FSCL

Financial Services for College Lending

FSCL

Financinging your future, simply.

Business Plan

Panasci Business Plan Competition

Syracuse University

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Samuel P. Hollander

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Abstract:

We are in a great American Crisis. According to the Federal Reserve, America owes more than $1.7 T in student debt, between federal and privatized loans across more than 44M borrowers. 61% of Federal Student Loans are either in deferment, forbearance, or default. Income Share Agreements (ISA) offer a new way to finance education while betting on the student, not the university. Though the ISA market is nascent, it is projected to increase tenfold in the next five years. ISAs aren't yet ubiquitous because starting an ISA program has massive barriers to entry. FSCL is building the world's first plug-and-play solution for higher education institutions and private lenders to quickly mobilize and scale an ISA program with extremely low entry costs.

Section I: Company, Concept, and Products.

Part A: The company

FSCL (pronounced, 'Fiscal'), which is an acronym for Financial Services for College Lending, is a startup that specializes in using innovative, and alternative solutions to finance higher education using Financial Technology (FinTech). FSCL is operating in the education space, by offering a suite of alternative financial vehicles with the purpose of financing higher education. Their mission is to create a simple, affordable and flexible solution to finance higher education.

Sam Hollander, the founder of FSCL, attends Syracuse University (SU), a private university in Central New York (CNY) which currently has an estimated cost of attendance of $77,579[1]. Hollander saw first-hand the impact student debt has on students' lives and futures. In the summer of 2019, his father sat him down and told him he'd lost his job of over 28 years. With a significant drop in household income, and the financial aid office not willing to re-evaluate Hollander's financial aid account, he realized his only option was to take on massive student debt. After doing months of research on how to finance his tuition without using student debt, he came across ISA's, and realized they have massive potential, but weren't available to over 99% of the market, due to existing gaps. Hollander realized he wasn't alone. After talking with his peers at Syracuse University (SU), Hollander discovered that some SU students will accumulate over a quarter-million dollars of student debt by the time they graduate. However, these same peers are only projected to earn a modest $35,000/year post graduation (according to the Career Development Center). They don't know how they are going to pay off this massive

[1] "Cost of Attendance for Undergraduates - Syracuse.edu." https://www.syracuse.edu/admissions/cost-and-aid/cost-of-attendance/undergraduate/. Accessed 3 Sep. 2020.

amount of debt with their projected income and are anxious about the potential dangers of their student debt once they graduate.

This is an all-too-common story. Students and recent graduates across America are drowning in debt with the biggest beneficiary being the United States Federal Government (specifically the Department of Education, or D.O.E.). The D.O.E. holds 92%[2] of all student loans, of which more than 60% are in default, forbearance, or deferment. Now, more than ever, there is a growing mismatch between the price of higher education, and the value students take away from it. Hollander created FSCL to allow his customer's alternative options to finance their higher education, while keeping simplicity, affordability and flexibility in the forefront of his mind.

FSCL is currently a registered and chartered entity in the state of Delaware as "FSCL Inc." FSCL Inc. is a C-Corporation with only one shareholder, Hollander. FSCL's operations are based in New York State. FSCL Inc. has a New York State, Doing Business As (D/B/A), "Simple, Affordable and Flexible Enterprises." Throughout the academic year, FSCL's office space is in the Blackstone LaunchPad at Bird Library, Syracuse University and is located in Westchester County, NY during the summer and winter months. FSCL plans to eventually form subsidiaries which include Special Purpose Vehicles, or Entities (also known as S.P.V./S.P.E.), as well as a 501(c)(3) grant and scholarship fund to further their social impact mission.

Part B: The products

FSCL is the world's first plug-and-play solution for higher education institutions and private lenders who want to upstart and scale an ISA program without high upfront costs. FSCL is an independent company that specializes in building and scaling ISA programs. FSCL's suite of products significantly decrease the barrier to entry for ISA programs, allowing for more widespread use. FSCL's suite of products are the complete infrastructure needed to run an ISA program, saving customers money as compared to building out the infrastructure themselves.

The first product FSCL will issue is an Income Share Agreement (also referred to as ISA). At its core, ISAs are a legal contract between a lender and a borrower. FSCL's first product is the physical ISA contract which will be tailored to each program that signs up. ISAs are an emerging alternative financial vehicle where, in return for upfront capital, the customer will pay a fixed percentage of their future earnings over a fixed term. Included in this ISA contract is the legal and compliance research needed to legally issue the ISA's.

