the amount financed—a prepayment penalty of 50 percent.

This penalty, measured as a share of starting principal, may decline over time but can remain substantial, depending on the amount of the outstanding debt repaid via income-driven payments. For example, if the same borrower made a total of $2,500 in monthly payments over the first year of the ISA term and then wished to exit the ISA, the borrower would be required to immediately repay 125 percent of the amount financed—a prepayment penalty of 25 percent.

Conversely, the prepayment penalty remains at its highest level when a borrower’s income is too low to trigger a required payment. Consider the same borrower, but assume they fail to secure adequate employment for the first year after entering repayment but then wishes to pay off the balance of their ISA. One year into the repayment term, the borrower will still be required to repay 150 percent of the amount financed—the 50 percent prepayment penalty persists.

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60 Id. at 3. (“Payment Cap: The maximum amount a student will pay under the ISA. This amount is usually a multiple of the ISA Amount. For example, a student with a Payment Cap of 1.5x of the ISA amount has a Payment Cap of $15,000 if the ISA amount is $10,000. The Payment Cap benefits relatively high-income earners, and can be prepaid under many ISAs without any penalty. This is an important consumer protection aspect of many ISAs.”)

61 Id.
Regulation Z suggests that TILA’s drafters intended to prohibit exactly this sort of financial gamesmanship when barring prepayment penalties with regard to certain types of consumer credit, including private education loans. Although Regulation Z does not offer an implementing regulation for the prohibition on prepayment penalties for private education loans, one can look elsewhere in TILA for guidance on how to apply the law in the student loan market. As noted above, with respect to certain closed-end credit transactions, a prepayment penalty is defined as “a charge imposed for paying all or part of the transaction’s principal before the date on which the principal is due . . . .”

Under all three scenarios described above, the true purpose of the payment cap is clear—rather than serving as “an important consumer protection,” it instead functions as “a charge imposed for paying . . . before the date on which the principal is due.” This creates a strong, immediate financial disincentive for a borrower to prepay or refinance an ISA, particularly early in the loan term,

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62 SBPC calculations. For ISA terms, see Purdue Comparison Tool, Purdue Univ., [https://perma.cc/L2KR-WMZB].
63 12 C.F.R. § 1026.46(b)(6).
trapping borrowers in high-cost credit and preserving the lender’s future financial return—exactly the sort of negative consequences TILA’s drafters sought to prohibit.  

**d. Prepayment Penalties Are Pervasive in ISA Contracts**

To understand the prevalence of the repayment structure described above within the emerging ISA market, the SBPC compiled a sample of publicly available ISA contracts from large and small ISA providers, including coding bootcamps, four-year colleges and universities, and third-party ISA lenders. The SPBC supplemented these contracts with marketing information made available by ISA lenders and third-party product reviews. In total, the SBPC reviewed 5 contracts offering financing to students at more than 50 schools and additional supplemental marketing materials from 10 additional schools and ISA providers.

Across this review, the SBPC found that virtually all ISAs required borrowers seeking to prepay an ISA to pay back an amount greater than the amount financed, typically between 1.1 times and 2.5 times the starting principal balance.

For example, Vemo Education’s San Diego Workforce Partnership ISA contract includes a provision stating “You may extinguish your obligation under your ISA at any time by paying a prepayment amount equal to the Payment Cap less any prior payments made and plus any outstanding fees or other amounts due under this Agreement.” Under this particular ISA contract, the payment cap was $11,700 when the ISA amount was $6,500. Because the payment cap is more than the value of the ISA and must be paid in full at any time to exit the agreement, the provision in this contract constitutes a prepayment penalty consistent with the preceding analysis. The provision used in Vemo Education’s San Diego Workforce Partnership ISA is representative of the terms found in the majority of agreements and marketing materials reviewed by the SBPC.

![Figure 2: Borrowers taking on the ISA from the San Diego Workforce Partnership can be forced to pay almost twice the amount borrowed through the ISA if they prepay](https://workforce.org/wp-content/uploads/2020/10/Digital-Marketing-ISA-Sample-Contract.pdf).

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64 Id. The official staff commentary for this definition further describes: “Examples of prepayment penalties; closed-end credit transactions. For purposes of § 1026.32(b)(6)(i), the following are examples of prepayment penalties: . . . ii. A fee, such as an origination or other loan closing cost, that is waived by the creditor on the condition that the consumer does not prepay the loan…iii. A minimum finance charge in a simple interest transaction . . . .” As the preceding analysis describes in detail, an ISA payment cap performs precisely the functions described above—it is mechanically the equivalent of a minimum finance charge assessed immediately and in full at origination, but may be waived in whole or in part on the condition that a borrower remains bound by the agreement for the duration of the loan term.

65 For further discussion of the methods used to construct this sample and the complete contracts obtained by the SBPC, see Appendix A.

66 Note that unique among the contracts reviewed by the SBPC, Lambda School’s ISA contract requires students to repay only the amount financed, setting its payment cap at 100%. See Appendix A.


69 Supra note 67.
e. Measuring the Cost to Borrowers from ISA Prepayment Penalties

Prepayment penalties included in ISA contracts examined in our investigation can be extremely costly, and the prospect of having to pay one is likely to lock borrowers in to expensive credit over the long term—precisely the negative financial consequences Congress prohibited when banning prepayment penalties in private education loans in 2008.70

Consider the example of an economics student at Purdue who borrows $10,000 through Vemo Education's “Back A Boiler” ISA with funding in May 2021 for graduation in May 2022.71 Should the borrower repay his or her ISA after graduation and earn the median graduate income for students in the economics major ($46,000), Purdue projects that the borrower can expect his or her cumulative payments over the full term of the ISA to total $16,198.72

Now consider two alternative scenarios both of which illustrate the financial harm caused by this structure:

- **Prepayment penalties are designed to create a financial barrier to early payoff.** If the borrower were to enjoy a windfall after graduation (such as a signing bonus) and suddenly have $10,000, that borrower may want to use that new cash to immediately pay off their $10,000 ISA. However, under the terms of Purdue’s ISA, such a prepayment requires that borrowers pay the difference between the amount they have already paid toward their ISA and 2.31 times the amount borrowed.73 Prepayment would therefore cost the borrower $23,100, equal to the $10,000 borrowed and a $13,100 finance charge. Unless the borrower has another $13,100 at their disposal, they effectively have no option but to continue repaying the ISA.

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71 For ISA terms, see Comparison Tool, Purdue Univ., https://purdue.edu/backaboiler/comparison/index.html; [https://perma.cc/L2KR-WMZB].
72 Id.
Additional examples underscore that this “locking in” effect serves to stop borrowers from taking advantage of relatively more affordable financing options, exactly the type of scenario that the 2009 changes to Regulation Z sought to stave off. The set of choices available to a borrower considering refinancing an ISA into a low-interest private student loan throws this effect into particularly stark relief.

- **Prepayment penalties lock borrowers into high-cost credit and create insurmountable financial barriers to refinancing ISAs.** Consider the same Purdue ISA borrower described above. Realizing how expensive an ISA is likely to be even without prepayment ($16,198), the borrower may seek to refinance into a private student loan with more favorable terms. Assume that the borrower can refinance into a private student loan refinancing product at 4 percent interest without any origination fees. In this case, the borrower may think that they could refinance the amount borrowed through the ISA, $10,000, into a private student loan refinancing product, leading the borrower to pay $12,135 over ten years. By refinancing, the borrower could save $4,063 in payments that would have otherwise been made toward the ISA.

However, the ISA’s prepayment penalty denies the borrower the opportunity to realize these savings. As mentioned above, paying the ISA ahead of time requires paying the difference between the amount paid on the ISA and 2.31 times the amount borrowed. Refinancing triggers this prepayment penalty, meaning that the ISA borrower would need to borrow $23,100 to refinance the unpaid $10,000 ISA balance. Even with a four percent interest rate, repaying this refinancing loan would cost the borrower $28,032 over ten years, equal to the initial $10,000 balance of the ISA, the $13,100 prepayment penalty, and $4,932 in interest. This sum amounts to $11,834 more than the $16,198 the borrower had initially expected to pay under the ISA, and $15,897 more than the borrower would pay if he or she were able to refinance without a prepayment penalty.

Simply put, Vemo’s prepayment penalty makes the refinancing option cost-prohibitive, locking the borrower into the ISA despite what should be available credit options. The Purdue ISA borrower should be able to access $4,063 in savings, but Vemo’s prepayment penalty means that doing so would trigger $15,897 in new charges relative to refinancing without a prepayment penalty. This scenario is exactly what TILA intended to prohibit.

**Figure 3: Prepayment penalties keep ISA borrowers trapped in to expensive credit—exactly what TILA tried to ban**

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74 Note that this is a conservative assumption. Prevailing advertised rates of private student loan refinancing products frequently range from two to three percent. *Best Refinance Student Loans in March 2021 As of Sunday Mar. 21, 2021*, Bankrate, [https://perma.cc/Q8L2-RDY5].

75 SBPC calculations. Assumes daily compounding, 4 percent interest over a 10 year loan term, and no origination fees.

76 SBPC calculations. Assumes daily compounding and no origination fees.

77 SBPC calculations. For ISA terms, see *Comparison Tool*, Purdue Univ., *supra* note 71.
As the preceding examples illustrate, this common repayment structure creates a *de facto* prepayment penalty—a large financial barrier intended to anchor borrowers to this high-cost form of financing for the duration of the ISA. These illustrative examples show how these prepayment penalties have their intended effect—making it economically unjustifiable for a borrower to repay or refinance an ISA should he or she choose to do so.

