



## EdlyOutcomes I Principal Protected

**EdlyOutcomes I (Principal Protected) – Supplement dated August 7, 2020 (“PPM Supplement”) to the Confidential Private Placement Memorandum for Edly Funding Series LLC dated April 20, 2020**

### Description

Edly is now offering an opportunity for investors to have Edly manage their investment accounts opened with Edly. Each investor will have their managed investment account invested in a diversified pool of fixed percentage payment Income Share Agreements (“ISAs”). Each managed account will also provide principal protection through an investment in United States Government STRIPS securities.

The Investment Objective is monthly income distributions of cash flow ultimately achieving a target return derived from payments under participation interests in either pools of ISA contracts or in debt instruments secured by ISA contracts, combined with proceeds from sales of STRIPS. Investments may only be made by “Accredited Investors” (as defined in Regulation D promulgated under the Securities Act).

ISAs allow students to finance their education without the use of debt and allow investors to participate in the future earnings potential of a skilled graduate. Edly focuses on ISAs in the STEM fields in addition to nursing, business, and specialized vocational schools.

**EdlyOutcomes I (Principal Protected)** is an investment program that seeks to reduce risk by offering investors a diversified portfolio of ISAs, which will include ISAs from a large number of schools, fields of study (with a concentration in technology), and geographic regions.

Each investment in an EdlyOutcomes I (Principal Protected) managed account will take the form of a Series LLC interest owned entirely by the investor. Each series will be subscribed to by a single investor who will be the sole owner of the series limited liability company interests issued by that series. Edly as Manager of the Company will also be the Manager of each series established for the investors. ISA Participations are acquired by a series, and all rights of ownership including all financial results and related tax consequences of the ISA Participations will be for the benefit and account of the investor owning that series. See Exhibit A of the *Confidential Private Placement Memorandum for Edly Funding Series LLC dated April 20, 2020* for the form of the Company Limited Liability Company Agreement and the form of Series Designation to the Limited Liability Company Agreement.

Edly seeks to use a consistent investment methodology for ISA investments. The core element of the methodology is to determine the future value of the share of student income. Edly does this by looking at past and current earnings of graduates from various higher education programs. Edly does not use credit scores such as FICO because FICO punishes students who have limited credit history. We believe most students have limited credit history and that this is not determinative of future economic success. But Edly will reject students if they have a poor credit history as determined by actual defaults, bankruptcies or other material credit impairments.

Edly conducts an analysis of the investment returns available to investors using its proprietary analytics systems. This analysis considers the cost of an educational program, the historical financial outcomes of the schools and their students, and the impact of structured investment enhancements Edly adds to the program. The result is a consistent method for analyzing unique programs on a common system. Edly works with servicers and schools to collect payments from students who successfully find jobs after graduation.

Edly ISA purchase agreements with schools are designed to align the interests of schools and students. Schools receive financial incentives if their students are successful and are specifically rewarded for good student outcomes including graduation, employment in higher paying jobs, and continued employment. If a school's students routinely fail to attain these objectives and results, the school will receive a significantly lower return on sales of its ISAs to Edly. Edly retains the right to terminate an ISA purchase program with a school if the school's ISAs perform unsatisfactorily from an investment perspective on a consistent basis. Edly believes this incentive structure is important in maintaining positive investment outcomes for investors in the ISA Participations.

**Sample ISA Terms (for illustration only):**

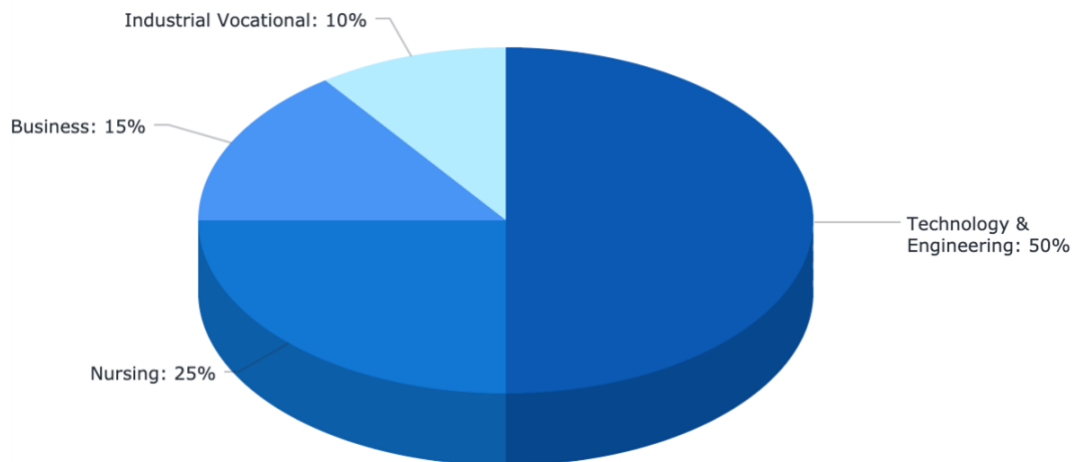


Edly uses its investment criteria to screen investment opportunities and then structures investments which seek to minimize risk to investors. While there are limited current opportunities to seek liquidity from selling ISAs, we strive to maximize the cash we receive on the ISAs by working with servicers and schools.