The next product that FSCL will sell is a license to their proprietary credit-decisioning engines. Credit Decisioning Engines (CDE's), provide customers the ability to make accurate, responsible and reliable lending decisions by appropriately assessing individual creditworthiness of applicants. FSCL's CDE's are state of the art software's that use proprietary data models and machine learning to give the borrowers the best offer, while minimizing downside lending risk for the lenders. FSCL will develop general CDE's, which will be tailored to each client's needs (i.e., if a client is an engineering trading school who is starting an ISA program through FSCL, we will incorporate more specific data to the specific program to increase model accuracy).

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[2] "2019 Student Loan Debt Statistics — NerdWallet." 2 Jul. 2020, https://www.nerdwallet.com/blog/loans/student-loans/student-loan-debt/. Accessed 15 Jul. 2020.

FSCL’s third product is a web-servicing platform. The web-servicing platform is an online ‘portal’ where borrowers can log-in, manage their ISA’s, make payments, request deferrals, etc. This allows the borrower to service their ISA without the need for a human servicer. For the lenders (our clients),, they can see, issue new ISA’s, and manage their ISA program and service individual accounts manually.

FSCL’s fourth product is manual servicing of ISA’s. FSCL will have a team of servicing specialists who can manually service ISAs for all of FSCL’s customers who license their web-servicing software. This allows for economies of scale, so individual ISA programs don’t need to hire a servicing team. FSCL hires a servicing team, which can service ISAs across programs.

FSCL’s fifth product is ISA program consulting. FSCL consults with customers and potential customers on the benefits of ISA’s, and the intricacies of a program. Additionally, FSCL will advise clients on best practices in the ISA and lending space, to create a functional ISA program.

Part C: Entry and Growth Strategy

FSCL plans to enter the market in two phases. Phase one is a beta testing period, which will last approximately 12 months. Phase two is the go-to-market period where FSCL’s products will be launched to the broader market.

In phase one, FSCL’s beta test will consist of 5 customers. In the beta testing phase, FSCL’s first customers will be medium sized private higher education institutions (between 15,000 and 30,000 undergraduate students) who are looking to use ISA’s as either 1) a retention tool for students with financial struggles or 2) a value proposition to other similar schools. This test will last approximately 12 months and will allow FSCL to acquire product feedback to make appropriate changes before launch to market.

Once the beta test is complete, FSCL will enter phase one of product launch by going to the broader USA market. FSCL will be the first company to enable the widespread use of ISAs to the American marketplace at scale. Within the first year of product launch, FSCL projects to onboard ten new customers (estimated eight colleges and universities, one trade/technical school and one private lender). Within these first ten customers, FSCL plans to see at least 1,000 new ISAs per year, per customer. This means that in the first year, FSCL plans to see ten customers who will have cumulatively issued 10,000 new ISA’s. Once these first customers are acquired, and FSCL has built a track record of good-standing ISA’s, FSCL anticipates an accelerated rate of growth.

By year three, FSCL projects to have at least 50 customers with at least 100,000 ISAs issued, across all 50 programs. The more ISA’s FSCL issues, the easier customer acquisition will be, as successful programs speak for themselves.

Section II: Industry Analysis.

Part A: The Industry

FSCL's industry is Finance, and the vertical is Financial Technology (FinTech) specializing in Alternative Finance, and Software as a Service (SaaS). By utilizing FinTech and SaaS, FSCL will position itself as a leader in the broader ISA space. FSCL's NAICS code is 61410102, which is for Personal Credit Institutions with a concentration in Consumer Finance. There are about 3,000 different registered companies within this NAICS code, however, most of those are not in the student lending/Income Share Agreement space. FSCL is not a lender, but rather a vendor to other lending institutions.

Part B: Student Loan Industry Size and Growth Rate

As of May 2020, the student loan market is over $1.7 Trillion. The United States Federal Government (Department of Education, or D.O.E.) holds 92% of all student loans in America[3]. This cumulative balance of $1.7 Trillion[4] is split across over 44 MM borrowers[5], which means that one in five Americans over the age of 18 hold some form of student loan debt. Furthermore, the average balance on student debt is just over $37,000.