**IV. Recommendations**

As described in the preceding analysis, income share agreements constitute “credit” under TILA and typically satisfy TILA’s definition of a “private education loan.” Because TILA prohibits the inclusion of all prepayment penalties in private education loan contracts, and because the SBPC’s investigation reveals that such penalties in ISA contracts are ubiquitous, these findings have far reaching implications for policymakers and regulators. This includes the Consumer Financial Protection Bureau, the federal regulator that administers TILA, state financial regulators that supervise companies expected to comply with TILA, and state law enforcement officials who may bring public enforcement actions against firms that violate TILA. In addition, the U.S. Department of Education has specific obligations as the regulator of many colleges, universities, and other institutions of higher education providing “instruction to prepare students for gainful employment in a recognized profession,” including the regulation of these schools’ deals with private education lenders.78

The following recommendations offer a detailed roadmap for each, addressing the structural features of the regulatory and enforcement landscape that have allowed ISAs to proliferate while relying on contract terms that cause financial harm to students.

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78 12 C.F.R. § 1026.46(b)(1).
The Consumer Financial Protection Bureau must administer and enforce the Truth in Lending Act consistently across the marketplace for student financing. As noted above, TILA’s coverage of the private student loan industry has been in place for more than a decade. In that time, federal regulators have written regulations implementing portions of these requirements and published an examination manual describing how CFPB examiners would seek to ensure compliance with specific provisions as it supervises private education lenders. During this time, a number of ISA lenders have erroneously represented to students, investors, and the public that they are not offering credit as defined in TILA and that ISAs are not private education loans. As these representations have proliferated, CFPB has remained silent. Students and honest lenders depend on the CFPB to affirmatively and accurately apply TILA to the entire private student loan market, including covered ISAs. As part of this effort, CFPB should vigorously enforce TILA’s prohibition on prepayment penalties where private education lenders, including ISA lenders, impose these penalties on student loan borrowers. CFPB should also closely scrutinize the practices of private education lenders, including ISA lenders, for a range of other harmful and potentially illegal practices discussed above, including, for example, the widespread failure of ISA lenders to incorporate other required consumer protections into ISA contracts.

State regulators and law enforcement officials should enforce TILA’s prohibition on prepayment penalties as part of a market-wide effort to protect consumers from predatory student lending. Section 1042 of the Dodd-Frank Act authorizes state law enforcement officials and state financial regulators to enforce the Dodd-Frank Act’s prohibition on unfair, deceptive, and abusive acts and practices, as well as any other enumerated consumer financial laws administered by the CFPB. By exercising this authority with respect to all private education lenders, including ISA lenders, state regulators and law enforcement officials can take immediate action to address the improper use of prepayment penalties described above. Further, given the growing body of evidence documenting risks to students who take on ISAs, state policymakers must forcefully resist any effort to exclude

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80 As part of a market-wide effort to combat harmful practices to borrowers by ISA providers and schools, CFPB may conclude that certain ISAs provided to students at short-term programs are credit under TILA, but are not private education loans. With respect to these programs, CFPB should enforce the prohibition on unfair, deceptive, and abusive acts and practices to address harm to consumers caused by the imposition of prepayment penalties as described in this report. CFPB should also consider writing regulations to ensure all borrowers using any type of student financing when pursuing postsecondary education are entitled to the same level of baseline protections afforded to borrowers using private education loans. See also Advocates Call on CFPB to Prioritize the Student Debt Crisis as a Civil Rights Crisis, Student Borrower Prot. Ctr., https://protectborrowers.org/advocates-call-on-cfpb-to-prioritize-the-student-debt-crisis-as-a-civil-rights-crisis.
81 Roesch & Kaufman, supra note 9.
ISAs from the regulated financial services marketplace or shield ISA lenders from scrutiny.\(^{83}\)

- The U.S. Department of Education must enforce existing requirements for institutions of higher education that broker private financing for students. As described above, in 2008 Congress passed a sweeping set of consumer protections to rein in abuses by private student lenders, paired with a set of affirmative requirements for those schools that recommends specific lenders to students, known as “preferred lenders.” These requirements include a prohibition on the use of school names, logos, mascots, and other insignia to co-brand private education loans,\(^{84}\) a specific set of disclosures related to the terms offered by any private education lender and borrowers’ rights under the Truth in Lending Act,\(^{85}\) and a duty to submit an annual report to the Secretary of Education\(^{86}\) disclosing the identity of the preferred lenders selected by the school and an explanation of why the products offered by these lenders are “beneficial for students attending [the school], or the families of such students, as applicable.”\(^{87}\) The Department of Education must enforce these requirements, particularly with regard to private education lenders offering ISAs that do not comply with the Truth in Lending Act. Because these requirements are codified in schools’ program participation agreements where schools also offer federal student aid to students, the Secretary of Education should clarify that continued participation in the federal student aid program is contingent upon schools’ compliance and that steering borrowers into financial products that violate federal consumer financial law is grounds for revocation.

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\(^{83}\) Where state financial regulators also have rule-writing authority under state law to define, license, and supervise providers of certain consumer financial products and services that pose risks to consumers, these state regulators should issue comprehensive regulations to set minimum standards for private education lenders, including ISA lenders. See Consumer Comments to CA DFPI on Income Share Agreements, Mar. 15, 2021, N’tl Consumer Law Ctr., https://www.nclc.org/images/pdf/high_cost_small_loans/payday_loans/CA_DFPI_ISA_Comments.pdf.

\(^{84}\) 34 C.F.R. § 601.12 (“A covered institution, or an institution-affiliated organization of such covered institution, that participates in a preferred lender arrangement with a lender regarding private education loans must . . . [n]ot agree to the lender's use of the name, emblem, mascot, or logo of such institution or organization, or other words, pictures, or symbols readily identified with such institution or organization, in the marketing of private education loans to students attending such institution in any way that implies that the loan is offered or made by such institution or organization instead of the lender”). Readers should note that ISA lenders appear to routinely violate this prohibition. See, e.g. Worried about how to pay for your Purdue Education? You don’t have to be saddled with debt. There’s a creative alternative., Purdue Univ., https://www.purdue.edu/backaboiler/index.php; Income Share Agreement, Univ. of Utah, https://isa.utah.edu/.

\(^{85}\) 34 C.F.R. § 601.10.

\(^{86}\) 20 U.S.C. § 1019(b).

\(^{87}\) Id.
Appendix A: Study Methodology

As noted in Section III of this Memorandum, the SBPC compiled a sample of publicly available ISA contracts from large and small ISA providers, including coding bootcamps, four-year colleges and universities, and third-party ISA lenders. The SPBC supplemented these contracts with marketing information made available by ISA lenders and third-party product reviews.

To construct this sample, the SBPC reviewed the Career Karma report entitled *Income Share Agreements (ISAs) – State of the Market 2019*, to identify a population of nearly 20 market participants that perform various functions across the lifecycle of an ISA.\(^88\) The SBPC reviewed the websites of these firms and partner schools, supplemented this review through the use of an internet search engine, in an effort to determine which firms made contracts publicly available online. The SBPC obtained 5 contracts offered by 3 different firms providing ISAs to students at more than 50 schools across the country—Vemo Education (Purdue University,\(^89\) San Diego Workforce Partnership,\(^90\) Rithm School\(^91\)), Better Future Forward,\(^92\) and Lambda School (managed by Meratas).\(^93\) The SBPC supplemented these contracts with publicly available marketing materials from these firms and from additional participating schools partnering with these firms.\(^94\)

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\(^88\) Gallagher, *supra* note 41.


\(^90\) *Supra* note 67.

\(^91\) Rithm School, *supra* note 68.


\(^93\) Lambda School ISA (20200413), Lambda Inc., [https://drive.google.com/file/d/1wLgwpPYcY5-U8o0akE3lvVsLIRDRhXC/view?usp=sharing](https://drive.google.com/file/d/1wLgwpPYcY5-U8o0akE3lvVsLIRDRhXC/view?usp=sharing).

Appendix B: Sample Contracts

1. Purdue University Back-A-Boiler ISA (Vemo Education)
2. San Diego Workforce Partnership ISA (Vemo Education)
3. Rithm School ISA (Vemo Education)
4. Better Future Forward Opportunity ISA
5. Lambda School ISA (managed by Meritas)
INCOME SHARE AGREEMENT (ISA)

PARTICIPANT:
Digital Marketing
123 Never Rains Drive
Sunny, California
12345

ORIGINATOR:
San Diego Workforce Partnership, Inc.
9246 Lightwave Ave., Suite 210
San Diego, CA 92123

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

PARTICIPATION DISCLOSURE

<table>
<thead>
<tr>
<th>ISA Amount</th>
<th>Income Share</th>
<th>Maximum Number of Payments</th>
<th>Payment Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,500.00</td>
<td>8.00%</td>
<td>60 payments</td>
<td>$11,700.00</td>
</tr>
</tbody>
</table>

The cost of the educational 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 regardless of your income

ITEMIZED TOTAL ISA AMOUNT

<table>
<thead>
<tr>
<th>Amount paid to you</th>
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<tr>
<td>Amount credited to others on your behalf</td>
<td></td>
</tr>
<tr>
<td>University of California—San Diego Extension</td>
<td>+ $6,500.00</td>
</tr>
<tr>
<td>ISA Amount</td>
<td>= $6,500.00</td>
</tr>
</tbody>
</table>

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 $3,333.33/month (equivalent to $40,000/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 84 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 make a payment calculated based upon 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.

<table>
<thead>
<tr>
<th>Annual Earned Income</th>
<th>$6,500.00 ISA 8.00% income share, Up to 60 monthly payments</th>
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<tbody>
<tr>
<td>Monthly Payment</td>
<td>Number of Payments</td>
</tr>
<tr>
<td>&lt;$40,000</td>
<td>$0</td>
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<tr>
<td>$40,000</td>
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<td>$80,000</td>
<td>$533</td>
</tr>
<tr>
<td>$100,000</td>
<td>$667</td>
</tr>
</tbody>
</table>

- This illustration assumes that you make up to 60 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 $3,333.33 (equivalent to $40,000/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.
Non-ISA Alternatives for Other Programs

Your education and training are important. You should be aware of different sources of financing available for higher education and training. You may qualify for alternative sources of funding depending on the program in which you participate. This Program is offered in cooperation with the University of California—San Diego ("UCSD") Extension program. Financial resources for students considering other programs through the UCSD Extension Program are available at https://extension.ucsd.edu/student-resources/financial-resources.