**Principal protection** - Edly's principal protection strategy uses US Treasury STRIPS so that in almost all financial circumstances investors will not lose their investment principal. Edly purchases long maturity STRIPs because these offer the largest discount.

Edly actively manages the STRIPs portion of the investment – constantly reducing the low yield STRIPs as ISAs make payments and the protection is no longer needed. If the ISA pools perform as targeted, the STRIPs will be sold within approximately 3 years. If this happens, it will result in the investor achieving the target return and duration without risk of loss of principal. The actual sale price of the STRIPs is uncertain and the final disposition price could impact the ultimate return to investors. But the sales are still managed to avoid a risk of principal loss to investors.

### Sample, Diversified ISA Portfolio



### Investment Details: EdlyOutcomes I (Principal Protected) FAQs

*What cash distributions do EdlyOutcomes I (Principal Protected) investors receive?*

- EdlyOutcomes I (Principal Protected) investors will receive monthly distributions from ISA cashflows and sales of STRIPs, net of fees.
- With respect to each ISA Participation, collections received by Edly in the prior calendar will be distributed on each monthly payment date in the order of priority set forth below:
  - to the payment of accrued and unpaid servicing fees to the Servicer
  - to the payment of accrued and unpaid Management Fee to the Manager

- to the payment of accrued and unpaid Expenses to the Manager
- to the investor until the investor achieves a cumulative internal rate of return (a “target return”) set by the Manager for each ISA pool depending upon its financial characteristics
- to the payment to the school that originated the ISAs in the ISA Pool, a contingent additional purchase price, but only up to an agreed percentage of the undistributed remaining proceeds (which may be 100% after the ISA pool achieves the target return for the investors); and
- the remainder, if any, to the investors.

This cash distribution priority may vary for each ISA pool as determined by the Manager.

#### *What is the duration of an EdlyOutcomes I investment?*

- The target duration for EdlyOutcomes I (Principal Protected) is 4 years.
- Clean Up call: At any time when the outstanding balance of the investment is less than 10% of the initial investment, Edly will seek to clean up the remaining outstanding ISAs and repay investors with proceeds from the sale of ISAs and sale of the STRIPs. There is no assurance that Edly will be successful at selling those assets.

#### *Who is managing my investment in the ISAs?*

- Edly is the manager of the investments. For a full description of Edly and the team, see “Management” in the *Confidential Private Placement Memorandum for Edly Funding Series LLC dated April 20, 2020*.

#### *Who is the servicer of ISAs?*

- Edly uses experienced third-party servicers. The servicer collects payments from the students each month and distributes them to Edly. For more information on ISA Servicers, see “Servicing of the ISAs” in the *Confidential Private Placement Memorandum for Edly Funding Series LLC dated April 20, 2020*.

#### *When and how do investors receive cash?*

- Edly will distribute cash each month to investors based on their ISA Participation Interests and indirect ownership of STRIPs.
- Edly will distribute money via ACH. Edly will provide instructions for establishing this ACH bank relationship.
- The first distribution will be on October 26, 2020. Subsequent distributions will be on the 25<sup>th</sup> of each month (or the next business day if the 25<sup>th</sup> falls on a weekend or holiday).

*What Reporting will investors receive?*

- EdlyOutcomes I (Principal Protected) will provide monthly distribution reporting in collaboration with its Administrator, Opus Fund Services.
- Edly will provide a 1099-INT at the end of each fiscal year.

*What will I own as an investor?*

- Your investment will be in fractional participation interests in multiple pools of ISA contracts and in indirect beneficial ownership of US Treasury STRIPs.

*How is the investment principal protected?*

- Edly will invest the discount to the face amount of the Treasury STRIPs and invest that amount in ISA pools. Edly will also manage the investments in the STRIPs to reduce them over time as the protection is no longer needed. If an investor invests \$10,000 in Outcomes I, Edly will invest the cost of \$10,000 par amount (currently about \$6,500) in STRIPs. And \$3,500 will be invested in ISA investments. Regardless of the outcome of the ISA investments, the STRIPs will mature at \$10,000. Edly will also actively manage the investments to sell off the STRIPs if they are no longer needed to protect the initial investment.

*What are the fees and expenses associated with EdlyOutcomes I (Principal Protected)?*

Investors pay Management fees to Edly of 2% of the ISA cashflows and 1% of the STRIP cashflows and 0.5% upfront of the total invested amount. In addition, a 4% origination fee is paid to Edly at the time ISA pools are acquired (paid by the sellers of the ISA pools).

**Risk Factors**

For a discussion of Risk Factors associated with investments in the EdlyOutcomes I managed account, see the *Confidential Private Placement Memorandum for Edly Funding Series LLC dated April 20, 2020*.

[Get started: Invest here](#)