Within the next five years, without a major catalyst to change trajectory, the student debt bubble will balloon to over $3 trillion[6] due to the effects of compound interest, as well as the increasing number of deferrals, forbearances, and defaults. As individuals' debt balances grow higher, they're increasingly looking for an alternative to their current situation.

While the D.O.E. holds (financially funds) the federal student debt program, private companies are contracted to service the debt. 11 different companies service federal student loans including Cornerstone Education, Navient, and NielNet. These companies are paid a 'servicing fee' (as a percentage of the balance) to service the loans on behalf of the D.O.E. There are different types of federal student loans including "Direct Subsidized," Direct Unsubsidized" as well as "Parent PLUS" and "Perkins" loans. Federal student loans have interest rates that typically range from 4.53% to 7.08% Annual Percentage Rate (A.P.R.) and can range anywhere from 10-30 years.

Private companies and banks hold the remaining 8% of student loans in America. These private companies range from large banks (like Citizens Bank or Wells Fargo) to non-bank lenders (like SoFi, and smaller Credit Unions). While all private lenders charge a servicing fee, some outsource the servicing to private companies, and profit off the difference between what's

[3] "GAO-19-430, PRIVATE STUDENT LOANS: Clarification from ...." 24 May. 2019, https://www.gao.gov/assets/700/699338.pdf. Accessed 11 May. 2020.
[4] "Student Loan Debt Clock." http://collegedebt.com/. Accessed 11 May. 2020.
[5] "These five charts show how bad the student loan ... - NBC News." 24 Apr. 2019, https://www.nbcnews.com/news/us-news/student-loan-statistics-2019-n997836. Accessed 11 May. 2020.
[6] "How to address the country's out-of-control student-loan crisis ...." 15 Mar. 2019, https://www.businessinsider.com/how-address-student-loan-crisis-finance-professor-2019-3. Accessed 11 May. 2020.

charged and what's paid to the servicing companies. Private student loans typically have interest rates between 4% and 15% APR, with the terms being between 10 and 20 years.

Both the D.O.E. and private companies who hold student debt generally fund the program through a process known as securitization. Securitization is when you turn an asset, or bundle of assets, into a marketable security (i.e., a bond, or an equity). Therefore, the D.O.E. and private lenders are able to raise outside capital from the secondary markets to issue their student loans. They will generally take a management and servicing fee, and then complete the remainder of the transaction by sending the remaining money back to the investor. Student loans are generally securitized into Student Loan Asset-Backed Securities, or 'SLABS', which typically are sold as Bonds (usually structured similarly to a collateralized loan obligation, or C.L.O.).

Part C: Income Share Agreement Industry Structure

There are four prominent companies in the Income Share Agreement space. These companies are Vemo Education, Blair, Avenify and Edly. Each of these ISA companies have different concentrations, however, none of them have a business model which would allow them to grow their products into a widely adopted financing tool. FSCL's closest competitor, Vemo Education ('Vemo') partners directly with schools, most being small community colleges, to create university specific ISA programs. Though they've established themselves as a leader in the ISA space, they have yet to build a vast majority of the infrastructure needed to create an ISA program that's versatile and scalable. Vemo works with about 60 colleges and universities across America, with the largest university being Purdue University in West Lafayette, Indiana. Another big player in the ISA space, Blair, seeks to match individual angel investors with individual students (by using the 'Peer-to-Peer Lending' model). This model lacks scalability, because in practice, investors 'cherry-pick' top students from Tier One universities, leaving behind an entire group of students with high potential. To date, Blair has gained interest from thousands of students but has only been able to fund 250 of them because of this business model. Companies like Avenify and Edly's business model is to sell to a specific type of student. For example, Avenify only issues ISA's to Nursing Students, and Edly only issues ISAs to vocational training programs.

According to Career Karma, Edly estimates that by the end of 2021, there will be over $500 MM of ISA's issued to finance higher education[7]. While no one knows how quickly the industry will grow just yet, there is an increasing demand for a more simple, affordable and flexible solution to finance higher education; Income Share Agreements provide just that solution. FSCL believes the industry will grow exponentially, and they will become the biggest player in the industry by being the first company to master the scalability aspect of ISA programs enabling the widespread use as a replacement for student debt.

[7] "Income Share Agreements - State of the Market 2019 | Career ...." 12 Nov. 2019, https://careerkarma.com/blog/income-share-agreement-market-report-2019/. Accessed 11 May. 2020.