You should explore all options available to help you pay for education and training. Though this Program is not eligible for federal financial aid, other programs offered by UCSD may be available. Depending on the program, some may be funded with: (i) private student loans, (ii) federal financial aid, and (iii) federal student loans.

More information on financing UCSD Extension programs is available at the UCSD website: http://www.elmselect.com/?schoolId=208#.

Next Steps & Terms of Acceptance

<table>
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<th>1. Questions?</th>
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</thead>
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<tr>
<td>June 28, 2019</td>
<td>Contact SDWP ISA Team (<a href="mailto:alistairpenny@workforce.org">alistairpenny@workforce.org</a>) for more information.</td>
</tr>
<tr>
<td>2. You have 14 days to accept this offer.</td>
<td>The terms of this offer will not change except as required by law.</td>
</tr>
<tr>
<td></td>
<td>To accept the terms of this ISA, sign and date below.</td>
</tr>
</tbody>
</table>

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 to your account 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 SDWP’s refund policy.

Eligibility Criteria
• You must be enrolled in (or plan to enroll in) a San Diego Workforce Partnership, Inc., Program.
• You must have attended an orientation about the Program and how income share agreements work.
• You must pass a Program-specific competency exam provided by the University of California—San Diego Extension program.
• You must be a U.S. citizen (includes naturalized citizens) or permanent resident.
• You must be a resident of the State of California and plan to participate in the Program, in person, in San Diego, California.
• 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 15.00% 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 1st 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 and you provide documentation of those 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 1st of each year thereafter.
On or before April 30th 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 30th), 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 $11,700.00, less any prior payments made and plus any outstanding fees or other amounts due under this Agreement.

**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 full-time in higher education or training or (ii) you earn less than $3,333.33/month (equivalent to $40,000/year), including if you are unemployed or not in the labor force, up to a maximum of 24 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 calculations, prepayment, nonpayment, deferment, default, and your legal obligations under this Income Share Agreement.
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(n) (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 (collectively with the Participation Disclosure referenced as 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 "SDWP" mean San Diego Workforce Partnership, Inc., 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 to your account.
<table>
<thead>
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<th>Section</th>
<th>Page</th>
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<tbody>
<tr>
<td>1. WHAT DEFINITIONS ARE USED IN THIS AGREEMENT?</td>
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<td>2. WHEN DO YOU HAVE TO START MAKING PAYMENTS UNDER YOUR ISA?</td>
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<td>3. HOW MANY PAYMENTS WILL YOU HAVE TO MAKE?</td>
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<td>4. HOW MUCH WILL YOU HAVE TO PAY EACH MONTH AND WHEN?</td>
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<td>5. WHEN DO YOUR PAYMENTS END?</td>
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<td>6. WHAT IS THE MAXIMUM TOTAL AMOUNT THAT YOU MAY HAVE TO PAY?</td>
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<td>7. WHEN ARE PAYMENTS SUSPENDED?</td>
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<tr>
<td>8. WHAT IS ANNUAL RECONCILIATION?</td>
<td>8</td>
</tr>
<tr>
<td>9. WHAT INFORMATION DO YOU NEED TO PROVIDE TO US AND WHEN?</td>
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</tr>
<tr>
<td>10. HOW ARE YOUR PAYMENTS APPLIED TO YOUR OBLIGATIONS?</td>
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<td>11. WHAT ADDITIONAL FEES MIGHT YOU HAVE TO PAY?</td>
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<tr>
<td>12. WHAT IF YOU LEAVE YOUR SCHOOL EARLY?</td>
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</tr>
<tr>
<td>13. CAN YOU PREPAY YOUR ISA?</td>
<td>12</td>
</tr>
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<td>14. WHAT IF YOU DON'T COMPLY WITH THE REQUIREMENTS OF THIS AGREEMENT?</td>
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<td>15. CAN YOU ENTER INTO OTHER INCOME SHARE AGREEMENTS DURING THE TERM OF THIS AGREEMENT?</td>
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</tr>
<tr>
<td>16. WHAT ARE THE TAX IMPLICATIONS OF ENTERING INTO THIS AGREEMENT?</td>
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<tr>
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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 1 ("Wages, salaries, tips, etc.") and Line 12 ("Business income or (loss).") and Line 17, including Schedule E ("Rental real estate, royalties, partnerships, S corporations, trusts, etc.") from Schedule 1, IRS Form 1040 of U.S. federal income tax returns (2019 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 or partner appearing on your joint return. 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 will be used to calculate the amount 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 credited to your account. The ISA Amount represents the market charge for the educational or training services you will receive from SDWP, 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) "Monthly Payment" means your Income Share multiplied by the amount of your monthly Earned Income.

(i) "Payment Cap" means the maximum amount you will pay under this Agreement, not including fees and collection costs.

(j) "Maximum Number of Payments" means the maximum number of payments you will make based on your monthly Earned Income.
2. When do you have to start making payments under your ISA?

(a) **While Enrolled in the SDWP Program.** You are not required to make any payments while you remain enrolled at SDWP.

(b) **Grace Period.** You are not required to make any payments during your 3-month Grace Period. Your Grace Period begins on the 1st 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 2020 and you earn above the Minimum Monthly Income Threshold in March 2020, then your first payment will be due at the beginning of April 2020.

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 24 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 costs); 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 Months.
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 24 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 24 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 full-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 $3,333.33 monthly (equivalent to an annual Earned Income of $40,000)

   - 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)

   - Document your eligibility for a Deferment Period to us

   - Continue to provide all information requested by us to continue to determine your eligibility for a Deferment Period

   - Remain current on all other obligations under this Agreement, including any obligations to remit information of documentation to us

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 30th of each year, we will review your Reconciliation Information for the prior year and determine if you overpaid or underpaid in the prior year. The reconciliation will be based on the total income you earned in the prior calendar year. If you assert that your income in any given month was below the Minimum Monthly Income Threshold, you must provide documentation to our satisfaction to demonstrate that your income during that month did not exceed that Minimum Monthly Income Threshold, in which case, we will assume you owed nothing for that month. 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 1st 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 1st. 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:

(1) 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

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

(ii) 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. If your ISA is in a deferment status, you agree to provide us with updated documentation to re-verify your Documentation for Deferment at any time we request such information.

(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 email, 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 15th 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. If such documentation is not provided, we may assume that all Earned Income is attributable to you.

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

Payments are applied first to fees, costs, or expenses due under this Agreement, if any, and then to the Monthly Payment amount owed. If you make all required payments on time, 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late Payment Fee</td>
<td>The lesser of $5 and 5% of the payment amount due</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Returned Payment Fee</td>
<td>$25</td>
</tr>
<tr>
<td>A fee charged if any payment is returned or fails due to insufficient funds in your account or for any other reason.</td>
<td></td>
</tr>
<tr>
<td>Service Fees</td>
<td>Varies</td>
</tr>
<tr>
<td>You may be required to pay for certain optional value-added services that you request, such as overnight mail, expedited payments, certain types of payments, faxes, etc. The amount of each Service Fee will be clearly disclosed to you beforehand.</td>
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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, costs, or expenses due under this Agreement.

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) if any payment to us is more than 180 days late; (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. In no event will we assert that you owe attorneys’ fees in an amount that is the greater of (i) 35% of the amount we recover; or (ii) $20,000.

(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.

(d) **Continued Accrual.** In the event that you do not provide Informal Earned Income Documentation, monthly payments will continue to accrue each month at the last-calculated amount, subject to annual escalations as provided in Section 8(c). Only by providing updated Informal Earned Income Documentation will these amounts change.
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 15.00% 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) You acknowledge that because the appropriate tax reporting is uncertain, the IRS and/or state or local taxing authorities may dispute a method of reporting your obligations under this Agreement, and new legislation may affect the federal, state, or local tax treatment of this Agreement. 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 the amount advanced under this Agreement, the term of this Agreement, and 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, servicers, 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 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 or as set forth in our Privacy Policy. 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) you are a U.S. citizen (includes naturalized citizens) or permanent resident;

(v) you are a resident of the State of California and plan to participate in the Program, in person, in San Diego, California; 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.

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 online or electronic system established and maintained by us or a third party designated by us. You agree that we may communicate with you using any telephone number, email address, or other contact information that you provide in the application, or using any telephone number, email address, or other contact information that you provide in the future.
(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. We may send you automated telephone dialing, text messages, or emails relating to our efforts to collect amounts that you owe to us. 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 your application, amounts owed to us, and 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 us at 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 email 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 SDWP 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 (including any issues of arbitrability of a dispute or the negotiation and execution of this Agreement), or that arises or is related to any relationship resulting from this Agreement, in any form including contract, tort, or otherwise, (a "Claim"), will 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 SDWP and the
Participant agree in writing to arbitrate before a different party. If the AAA is unable to serve as administrator and SDWP 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 the Participant and SDWP 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, SDWP 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.

For purposes of this Arbitration Agreement, (1) the term "SDWP" includes (a) San Diego Workforce Partnership, Inc.; (b) any successor, agent, service provider, successor-in-interest, transferee, assignee, agent, designee, or servicer of SDWP; (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 SDWP 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 SDWP wishes to assert against the other is cognizable in a small claims court (or your state's equivalent court with a jurisdictional limit of less than $15,000) having jurisdiction over the Claim and the parties, the Participant or SDWP 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 advance such fees on your behalf.
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 THE PARTICIPANT NOR SDWP 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 the Participant and SDWP 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 the Participant or SDWP 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 SDWP 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 San Diego Workforce Partnership, Inc., 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 the 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 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 (SUCH AS IF A CLAIM IS
SUBMITTED TO A SMALL CLAIMS COURT), SDWP 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 toward 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) **Servicemembers Civil Relief Act ("SCRA").** 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. In order for this
limitation to apply, you must provide us with: (i) written notice of your request, (ii) a
copy of the military orders calling you to military service, and (iii) any other
information we reasonably request to establish your eligibility.
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.

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 or Program cost 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 (or a governmental determination) 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.

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 Application and Solicitation Disclosure, 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.

Amendments and Waivers. We may amend this Agreement by providing you with 30 days advance written notice as provided in Section 20 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 Agreement without providing you with advance notice. 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.

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.

(h) **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).

(i) **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.

(j) **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.

(k) **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 email or 2 Business Days after being deposited in the U.S. mail as certified or registered mail with postage prepaid. Notices to San Diego Workforce Partnership, Inc., shall be sent to answers@vemo.com or to San Diego Partnership, Inc. 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 email and/or physical mail addresses you provided in your Application and/or Registration Form, or as subsequently modified by written notice to us.

(l) **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.

(m) **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.
(n) **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.

(o) **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(n) (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).

SAN DIEGO WORKFORCE PARTNERSHIP, INC.:  PARTICIPANT:

By: Andy Hall  By: Digital Marketing
(Signature)  (Signature)
Date: Sep 6, 2019  Date: Sep 6, 2019
Name: Andy Hall  Name: Digital Marketing
Title: Chief Operating Officer  
Address: San Diego Workforce Partnership, Inc.
9246 Lightwave Ave., Suite 210
San Diego, CA 92123  Address: 123 Never Rains Drive
Sunny, California 12345

Phone: 1231112345  E-mail: jennifer.jenkins+digitalmarketing
E-mail: alistairpenny@workforce.org  @vemo.com
FINAL DISCLOSURE (ACADEMIC YEAR 2019–20)

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

FUNDER:
Back a Boiler – ISA Fund, LLC
1281 Win Hentschel Blvd
West Lafayette, IN 47906

RIGHT TO CANCEL
You have a right to cancel this transaction, without penalty, by midnight on August 25, 2019. If you cancel by this date, you are canceling the contract in its entirety, including the disclosures. You may cancel by writing us at Vemo Education, P.O. Box 2453, Oldsmar, FL 34677 or Fax (813) 438-7862. A mailed cancellation letter will be deemed timely if postmarked no later than the cancellation date listed above.

INCOME SHARE AGREEMENT TERMS

<table>
<thead>
<tr>
<th>ISA (Funding) Amount</th>
<th>Income Share</th>
<th>Maximum Number of Monthly Payments (Payment Term)</th>
<th>Payment Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>$XX,XXX</td>
<td>X.XX%</td>
<td>XX months</td>
<td>$XX,XXX.XX</td>
</tr>
</tbody>
</table>

The amount of funds you will receive for the educational 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 ISA FUNDING AMOUNT

<table>
<thead>
<tr>
<th>Amount paid to you</th>
<th>$0.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount paid or credited to others on your behalf</td>
<td>+ $XX,XXX</td>
</tr>
<tr>
<td>• Purdue University</td>
<td></td>
</tr>
<tr>
<td>Initial funding charges</td>
<td>+ $0.00</td>
</tr>
<tr>
<td>• Origination fee</td>
<td></td>
</tr>
<tr>
<td>• Disbursement fee</td>
<td></td>
</tr>
<tr>
<td>Total ISA Funding Amount</td>
<td>= $XX,XXX</td>
</tr>
</tbody>
</table>

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 income 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 ISA 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.

Late Fee—The lesser of $5 and 5% of the payment amount due. Returned Payment Fee—$25 ($20 for NY residents).

ISA 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.

<table>
<thead>
<tr>
<th>Annualized Earned Income</th>
<th>$10,000 ISA X.XX% income share, Up to XX monthly payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Payment</td>
</tr>
<tr>
<td>&lt; $20,000</td>
<td>$ 0</td>
</tr>
<tr>
<td>$ 20,000</td>
<td>$ XX</td>
</tr>
<tr>
<td>$ 40,000</td>
<td>$ XXX</td>
</tr>
<tr>
<td>$ 60,000</td>
<td>$ XXX</td>
</tr>
<tr>
<td>$ 80,000</td>
<td>$ XXX</td>
</tr>
<tr>
<td>$ 100,000</td>
<td>$ XXX</td>
</tr>
</tbody>
</table>

• This illustration assumes that you make up to XX monthly payments tied to gross earned income and that your income is constant.

• When your monthly earned income is less than $1,666.67 (equivalent to $20,000/year), such as when you return to school, your account will be placed in a deferment status, and you will not make payments for every month your income is below this threshold.

• 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.
What will you pay under an Income Share Agreement (ISA)?

- You will pay a percentage of your Earned Income.
- Monthly payment = Income Share \times \text{ monthly Earned Income}.
- The total amount you will be required to pay may be \textbf{more or less} than the ISA Funding Amount. It will depend on your future Earned Income.

What documents will you need to provide for us to calculate what you owe?

<table>
<thead>
<tr>
<th>By one month before first due date</th>
<th>Every time your income changes</th>
<th>By April 30th each year</th>
<th>Upon request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay stub, letter from your employer, self-employment contract, consulting agreement, or other verifiable source, including any Informal Earned Income Documentation, as defined in your ISA, or a good faith estimate of your self-employment income (dated within 30 days)</td>
<td>Pay stub, letter from your employer, self-employment contract, consulting agreement, or other verifiable source (showing current earnings)</td>
<td>Year-end pay stub, Form W-2, Form 1099, or Schedule K-1 for all sources of Earned Income and validation of the dates of your employment (showing prior year’s earnings), a signed IRS Form 4506T or Form 4506T-EZ, Formal Earned Income Documentation of your income from the prior year, and Informal Earned Income Documentation for the coming year. This is used for reconciliation. If you do not provide this, we will assume your Earned Income has increased by 10 percent each year. You must reimburse us for any underpayments, and we will credit your account for any overpayments—or refund the excess amount if your Payment Term has ended.</td>
<td>We may obtain your authorization to access your tax return information directly from the IRS or similar taxing authority for any and all years of your Payment Term. This may be used for reconciliation or to recalculate your payments due.</td>
</tr>
</tbody>
</table>

When do payments begin?

After you complete or withdraw from the program—or if you fall below half-time enrollment—you will have a 6-month Grace Period during which you will not owe any payments. You will begin making payments based on income \textit{earned after} this Grace Period ends. Your 1st monthly payment will be due on the 1st day of the month in connection with income earned in the prior month.

Can you end your payment obligation?

You may extinguish your ISA \textit{before} the Payment Term ends by paying:

\[\text{XXX,XXX} = \text{ payments already made } + \text{ any outstanding fees}.\]

When do payments pause?

After you leave the program, you will not owe payments if you can demonstrate that you

- have enrolled at least half-time in higher education or training,
- earn less than $1,666.67/month (equivalent to $20,000/year),
- are unemployed, or
- are not in the labor force.

We may extend your Payment Term by 1 month for each month of deferment, up to 60 months, unless you are (a) employed full-time or (b) are unemployed and demonstrate that you are seeking employment.

\textit{See the Additional Terms for further information and terms and conditions regarding deferment, nonpayment, and early termination.}

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

Overall: 100.0% | $59,523 | $33,238 | $41,642 | $54,312 | $70,910 | $92,308


**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/.
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 ***

<table>
<thead>
<tr>
<th>ISA Amount</th>
<th>Income Share</th>
<th>Maximum Number of Payments</th>
<th>Payment Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>$23,000.00</td>
<td>17.00%</td>
<td>24</td>
<td>$34,500.00</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Amount paid to you</th>
<th>$0.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount credited to others on your behalf: Rithm School</td>
<td>+ $23,000.00</td>
</tr>
<tr>
<td>ISA Amount</td>
<td>=$23,000.00</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Annual Earned Income</th>
<th>$23,000.00 ISA 17.00% income share, Up to 24 monthly payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Payment</td>
</tr>
<tr>
<td>$65,000</td>
<td>$921</td>
</tr>
<tr>
<td>$85,000</td>
<td>$1,204</td>
</tr>
<tr>
<td>$105,000</td>
<td>$1,488</td>
</tr>
<tr>
<td>$125,000</td>
<td>$1,771</td>
</tr>
<tr>
<td>$135,000</td>
<td>$1,913</td>
</tr>
</tbody>
</table>

- 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) 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 1st 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 30th 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 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.
Section

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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 1st 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 30th 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 1st 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Late Payment Fee</strong></td>
<td>The lesser of $5 and 5% of the payment amount due</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td><strong>Returned Payment Fee</strong></td>
<td>$25</td>
</tr>
<tr>
<td>A fee charged if any payment is returned or fails due to insufficient funds in your account or for any other reason.</td>
<td></td>
</tr>
<tr>
<td><strong>Service Fees</strong></td>
<td>Varies</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

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 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 4506-T-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 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.

(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 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.:

<table>
<thead>
<tr>
<th>Name:</th>
<th>Elie Schoppil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>CEO, Rithm School</td>
</tr>
<tr>
<td>Address:</td>
<td>Rithm, Inc. 500 Sansome Street</td>
</tr>
<tr>
<td></td>
<td>Suite 300</td>
</tr>
<tr>
<td></td>
<td>San Francisco, California</td>
</tr>
<tr>
<td></td>
<td>94111</td>
</tr>
<tr>
<td>E-mail:</td>
<td><a href="mailto:info@rithmschool.com">info@rithmschool.com</a></td>
</tr>
<tr>
<td>Date:</td>
<td>Dec 11, 2018</td>
</tr>
<tr>
<td>By:</td>
<td>Elie Schoppil</td>
</tr>
</tbody>
</table>

PARTICIPANT:

<table>
<thead>
<tr>
<th>Name:</th>
<th>John Lynch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>1402 Comfort St Lansing, Michigan</td>
</tr>
<tr>
<td></td>
<td>48915</td>
</tr>
<tr>
<td>Phone:</td>
<td>111-111-1111</td>
</tr>
<tr>
<td>E-mail:</td>
<td><a href="mailto:maria.cantero+jlrs@vemo.com">maria.cantero+jlrs@vemo.com</a></td>
</tr>
<tr>
<td>Date:</td>
<td>Dec 11, 2018</td>
</tr>
<tr>
<td>By:</td>
<td></td>
</tr>
<tr>
<td><strong>Funding Amount:</strong></td>
<td>Amount paid to you: $0.00</td>
</tr>
<tr>
<td>---------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td></td>
<td>Amount paid to others on your behalf:</td>
</tr>
<tr>
<td></td>
<td>Total amount funded: (=)</td>
</tr>
</tbody>
</table>

*N*ote: *The amount that you make in Payments may be more or less than this Funding Amount.*

<table>
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<tr>
<th><strong>Percentage of Income:</strong></th>
<th>You will pay X% of your Individual Earned Income each month, except that your obligation will be zero in months where:</th>
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<tbody>
<tr>
<td></td>
<td>• Your Individual Earned Income (on an annualized basis) is below a threshold of <strong>$30,000</strong> (adjusted annually for inflation), or</td>
</tr>
<tr>
<td></td>
<td>• You have been granted a forbearance.</td>
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</table>

Each year, you may also have a reconciliation payment due, or receive a credit, depending on whether your payments for the year were more or less than what you would owe based on your total income for the calendar year (as shown on your tax documentation).