Section III: Market Research and Analysis.

Part A: FSCL's Customer

FSCL's customer is a higher education institution or private lender that wants to offer ISA's. FSCL is not a lender.

In order to determine FSCL's target customers, they needed to profile the borrowers, to identify who would take the largest amount of value from an ISA product. FSCL has identified multiple criteria for target borrowers. These criteria are based on market research findings as well as financial modeling and simulations conducted by FSCL. For the borrowers, the goal is to most effectively balance profit with savings. The average borrower will save (on average) anywhere from $75-$250 per month on their higher education financing payments, by using an ISA. This has the potential to save those same customers more than $20,000 over the course of an average ten-year ISA. In order to achieve these results, there are three criteria that define the ideal candidate for a FSCL ISA. The target borrower needs to have about $25,000 to $75,000 in a funding gap.

For higher education customers, FSCL has identified that public and private institutions that have an average cost of attendance between $10,000 and $30,000 per year, would likely see the most benefits from implementing an ISA program. Additionally, to start, FSCL will be targeting higher education institutions with post-graduate job placement of over 85%. Though not a requirement, FSCL will likely be looking to partner with institutions who have well-known STEM programs as well as programs in business, and healthcare administration.

For private lender customers, FSCL has identified that to start they will be partnering with private lenders for refinancing only. This allows FSCL to mitigate risks associated with lending (though FSCL is not a lender) and will allow them to prove the concept before moving to more general private college lending (regular financing). Additionally, as a risk mitigation strategy to prove out the concept, FSCL will likely not allow ISA's of more than $50,000 per contract, though borrowers can apply for multiple contracts.

Part B: Competition and Competitive Edge

There are two different markets that we're competing in and for. The first market is the broader student loan market, and the second is the narrower Income Share Agreement market.

In the student loan market, we're competing against the servicers of the Department of Education (D.O.E.) who holds 92% market share, and other private bank and non-bank lenders who have a cumulative 8% market share (who service student loans themselves). Americans who have student loans, prefer those held by the D.O.E. as they generally offer more favorable interest rates, when compared to private lenders. However, oftentimes, students need to borrow more than the federal government's per-capita allowance, making their only option, the private market. These private loans generally offer higher interest rates but are often the only avenue for students to fill that final gap to pay tuition.

In the Income Share Agreement market, we're competing against companies who have already created a name for themselves. The first, and most prominent company in the ISA space is Vemo Education. As mentioned before, Vemo works directly with small colleges and universities to create limited purpose ISA programs. Blair, matches angel investors with students who would like to use ISA's. Avenify and Edly are niche players, because they only serve people from certain programs. Both Avenify, and Edly however, are using a 'crowdfunding equity' model where accredited individual investors can buy 'equity' in a cohort of students, and as the money is returned by the student, the investor sees their share of the 'equity.'

FSCL is going to be the first company to allow for the issuance of ISAs at scale. Currently, their competitors are limited in the amount of ISA's they can offer as they all don't have a scalable business model. FSCL is going to issue ISAs at scale by partnering directly with lenders who handle the capitalization. FSCL capitalizes their ISA programs on a customer-by-customer basis. The customers will capitalize their individual ISA programs and FSCL will oversee the issuance and accounting of those funds.

After extensive customer discovery, higher education institutions can fund ISAs through their existing endowment fund. Additionally, some higher education institutions are interested in capitalizing their ISA programs by using the program as an independent fundraising opportunity.

In the future, FSCL will obtain a Warehouse Lending Facility (or other syndicate facilities), with the intention of allowing private lenders the ability to capitalize their program through FSCL, allowing for larger upside risk for FSCL, with a more limited (capped) downside risk.

FSCL does not anticipate obtaining syndicated credit facilities to be an issue, because at the point where it would be relevant and pertinent for them to obtain the facilities, they will have enough established credit history on their ISA programs across all their customers.

Part C: Estimated Market Share and Sales

After conducting detailed market research, and analyzing findings, FSCL has a very good understanding of the market, and therefore can estimate market share and project sales. Since FSCL is entering a nascent market, with a new value proposition, it is tough to estimate the market size.