*N*ote: *The percentage amount above is not an interest rate.*

<table>
<thead>
<tr>
<th><strong>Term, Prepayment, and Payment Cap:</strong></th>
<th>Your obligation under this agreement ends when either:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• You have made payments for 240 months (including months where your obligation is zero because of Individual Earned Income below the threshold, but excluding months where you are in forbearance), and you have paid any required reconciliation payments and fees; or</td>
</tr>
<tr>
<td></td>
<td>• Your payments, including any prepayments, reach the Total Payment Cap, plus any outstanding payments and fees.</td>
</tr>
</tbody>
</table>

| **Fees:** | Application Fee: No |
|           | Disbursement Fee: No |
|           | Origination Fee: No |
|           | Late Fee: $7.80 or 5% of the Monthly Payment amount, whichever is greater |
|           | Returned Payment Fee: $30.00 |
|           | Failure to Provide Documents Fee: $20.00 |
|           | Stop Payment/Returned Check/Returned ACH Fee: $30.00 |
|           | Check by Phone Fee (if available): $20 |

| **Privacy and Confidentiality:** | Your privacy is important to Better Future Forward, Inc. You have been provided with the Privacy Policy that sets forth how we use your information. The Privacy Policy is also available at www.betterfutureforward.org/program-privacy-doc |
YOUR AGREEMENT WITH BETTER FUTURE FORWARD OPPORTUNITY ISA FUND (CP1), LLC.

THIS INCOME SHARE AGREEMENT (this "Agreement"), dated as of _____________ (the "Effective Date"), is by and between Better Future Forward Opportunity ISA Fund (CP1), LLC ("Funder"), a corporation with its principal place of business at 20711 Holt Avenue, P.O. Box 1063, Lakeville, MN 55044, and the Student, identified below ("Student"). Together, Funder and Student shall be referred to as the "Parties."

<table>
<thead>
<tr>
<th>Student Name:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Birth:</td>
</tr>
<tr>
<td>Current Physical Address:</td>
</tr>
</tbody>
</table>

As more fully described herein, Funder agrees to provide Funding to Student as of the Effective Date (the "Funding") in exchange for the Student pledging future Payments that are calculated based on the Student’s Future Income. In connection with the Funding and pledge of future Payments, (i) Student will use the proceeds from the Funding to pay the tuition fees and other associated educational costs of attendance incurred by Student in connection with Student’s attendance at the Institution and (ii) Funder will collect Payments based upon a percentage of Student’s Future income for the Term of this Agreement.

NOW THEREFORE, in consideration of the foregoing and the respective agreements set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

THE TERMS OF YOUR AGREEMENT:

| RECEIVING YOUR INITIAL FUNDING |

1. Payment of Funding.

1.1. Timing of Funding. At the later of: (i) thirty (30) calendar days after the Effective Date or (ii) within ten days of the start of classes for the term for which you are requesting funding, and contingent on the Student and the Student’s institution having provided all requested certifications, and for a Student who is not a U.S. Citizen or Permanent Resident, demonstration to the Funder’s satisfaction of Student’s ability to work legally in the United States, Funder will pay to the Institution the Funding set forth on the first page of this Agreement.

1.2. Method of Funding. This amount will be made by electronic funds transfer ("EFT"), wire, or check, as elected by the Institution.

1.3. Funder is an Investor. Funder, or such individuals or entities who provide funding to Funder, (a) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its Funding in the Student; (b) is able to bear the complete loss of its Funding in the Future Income; (c) is an "accredited investor" as such term is defined in Rule 501 promulgated under the Securities Act of 1933; and (d) is not a broker-dealer subject to Regulation T promulgated by the Board of Governors of the Federal Reserve System.
2. **Use of Proceeds.** Student shall use the Funding to pay, in full or in part, the tuition, fees, and other associated educational cost of attendance incurred by Student in connection with Student's attendance of the Institution(s) for the Program(s).

### YOUR OBLIGATION TO MAKE PAYMENTS

3. **Student’s Commitment to Make Payments.**

3.1. **Commitment to Make Payments.** Upon these terms, and subject to the conditions set forth in this Agreement, Student pledges and agrees to make Monthly Payments and Reconciliation Payments, if any, required under this Agreement as payment to Funder on account of the Funding.

3.2. **Monthly Payments Due.** Monthly Payments are due on the first day of each month. Monthly Payments are paid in arrears. For example, the January Monthly Payment is due by February 1. If the date for Monthly Payment is not a Business Day, then the Monthly Payment shall be made on or before the next Business Day.

3.3. **Electronic/ACH Debit.** If the Student elects to enroll in electronic/ACH debits for the payment of Monthly Payments, the Student’s enrolled account will be debited on the date the Monthly Payment is due unless that day is not a Business Day, in which case the amount may be debited on the first preceding Business Day.

3.4. **Overpayment of Monthly Payments.** In the event Student pays Funder an amount greater than her/his Monthly Payment, Funder will apply the overpayment toward future Monthly Payments; in this event, the Funder will apply the excess payment toward the Total Payment Cap based on the time when it was received, not the due date of any future Monthly Payments to which the excess payment is applied.

3.5. **Underpayment of Monthly Payments.** Student has a contractual obligation to pay all Monthly Payments. Any underpayment of a Monthly Payment will be a breach of this Agreement.

4. **Monthly Payment Statements by Funder.** Funder will provide the Student with Monthly Payment statements during the Term. Though additional information may be included, the Monthly Payment statement will include:

4.1. The address and contact information for the Administrator of this Agreement.

4.2. The name and address of the Funder, including any Funder to whom this Agreement has been sold and assigned.

4.3. The current Individual Earned Income Estimate used to calculate the Monthly Payment Obligation, if applicable.

4.4. The current Monthly Payment Obligation.

4.5. The current Total Payment Cap.

4.6. A statement of any past-due Monthly Payments or past due Reconciliation Payments.

4.7. Any accrued Fees that Student owes under this Agreement.

5. **Change in Address or Contact Information.** Changes of address or other contact information should be provided to Funder as soon as such changes become effective.
6. **In-School Period.** The in-school period begins after the initial disbursement of funds and ends when the student graduates, withdraws from the institution, or discontinues enrollment for the program for which this funding was originally provided. Interruptions in enrollment resulting from the School’s ordinary academic schedule (including semester breaks and summer vacations) shall not be deemed to cause the in-school period to end.

7. **Grace Period.** The in-school period will be followed by a six-month Grace Period before the Term begins.

8. **No Payments Required.** The Student is not required to make payments during the in-school or Grace Period.

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**PAYMENT PERIOD**

9. **Payment Period.** The Term begins after the in-school period and Grace Period and extends for the number of months set forth at the beginning of this Agreement (the “Term”). Payments linked to the Student’s Future Income are due during this period, and student should make such payments according to the process outlined in the following section. This Agreement may be terminated before the Term on the conditions set forth in Sections 12, 13, 14, and 15.

10. **Process for Making Payments Linked to Income.**

   10.1. **Monthly Payments.** Student shall make Monthly Payments calculated based on Student’s Individual Earned Income (the “Individual Earned Income Estimate”).

   10.2. **Individual Earned Income Estimate.** The Individual Earned Income shall be established as follows:

      10.2.1. **Initial estimate.** Not later than thirty (30) days prior to the end of the student’s Grace Period, student shall provide Informal Income Documentation to establish the Student’s Individual Earned Income Estimate. If no such documentation is provided within the time period allowed, Student will be charged a fee as described in Exhibit A and Funder will set the Individual Earned Income Estimate to the threshold amount specified in section 10.3.1.

      10.2.2. **Adjustments to Individual Earned Income Estimate.** If at any time the Student’s Individual Earned Income deviates materially from the Individual Earned Income Estimate Student previously submitted to the Funder, student shall provide updated Individual Earned Income Estimate to Funder. The Student is encouraged to provide updates to this figure throughout the year, as necessary, to avoid shortfalls in payment at the end of a tax year and require a large Reconciliation Payment. Funder may request Student to provide supporting information, in the forms of an affidavit, paystubs, letter from an employer, or other documentation, if student is providing a lower Individual Earned Income Estimate.

      10.2.2.1. **Changes in Employment Status.** Any changes in employment status, including voluntary or involuntary job loss, the commencement of a new job, or a change in Disability status, must be reported to Funder as soon as the Student becomes aware of the change. Relevant documentation may be required from the Student, including proof of unemployment benefits or claims, a letter of termination, a revised pay stub or advice, or letters from a doctor affirming the Student is Disabled.

      10.2.3. **Annual updates to Individual Earned Income Estimate.** Funder may update the Student’s Individual Earned Income Estimate once per year so long as Funder provides notification to student 30 days in advance and Student has not provided updated Informal Income Documentation (or certifies
that the existing Individual Earned Income Estimate on record with Funder is accurate) sometime in the prior 12 month period. Funder may update the Student’s Individual Earned Income Estimate to be the larger of the Student’s existing Individual Earned Income Estimate or Student’s Tax Return Individual Earned Income on the prior Year’s Tax Return (if the Student has submitted Formal Income Documentation by that point), with either figure increased by no more than the twenty year average wage increase in the United States based on the average wage index (AWI) provided by the Social Security Administration1. The Student may elect to increase the Individual Earned Income Estimate for a given year beyond the amounts indicated above.