FSCL estimates the total available market (TAM) to be about $1.21 Trillion. This number is an estimate comprised of many factors including the discounted future cashflows of the price consumers will pay for higher education, financial opportunity costs incurred by universities for students not being able to afford the cost of attendance, the broader student loan servicing market (discounted for ISA adoption), etc. FSCL's estimated serviceable available (SAM) market is about $200 B. This SAM is an estimate of the percentage of FSCL's TAM that fits the target market criteria, that FSCL could service. Finally, FSCL's serviceable obtainable market (SOM) is an estimated $100 Million in the first three years. This was estimated by discounting the SAM for the long-term adoption of ISAs over a 20-year period.

Section IV: Economics

Part A: Revenue Streams

FSCL has three different revenue streams.

The first revenue stream is the initiation fee. When a customer decides they would like to create an ISA program with FSCL, FSCL charges an initiation fee for the customization of all software's and services. This allows customers to have highly specific ISA programs. This fee is likened to an 'onboarding' fee for FSCL's customers.

The second revenue stream is a licensing fee for FSCL's credit decisioning engines and web-servicing software's. Each month, FSCL's clients that use the web-servicing platform and credit decisioning engines will be assessed a licensing fee. The exact charge will depend on the customer's needs, and how often query's will be run.

The third revenue stream is a servicing fee. Our customers who choose to have FSCL as a servicer, will pay a servicing fee, paid as a percentage of the AUM of that program on a monthly basis, for FSCL to service the ISA's.

Part B: Financial Projections

After building financial models that account for estimated market share/sales inclusive of revenue drivers, FSCL has a very good understanding of the costs associated with development and operations.

With regards to startup costs, FSCL estimates that getting to an initial minimum viable product (MVP) for all products will cost about $50k. FSCL has already raised $30,000, therefore an additional $20,000 cash infusion to FSCL will allow them to build MVP-level products. From there it is projected that they will need an additional $150k to refine and perfect the product, to a point where they can go to market. FSCL plans to raise this money in a $400k pre-seed round. Please see the Appendix for detailed breakdown of startup costs. This money will be spent building and developing a risk mitigation and machine learning model to minimize downside risk when issuing ISA's (as a part of the credit decisioning engines), building a logistical and legal/compliance framework for how ISA's will be issued by FSCL, as well as other various operating expenses.

The variable cost per ISA is small. Each ISA is going to cost about $2.40. This will cover the cost associated with a credit report pull ($1.50 when purchased at scale) as well as $0.90 which will cover up to 100 ACH transactions for the customer to pay us (for accounting purposes FSCL will recognize this expense at origination). This leads to high gross margins. However, the majority of costs are fixed costs. These include the costs to build the software's, salaries, fringe benefits, insurance, web hosting, cyber-security etc. Therefore, FSCL will have high operating leverage, which carries more risk at the beginning of the venture. However, based on market research and model projections, FSCL doesn't think this high leverage will be an issue to inhibit future growth.

FSCL projects that in their first year after product launch, they will be operating at a loss of about $200k, which is the cost to develop the product and infrastructure. This money will be raised from their pre-seed round. In the beginning of the second year, FSCL plans to raise a $2 MM seed round which will be used to hire necessary staff, as well as towards R&D costs associated with launching a robust marketing and scale-up plan. FSCL will operate at a loss of about $1.9 MM that year. In year three, the company will be profitable and will begin spending a significant amount of money on customer acquisition.

Part C: Revenue Durability

FSCL believes that the business model is sustainable and durable. There are, however, some factors to consider when discussing the durability of the business model. This is heavily correlated with the SWOT analysis. Some of the threats to FSCL's business are political factors (i.e., student loan forgiveness for all, regulation of ISA's, etc.). Another threat to FSCL's revenue is the greater economy and its health. For example, if people aren't employed, or are at low paying jobs, FSCL won't be making as much on their servicing fees because the customers' payments are lower than expected.

FSCL is confident in their risk management strategy and models (more about Risk Management in Section VI: Design and Development Plan) to mitigate risk against economic downturns. This strategy includes employing traditional underwriting standards, creating a holistic-review-based application process, developing proprietary risk algorithms, and hedging investments to offset downside risks.

Section V: Marketing Plan.

Part A: Overall Marketing Strategy

FSCL's marketing strategy has been developed as a way to become a market leader in an already competitive market. FSCL operates in the ISA space, however, they believe that their real competitor is the student loan market, not the ISA market. The ISA market is nascent, and ripe for disruption. However, there hasn't been one player to make ISA's mainstream. FSCL will be that player.

FSCL's marketing strategy is based on the target market. As mentioned before, the target borrower is an individual who is \$25,000-\$75,000 in student debt, who has graduated university within the preceding one through twelve months, and lives in a high cost of living environment. This market represents just about \$500B in student loans, which equates to about 13.5MM different borrowers (individuals). Due to the nascency of the ISA industry and the learning, and adoption curves of new technology, FSCL conservatively estimates 400 new ISAs issued in the first month after launch, with a monthly compounding growth of 2%.

FSCL realizes that education surrounding ISAs is going to be the largest hurdle. Therefore, FSCL will provide marketing and advertising materials to their clients, allowing for them to more effectively market their ISA program. FSCL plans to aggressively advertise the simplicity, affordability and flexibility of their specific ISA program. FSCL will be the first player in the ISA space to make the concept of an ISA widely adopted and understood because of their aggressive promotion strategy. In this promotion strategy, FSCL plans to make the idea of ISA's synonymous with FSCL, increasing brand equity and loyalty. They plan to use this as a 'first-mover advantage,' to hopefully capture high market share by providing a quality product that does exactly as advertised. By the time FSCL is ready to go-to-market, they will have 'rebranded' the 'Income Share Agreement' to a term that is much more consumer friendly, 'Future Shares.' FSCL is seeking a registered trademark on the term 'Future Share,' which will become a valuable aspect to their brand equity. FSCL will pursue a differentiation leadership strategy, by marketing to the broader student loan market, while being many students' only option when choosing to refinance with an ISA. Furthermore, in addition to the advertising strategy, FSCL will run a customer referral program, whereby there will be an incentive for the referrer and the referee. This referral program will be available to customers who have a high Customer Lifetime Value (CLTV), as an attempt to lower FSCL's customer acquisition cost. A referral program gives FSCL the ability to limit marketing spend to targeted potential customers who will convert to customers.

Part B: Pricing

FSCL has done extensive market research to understand and maximize (and still be mindful of) the customers willingness to pay. FSCL's business model is strictly Business to Business (B2B).

As explained before, when talking about the business model, FSCL's business model has three key revenue drivers: an initiation fee, an ongoing licensing fee, and an ongoing servicing fee.

The initiation fee is a fee that is charged as a one-time debit on our client's account. This includes the cost of setting up and customizing FSCL's boilerplate software's and contracts into something specific for the customer. Although we haven't finalized pricing on this yet, we believe we will charge somewhere in the ballpark of $15,000-$30,000 for this, depending on many factors including the size of the program. Depending on the type of program, we may need to pass through some of that fee to legal and compliance to do research, but we anticipate we will make money on this initiation fee.

The ongoing licensing fee is charged to the client to license the suite of products from FSCL. FSCL retains all intellectual property, and they license their products out to customers. FSCL will take a monthly licensing fee. The for the ISA contracts and the web-servicing platform, these will be charged on a per-user-per-month basis. The credit decisioning engines will be charged on a per-query basis. Though FSCL doesn't have exact pricing numbers yet, they anticipate they will charge $5 per user per month for the ISA contracts and web-servicing platforms, and $4 per query for the credit decisioning engines.

Part C: Advertising, Sales, and Promotions

FSCL understands that the most efficient way to 'beat' the learning curve is to provide simple education on ISA's, and FSCL's product offerings. In order to do this, FSCL has identified a robust advertising, sales and promotions plan in order to maximize conversions.

The most critical aspect to creating a successful Advertising, Sales and Promotions strategy is to have a website that is designed around the User Experience (UX). Having a website that can simply, and visually show the benefits of FSCL's ISAs to the customer will prove effective in converting interested people into customers.

FSCL has developed an extensive advertising plan which will start two months prior to product launch ('Phase One Advertising'). Phase one advertising will include light advertisements that will be earned media. For example, the FSCL executive team will attempt to appear on TV shows, news shows, business shows, in order to start really building brand equity and name recognition. Once the product launches, FSCL plans to go into 'Phase Two.'