10.3. Calculation of Monthly Payment Obligation. The Student’s Monthly Payment Obligation shall be calculated as follows:

\[
\text{(Individual Earned Income Estimate, expressed annually)} \times \text{Payment Percentage} = \text{Monthly Payment Obligation}
\]

10.3.1. Income Threshold. If at any time, the Student’s annualized Individual Earned Income Estimate, is less than and not equal to $30,000, adjusted annually for inflation with a base year of 20192 and rounded to the nearest $100, the Student’s Monthly Payment Obligation will be $0.00.

10.3.2. Changes to Monthly Payment Obligation based on Income Updates. Changes to a Student’s Individual Earned Income Estimate that are submitted by the Student within 12 business days of the due date for a Monthly Payment may take effect for the following Monthly Payment.

10.4. Annual Reconciliation.

10.4.1. Formal Income Documentation. Funder may require the student to provide updated Tax Returns and information to Funder each Year of this Agreement (or thereafter if the Term expires before an Annual Reconciliation) and Student must provide such information within fifteen (15) days of such request (or a longer period of time as established by Funder). In this circumstance, if Student has received a filing extension from the IRS, Student must provide Funder with a copy of any extension application or estimate of taxes, and must provide all updated tax and supporting information to Funder no later than thirty (30) days after such information is filed with the IRS. This annual package (the “Formal Income Documentation”) will, in addition to the Tax Returns, include copies of the Student's W-2 or similar IRS documentation, such as an IRS Form 1099-MISC, as well as proof of payment of income taxes.

10.4.2. Annual Authorization for IRS Form 4506-T or 8821. Student will also complete and execute, if requested by Funder, an IRS Form 4506-T and/or 8821 authorizing Funder to obtain Student’s tax return transcript and other return information from the IRS (and limited to the periods and tax documents necessary to determine Student’s income for the purposes of this agreement), dated not earlier than thirty (30) days before the date you provide it to us. To the extent there is a difference in the income reported on Student’s tax return transcript and the income reported on Student’s Tax Return provided through the mechanism in Section 10.4.1, the income on Student’s tax return transcript shall be the ultimate determinant of the student’s obligation.

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1 Information about the AWI can be accessed at the Social Security Administration’s website- https://www.ssa.gov/oact/cola/awidevelop.html.

2 Inflation will be calculated using the Consumer Pricing Index for All Urban Consumers as released by the United States Bureau of Labor Statistics (or similar measure of inflation as determined by Funder).
10.4.3. **Additional Tax Information.** Funder may require additional, supplemental information from the Student to properly discern the Student's Individual Earned Income. This information will be provided from the Student to the Funder within fifteen (15) days of such request.

10.4.4. **Failure to Provide Funder with Tax Forms.** Failure by the Student to provide Funder with new tax documentation when requested by Funder under Section 10.4 shall be considered a breach of this Agreement, and Student shall be charged a Fee, as listed on Exhibit A.

10.4.4.1. **Assumption for Tax Return Income.** Funder will assume Student’s Tax Return Individual Earned Income for the year covered by the missing tax returns is equal to the threshold amount specified in Sec. 10.3.1 and proceed with reconciliation using that amount. Failure to make Payments will be treated as a breach even if Student’s actual Individual Earned Income did not equal this amount. If Funder does assume that Student’s income for a year is equal to the threshold amount specified in Sec. 10.3.1 and sets Reconciliation and Monthly Payments on that basis, Student may provide tax documentation required under Section 10.4, and the Funder will adjust Student’s Tax Return Individual Earned Income and corresponding Reconciliation and Monthly Payments (for the calendar year being reconciled) to reflect Student’s actual income so long as the requested information is provided by the Student within one year. If the requested information is not provided within one year, no such adjustments will be made by Funder.

10.4.5. **Calculating Tax Return Individual Earned Income.** Following the receipt of the updated tax forms from Student, Funder shall calculate the student’s Tax Return Individual Earned Income for the current year based on the income (the “Tax Return Individual Earned Income”) from the Formal Income Documentation submitted by the Student.

10.4.6. **Reconciliation.** Following the determination of the student’s Tax Return Individual Earned Income, Funder shall determine if a Reconciliation Payment is due to or from Student.

10.4.6.1. **Total Estimated Individual Earned Income.** For the calendar year being reconciled, Funder shall sum the Individual Earned Income Estimate amounts used to determine the Monthly Payment Obligations for each month in that year. This is the “Total Estimated Individual Earned Income” for that year.

10.4.6.2. **No Reconciliation.** If Total Estimated Individual Earned Income is equal to Tax Return Individual Earned Income, no reconciliation is required.

10.4.6.3. **Calculation of Reconciliation Payment Amount.** To calculate the Reconciliation Payment Amount, Funder will calculate an “Average Monthly Income Change” by dividing by twelve (12) the difference between the Tax Return Individual Earned Income and the Total Estimated Individual Earned Income for the calendar year being reconciled. For each month in the calendar year being reconciled, Funder will add the Average Monthly Income Change amount to the Individual Earned Income Estimate value used to calculate the Monthly Payment Obligation for that month to determine a “Reconciled Individual Earned Income Estimate” for that month. If the Reconciled Individual Earned Income Estimate for such month is below the threshold defined in Sec. 10.3.1, or if such month is not covered by the Term under this agreement, or the Student was in Forbearance during such month, the “Monthly Reconciliation Amount Owed” for that month is zero. Otherwise, Funder will calculate a Monthly Reconciliation Amount Owed for that month that is equal to the Reconciled Individual Earned Income Estimate multiplied by the Payment Percentage, and then subtracting the Monthly Payment Obligation that was already billed to the Student for that Month. The Reconciliation Payment Amount is the
The sum of the Monthly Reconciliation Amounts Owed for each month in the calendar year being reconciled.

10.4.6.4. **Appeal of Reconciliation Payment Calculation.** Student may appeal the reconciliation payment calculation specified in Section 10.4.5.3 by providing Informal Income Documentation showing that the difference in Student’s Tax Return Individual Earned Income and the Total Estimated Individual Earned Income reflects income that was not earned evenly throughout the year, and thus the calculation should be adjusted to apply such income during months when it was earned. If such documentation sufficiently demonstrates to Funder’s satisfaction when such income was earned, Funder shall recalculate the Reconciliation Payment Amount using the procedure in section 10.4.5.3 but reflecting the timing of when Student earned the relevant income amounts during the year.

10.4.6.5. **Reconciliation Payment or Credit.** If the Reconciliation Payment Amount is positive, the Student must make a Reconciliation Payment to Funder. Funder will provide notice to Student indicating the amount of such Reconciliation Payment, and Student will have thirty (30) days after the receipt of such notice to pay such amount. The Funder may, at its discretion, provide student with up to one additional year to pay any underpayment amount. If the Reconciliation Payment Amount is negative, Funder will apply the overpayment toward future Monthly Payments or, if the student has no further obligation under this Agreement, will refund any remaining credit back to the Student.

**Payments Will Vary with Income.** Student’s Monthly Payments will change depending on Student’s Individual Earned Income. If Student’s Individual Earned Income increases, Student’s Monthly Payments will increase, though never such that the Student’s Total Payments, including any prepayment amounts, exceed the Total Payment Cap. If Student’s Individual Earned Income decreases, Student’s Monthly Payment will decrease.

**TOTAL PAYMENTS CAP, PREPAYMENT AND EARLY TERMINATION**

12. **Total Payments Cap.** On the date(s) that the Funding is disbursed in accordance with Section 1.1, Funder will set a Total Payments Cap equal to [110% of, if Opportunity ISA] the Funding Amount. The Total Payments Cap will grow as if it were a loan accruing interest at a [4.5%, if Opportunity ISA] [7%, if Boost ISA] annualized rate. Payments made by the Student under the Agreement, including any prepayment amounts and excepting amounts applied to outstanding fees, will be tracked and credited against the Total Payments Cap as if they were payments on a loan. If at the end of any month, this Total Payments Cap is equal to or below zero, the Student’s Monthly Payments will cease. If Student has paid all outstanding fees, Student may then choose to end Student’s obligation under this Agreement and be refunded any amounts by which the Total Payments Cap dropped below zero. Otherwise, the Student’s Monthly Payment Obligations will remain zero until the next annual reconciliation. In that case, if no reconciliation is ultimately required, or if the Student’s Reconciliation Payment Amount for the next annual reconciliation is positive, the Student has no further obligations under the Agreement and Funder shall refund any amounts by which the Total Payments Cap dropped below zero. If the Student’s Reconciliation Payment Amount for the next annual reconciliation is negative, the Funder will add the amount the student is credited under section 10.4.5.5 to the Total Payments Cap (as of the date when the Student’s Monthly Payments ceased). If the new Total Payments Cap value is at or below zero, the Student has no further obligations under this Agreement and the Student should be refunded an amount equal to the amount by which the Total Payments Cap is below zero (plus any credited amounts under section 10.4.5.5). If the new Total Payments Cap value is positive, the Student’s Monthly Payments should resume and the interest under this provision should accrue on the Total Payments Cap with respect to the months for which the Student’s Monthly Payments were ceased.
13. **Prepayment.** As outlined further in section 12, Student can prepay this Agreement and thus end it before the end of the Term by making one or more overpayments that would bring the Total Payments Cap balance to zero.

14. **Death of Student.** If the Student should die during the Term of this Agreement, all Payments will cease as of the previous month prior to her or his death. No Monthly Payment or Reconciliation Payment will be due from the estate.

15. **Permanent and Total Disability.** If a governmental agency or two doctors determine that Student is Permanently and Totally Disabled, all Payment obligations under this Agreement shall cease and this Agreement shall terminate.

16. **Deportation.** If Student is removed from the United States through deportation, all Payment obligations under this Agreement shall cease and this Agreement shall terminate.

### FORBEARANCE

17. **Forbearance.** Student will be granted (at Student’s discretion) up to twelve (12) months of “Forbearance”, continuously or separately, during the payment term, but not more than three months at any given point. During Forbearance, the student will not be required to make Monthly Payments. Months the Student is in Forbearance will not be credited toward the Term.

18. **Work-status Forbearance.** At any point during the payment term, if Student notifies Funder of, and documents to Funder’s satisfaction, Student’s loss of ability to work legally in the United States, Funder shall place student’s obligation into a Work-Status Forbearance until Student’s ability to work legally has been restored or the Student reaches the end of the Term. During a Work-Status Forbearance, the Student will not be required to make Monthly Payments and Months during this Forbearance period will be credited toward the Term.

### BREACHES OF THIS AGREEMENT

19. **Breaches of this Agreement.** Student and Funder shall perform all obligations under this Agreement. In the event of a breach of this Agreement, the non-breaching Party shall provide the breaching Party with notice of the breach.

19.1. **Opportunity to Cure.** The breaching Party shall have no less than ten (10) Business Days to cure the breach. If not cured within the specified period, the non-breaching Party may proceed in an action against the breaching Party in accordance with the section of this Agreement entitled Dispute Resolution.

19.2. **Material Breaches.** Without limiting the foregoing, the following shall all be deemed material breaches of this Agreement:

19.2.1. Student’s failure to timely remit a Payment to the Funder.

19.2.2. Student’s failure to timely remit required financial documents or updated Tax Return or other required tax documents/forms.

19.2.3. Student’s failure to timely notify Funder of a change in employment status.

19.2.4. Student’s failure to provide accurate and truthful information to Funder, all such information being warranted and represented as truthful, not misleading, and accurate.
19.2.5. Student's failure to present information to perform a reconciliation or to remit the Reconciliation Payment.

19.2.6. Student's failure to provide updated contact information.

19.2.7. Student’s failure to provide documentation, when requested, related to unemployment.

19.3. Results of Breach

19.3.1. Attorneys’ Fees Available in the Event of Breach. In the event of any breach of this Agreement (including but not limited to, those identified above) the non-breaching Party shall be entitled to recover attorneys' fees incurred in bringing the action, not to exceed thirty-five (35%) of the amount recovered.

19.3.2. Fees for Late Payment. Any Monthly or Reconciliation Payment due from Student to Funder that remains unpaid shall be subject to the late Payment fees set forth in the Schedule of Fees, attached as Exhibit A.

19.3.3. Fees for Failure to Provide Required Financial Documents or Updated Tax Returns. Any required financial documents or updated Tax Returns due from Student to Funder, which Student fails to provide will be subject to the late document provision fees set forth in the Schedule of Fees, attaches as Exhibit A. If the documents are not provided within ninety (90) days of a due date, Student shall be responsible for the payment of all costs incurred by Funder in obtaining the information which may include the costs of: (i) locating student through databases, personal locating services, or private investigators, (ii) sending notices to student, (iii) retaining an attorney to locate student or file a lawsuit, or (iv) filing a suit to obtain the information.

19.3.4. Funder’s Rights. Funder shall have the right to use all means available by law to collect any amounts determined due under this Agreement, including any state-court rights of levy, attachment, garnishment, and/or wage assignment.

OTHER RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT

20. No Acceleration, Continued Accrual, Remedies.

20.1. No Acceleration of Payments. Because this Agreement is based on Student’s Future Income, Funder will not “accelerate” any amounts that are owed if Student fails to make payments or fails to provide required information (both, events of default under this Agreement). There are penalties for breaches of this Agreement that are described below.

20.2. No Wage Assignment. This Agreement is not a sale, pledge, or assignment of your Future Income and Funder does not have a right under this Agreement to redirect, levy, or garnish any amounts that you receive from your employer or any other sources of income. You are, however, contractually obligated to make all Payments, including those that are calculated based upon your Future Income. Your payment obligations are limited by both the minimum income thresholds set forth in this Agreement and the Total Payment Cap. In the event that Student fails to make Payments under this Agreement, Funder may have a right, if allowed by state law, to redirect, levy, or garnish student’s wages if such remedy is allowed by state law following Funder's election to exercise remedies under state law for the collection of Payments. These remedies will only be available, if at all, under the supervision of a state judicial system.
20.3. **Continued Accrual.** If Student does not provide Monthly Payments, the amounts will continue to accrue each month at the last-calculated Monthly Payment amount. Only by providing updated income documentation to Funder will this amount change.

20.4. **Remedies.** In the event that Funder is required to file a lawsuit to collect Payments under this Agreement, Student agrees that Funder may seek all Monthly Payments and Reconciliation Payments that have come due as of the last-calculated amount and that these amounts will be binding, even if your actual Individual Earned Income has changed.

21. **Information Exchange.** To effectuate the provisions of this Agreement, the Parties will need to exchange information which may include information provided by taxing authorities. Student hereby agrees to execute such documents as Funder may request in order to obtain copies of information from such authority to determine Student's obligations under this Agreement. Both Parties agree to cooperate and timely execute documents to effect the terms of this Agreement.

22. **Fees.** Funder may assess fees as set forth in Exhibit A, and these fees may be changed from time to time. Student will be notified in accordance with this Agreement of any changes in fees.

23. **Credit Reporting.**

23.1. Funder, or Funder’s third-party vendors, underwriters, and servicers, may obtain a copy of Student's credit report as part of the application for Funding. Student consents to Funder obtaining a copy of her or his credit report and for the use of this information in making its funding decisions.

23.2. In addition, Funder may provide information about non-payment of Monthly Payments or Reconciliation Payments to credit reporting agencies if Student breaches this Agreement. Student will be notified of any adverse or negative reports if required by law.

23.3. Important information about Student's rights under the Fair Credit Reporting Act relating to Student's application for the Funding:

23.3.1. Student has a right to request disclosure of the nature and scope of the credit investigation.

23.3.2. Student must be told if information in Student's file has been used against Student.

23.3.3. Student has a right to know what is in Student's file, and this disclosure may be free.

23.3.4. Student has the right to ask for a credit score (there may be a fee for this service).

23.3.5. Student has the right to dispute incomplete or inaccurate information.

23.3.6. Consumer Reporting Agencies must correct or delete inaccurate, incomplete, or unverifiable information.

23.3.7. More information can be found at http://www.consumerfinance.com/learnmore/

24. **Sale of Agreement.** Funder may transfer, assign, or sell this Agreement to another Funder. The Funder is entitled to receive payments from the Student in accordance with this Agreement for the remainder of the Term of this Agreement as of the date of transfer, including any accrued but unpaid or past Payments, subject to all other terms and conditions of this Agreement. If such transfer or sale occurs, the Funder will provide notice to the Student and this Agreement shall continue to be binding on Student when such sale occurs. Any changes made by a Funder to the terms of this Agreement will be made in accordance with applicable laws governing changes in terms and will be communicated to Student as required by law.
25. **Limitation on Liability.** In no event shall Funder be liable for any indirect, special, incidental, or consequential damages or expenses for any negligence, breach of contract, or any other act arising out of or relating to this Agreement, the relationship between Funder and Student, and/or the obligations created or covered herein. Funder’s liability to Student for any breach of this Agreement shall be capped at the amount of the Funding.

26. **Notices.** Any notices, requests, demands, consents, or other communications required to be sent or given hereunder by any of the Parties shall, in every case, be in writing.

26.1. **Timing for Delivery of Notices.** A notice is deemed properly given:

   26.1.1. on the date delivered by hand;
   
   26.1.2. on the date sent if transmitted by facsimile with confirmation of transmission;
   
   26.1.3. one Business Day after it is sent if delivered by Federal Express or other express overnight delivery service; or
   
   26.1.4. two Business Days after it is sent by registered or certified mail, return receipt requested, postage prepaid, to the Parties at the addresses set below or at such other addresses as may be furnished in writing by a Party.

26.2. **Mailing Addresses of the Parties.** Notices must be provided at the addresses below or at such other addresses as may be furnished in writing by a Party:

   26.2.1. **To Funder:** 20711 Holt Avenue, P.O. Box 1063, Lakeville, MN 55044
   
   26.2.2. **To Student:** at the address listed on the first page of this Agreement unless such is updated by Student after the Effective Date.

27. **Electronic and Telephone Communications/TCPA Consent.** Without limiting any other rights Funder, Better Future Forward, a servicer, a collector, or any person or entity acting on their behalf may have, Student consents to Funder, Better Future Forward, and/or any person or entity acting on their behalf, communicating with Student in connection with the application for this Agreement, to address any technical problems associated with Student’s income share agreement application, or to send Student notices regarding Student’s income share agreement approval, payment reminders, or collection efforts, using any telephone number, email address, or other contact information that Student provides in the application, or using any telephone number, email address, or other contact information that Student provides in the future. Funder (and/or any person acting on Funder’s behalf) may communicate with Student using any current or future means of communication, including but not limited to: automated telephone dialing equipment, as defined by law, the FTC, or the FCC; artificial or pre-recorded voice messages; telephone or other electronic facsimile machine; SMS or text messages; and email directed to Student at a mobile telephone service, or email otherwise directed to Student. Student acknowledges that such communications are informational communications and are not made for the purposes of telemarketing. Funder (and/or any person or entity acting on Funder’s behalf) may use such means of communication even if Student will incur costs to receive such telephone messages, telephone calls, SMS or text messages, emails, or other means.

28. **Servicemembers Civil Relief Act ("SCRA").** If you are not currently an active duty servicemember and you either become an active duty servicemember or are called to active duty from a non-active duty status, please contact us immediately, you may have additional rights under the SCRA.

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**MISCELLANEOUS**
29. **Severability.** Any part, provision, representation or warrant of this Agreement which is prohibited or which is held to be void or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions. To the extent permitted by applicable law, the Parties hereto waive any provision of law which prohibits or renders void or unenforceable any provision hereof. If the invalidity of any part, provision, representation or warranty of this Agreement shall deprive any Party of the economic benefit intended to be conferred by this Agreement, the Parties shall negotiate, in good faith, to develop a structure which has the same economic effect as nearly as possible as the economic effect of this Agreement without regard to such invalidity.

30. **Survival.** All obligations contained in this Agreement shall survive for a period of six (6) years following the date Student makes his/her last payment or completes his/her last obligation under this Agreement, whichever comes later. Without limiting the foregoing, the following sections shall survive indefinitely: Recitals, Definitions, Sections 20-22, 24-26, and 29-38.

31. **Counterparts; Facsimile Signatures.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile or other electronically transmitted signature. This Agreement shall only be final and enforceable when received by Funder at its office at 20711 Holt Avenue, P.O. Box 1063, Lakeville, MN 55044.

32. **Governing Law.** This Agreement shall be construed and governed in accordance with the laws of the State of Minnesota, without regard to its laws regarding conflicts of law. This Agreement is treated as though entered into and executed by the parties in the State of [Minnesota or Illinois or Wisconsin], which is the state in which Student’s post-secondary education will occur.

33. **Tax Advice.** Funder cannot and will not advise you about the tax treatment of this Agreement. Student should seek her/his own taxation advice about how this Agreement might affect her/his tax situation. Student acknowledges that s/he shall be responsible for any and all tax implications as a result of this Agreement and acknowledges that s/he has received no tax advice or representations from Funder.

34. **Entire Agreement.** This Agreement and its exhibits (all of which shall be deemed incorporated in this Agreement and made a part hereof) set forth the entire understanding of the Parties with respect to the terms hereof, supersede all prior discussions, understandings, agreements, and representations, and shall not be deemed modified or affected by any offer, proposal, statement, or representation, oral or written, made by or for any Party in connection with the negotiation of the terms hereof.

35. **Third Parties.** Nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person, other than the Parties to this Agreement, any rights or remedies under or by reason of this Agreement.

36. **Waivers and Remedies.** The waiver by any of the Parties of any other Party's prompt and complete performance, or breach, or violation of any provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any of the Parties of the exercise of any right or remedy which it may possess shall not operate nor be construed as a bar to the exercise of such right or remedy by such party upon the occurrence of any subsequent breach or violation.

37. **Amendment.** Except for those terms, such as fees, that may be amended by Funder upon notice to Student, this Agreement may not be amended, restated, supplemented, or otherwise modified except by an instrument, in writing, signed by Funder and Student.

38. **Notice to Married Applicants Living in Wisconsin.** No provision of any material property agreement, unilateral statement under Section 766.59 of the Wisconsin Statutes, or court order under Section 766.70 adversely affects...
the interests of Funder unless Funder is furnished a copy of the agreement, statement, or order, or has actual knowledge of the adverse position before opening the requested Income Share Agreement. If you are married, a Wisconsin resident, and your spouse is not a co-applicant, you agree that an amount extended under the Income Share Agreement will be incurred in the interest of my marriage or family.

39. **Bankruptcy.** Any other provision of this Agreement notwithstanding, nothing herein is intended to assert, and Funder shall at no time assert, that this Agreement is non-dischargeable as a qualified education loan as set forth in 11 U.S.C. § 523(a)(8) or such other law that may, in the future, limit the dischargeability of income share agreements where such limitation on dischargeability is based upon the use of the income share agreement for educational expenses.

The parties have executed and delivered this Agreement as of the Effective Date below written.

<table>
<thead>
<tr>
<th>Funder</th>
<th>Student</th>
</tr>
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</table>
| Better Future Forward Opportunity ISA Fund (CP1), LLC | Signed: _______________________________
| Date: _______________________________ | Name: ________________________________
| | Date: ________________________________ |

**KEY DEFINITIONS**

1. "**ACH**" means the Automated Clearinghouse network, governed by the rules of the National Automated Clearing House Association and its successors and assigns.

2. "**Business Day**" means a day, Monday through Friday, that is not a federally-recognized holiday.

3. "**Day**" or "**Calendar Day.**" When not described as a "Business Day," a day shall mean any and every day and shall not be limited to Business Days.

4. "**Fees**" means the fees that are recoverable by Funder under this Agreement. Fees are more fully described in Section 11.

5. "**Formal Income Documentation**” has the meaning ascribed to it in Section 12.3.1.

6. "**Funder**" is the entity specified in the Preamble to this agreement, or any entity or individual to which this Agreement is validly assigned by that entity. Such Funder shall be subject to and benefit from the rights and obligations created under this Agreement.

7. "**Funding.**" In consideration of the promises made by Student as set forth in this Agreement, Funder agrees to provide the Funding to Student in the amount set forth at the beginning of this Agreement.

8. "**Future Income**" shall mean those amounts that Student may receive in the future as income that will serve as the basis for calculating the Payments linked to a Student’s income.

9. “**Grace Period**” means the period set forth in Section 8.

10. “**Forbearance**” shall have the meaning set forth in Section 16.
11. "**Individual Earned Income**" is defined as all:

   a. Wages, salaries, tips, commissions and other employee compensation earned by the Student from all employers in the taxable year. (For illustrative purposes, as of the most recent tax year preceding this contract, for individual income tax filers using Internal Revenue Service (IRS) Form 1040, this value appears on Line 1.)

   b. the amount of the Student’s net earnings from self-employment for the taxable year. The term "net earnings from self-employment" means the gross income derived by an individual from any trade or business carried on by such individual, less the expenses attributable to such trade or business, plus his distributive share (whether or not distributed), from any trade or business carried on by any partnership of which he is a member. (For illustrative purposes, as of the most recent tax year preceding this contract, for individual income tax filers using Internal Revenue Service (IRS) Form 1040, this would include portions of the amounts included on Schedule 1, lines 12, 17, and 18. Specifically, it would equal the total of the amount on line 31 of any Schedule C with a "Yes" on Line G, the amount on line 34 of any Schedule F with a "Yes" on Line E, and the sum of columns (i), (j), and (k) of line 29a of any Schedule E.)

Unemployment benefits received by the Student shall not be considered part of the Student’s Individual Earned Income. Individual Earned Income shall be as calculated based on the statements on Student’s Tax Return.

“Individual Earned Income” includes all income reported on a joint income tax return, minus, to the extent documented to Funder’s satisfaction, any income earned solely by your spouse or domestic partner that is reported on the joint income tax return.

12. "**Individual Earned Income Estimate.**" An estimate of the student’s Individual Earned Income, calculated based on Informal Income Documentation submitted by the Student to the Funder.

13. "**Informal Income Documentation**" means a copy of a paystub from Student’s employer containing salary or hourly wage information, or alternative verifiable source of income acceptable to Funder.

14. "**Institution**" is the educational institution or places of learning set forth at the top of this agreement, as may be changed from time-to-time by agreement between Funder and Student.

15. "**Monthly Payment(s)**" means the payments, linked to Student’s income, that Student is required to make monthly.

16. "**Payment Percentage**" The Percentage of Individual Earned Income the Student is obligated to pay. The Payment Percentage is set forth at the beginning of this Agreement.

17. “**Payments**” means the Monthly Payments and Reconciliation Payments, if any, a student is required to make under this agreement.

18. "**Program**" shall mean the course of study or education at the Institutions that are specified at this top of this agreement.

19. "**Tax Return.**" The Student’s Tax Return is the annual IRS Form 1040 (or equivalent) that is filed by the Student (including all schedules thereto) with the United States Internal Revenue Service.

20. “**Tax Return Individual Earned Income**” has the meaning ascribed to it in Section 12.3.2.
21. "Term." The number of months, excluding in-school and grace periods and other periods of forbearance, that the student must make payments linked to his or her income. The Term is set forth at the beginning of this Agreement.

22. “Total Monthly Payments” shall have the meaning ascribed to it in Section 12.3.3.

23. "Reconciliation Payment" means the amount Student must pay if there is a difference between the total Monthly Payments Student makes during the year and Student’s Annual Payment Obligation for that Year.

24. “Year” means the period from January 1 to December 31 in a given year.
<table>
<thead>
<tr>
<th>TYPE OF FEE</th>
<th>AMOUNT OF FEE</th>
<th>EXPLANATION OF FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late Payment</td>
<td>$7.80 or 5% of the Payment whichever is greater</td>
<td>Late Payments will be subject to a delinquency charge that will be assessed each time that a payment is due (or the maximum amount allowed by law for failure to make payments under a contract).</td>
</tr>
<tr>
<td>Late Document Provision Fee</td>
<td>$20.00</td>
<td>The amount you will have to pay if you fail to provide your documentation on the date it is due.</td>
</tr>
<tr>
<td>Stop Payment or Returned Check</td>
<td>$30.00</td>
<td>The amount that you will have to pay if a check you sent was returned because of a stop payment order or if there are insufficient funds in your amount to cover the check and the check is returned by your bank or credit union.</td>
</tr>
<tr>
<td>Returned Item or Electronic Debit</td>
<td>$30.00</td>
<td>The amount you will have to pay if an electronic debt submitted by Funder is refused by your bank or credit union.</td>
</tr>
<tr>
<td>Check by Phone Fee</td>
<td>$20.00</td>
<td>The amount you will have to pay for Funder to debit your checking account through an electronic check that you provide by phone, if this option is provided by Funder.</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition funding provided to Lambda School on your behalf</td>
<td>$30,000</td>
</tr>
<tr>
<td>Percentage of your monthly earned income you must pay Lambda School</td>
<td>17%</td>
</tr>
<tr>
<td>Minimum monthly earned income required for monthly payments</td>
<td>$4,166.67</td>
</tr>
<tr>
<td>Equivalent annual earned income</td>
<td>$50,000</td>
</tr>
<tr>
<td>Maximum number of monthly payments</td>
<td>24</td>
</tr>
<tr>
<td>Maximum term of this agreement</td>
<td>83 months</td>
</tr>
<tr>
<td>Maximum total amount you are required to pay (excluding fees for late or failed payments)</td>
<td>$30,000</td>
</tr>
</tbody>
</table>
**FEES 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.

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

**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. 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. 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: 2020

Lambda Inc.

Date: 2020