Phase two consists of paid media on channels like CNBC, Forbes, Bloomberg, ABC, NBC, Various Podcasts, Facebook, Instagram, and TikTok in order to bring awareness to ISA's and drive viewers to FSCL's website. From there, the hope is the website is able to convert viewers into customers, by (as referred to above) being able to effectively communicate the benefit of an ISA to the customer without feeling like an Advertisement. Furthermore, FSCL plans to do on-campus marketing. Though there are laws and regulations around this, FSCL will make sure they can effectively promote their brand image while making sure they stay within laws and regulations.

Finally, Phase Three of the advertising plan consists of continued ads on Social Media, as well as more traditional advertisements like print, TV, and billboards in cities.

The best promotion strategy is word-of-mouth marketing. Customer satisfaction is of the utmost importance to us. People in FSCL's target market love to socialize and 'brag' about how they're living their life better than others. That is why FSCL plans to treat their customers with the golden rule of business - the customer is always right. Furthermore, during the first month of the beta test, FSCL will create certain feedback programs which will include allowing them to have direct contact with the executive team to ensure they feel heard. FSCL believes this direct feedback strategy will help establish the brand in their target market and give them credibility when their customers are talking about their company. The ultimate goal is to have customers become 'brand ambassadors' by loving the product. FSCL will use Customer Relationship Management (CRM) and Customer Data Platform (CDP) software's to effectively track customer satisfaction, as well as data points on customers that can be used to further fine-tune the marketing strategy. FSCL will work with a Public Relations (PR) firm/consultant to make sure they're effectively incorporating feedback, and making their customers satisfied and happy.

Section VI: Design and Development Plan

Part A: Defining FSCL's product, and technologies

FSCL's products are an ISA contract (along with all related legal and compliance work), a web-servicing application, and a credit decisioning engine.

The Web-Servicing Application is FSCL's customers', and employees one-stop-shop to view, manage, and modify their account, including their ISA. This application will be similar to that of a bank, where when you log-in, you're able to see payments due, make payments, update personal information, etc. This application will be the core of FSCL's business logistics, ensuring and verifying that customers are abiding by their contracts, and allowing customers to efficiently manage their contract. Furthermore, this web application will host the database which will have personal information, contact information, as well as transactional information. This database will only be available to specific, vetted personnel at the company, but will aid in servicing, collections, and management of FSCL's ISA's.

The Credit Decisioning Engine (CDE) is a two-pronged, data-driven model which will assess the risk of an applying customer, in order to make them an appropriate offer. This model will effectively minimize the downside risk of a customer while maximizing upside potential.

FSCL's models, algorithms, and formulas are at the epicenter of their proprietary information, and intellectual property. These models will be able to predict (with a high level of confidence) the positive R.O.I. on a potential customer before they accept or reject an offer. Furthermore, this model will help FSCL generate backend capital (returns) for investment by their partners and co-underwriters.

FSCL's credit decisioning engine encompasses many different 'sub-models' which are all interdependent with each other to make educated lending decisions. These sub-models include, end-to-end credit decisioning engines, underwriting models and standards, model risk management (MRM), compliance management tools as well as various other software's to effectively and efficiently manage risk.

Part B: Development Status and Roadmap

For the web-application, FSCL (like many of its competitors) will start by using a no-code platform builder. To date, FSCL is building an MVP web-application with a platform called Webflow. Currently, FSCL has a proof-of-concept version which they are iterating into an MVP. This Proof of Concept works with basic functionality but couldn't be deployed as a first-version product. This no-code platform, however, is unsustainable, because FSCL's business model revolves around the scalability aspect. FSCL needs a way to automate tasks (including due-diligence, backend accounting, cash transaction initiation, Metro 2 credit reporting, etc.), which cannot currently be done using Bubble No-Code. Additionally, due to cyber-security concerns, FSCL needs certain protocols in-place that are not possible with the current system (including 256-Bit Encryption, PCI-DSS Compliance, etc.). FSCL, plans to contract an outside firm to handle the platform construction, once FSCL has the money to do so (generating enough revenue through customers). Contracting to an outside firm will prove to be the most cost-effective way to get a platform that meets their needs.

For the risk models, FSCL plans to initially build them in house. FSCL has begun development on the risk models with its Data Science consultants and advisors. Currently, FSCL has an MVP of the risk management model, which is ready to be deployed to their first customers. At the moment, due to budgetary requirements, FSCL is purely basing this model on secondary data, however FSCL plans to include tens-of-thousands of primary data points to the model once they can do so. FSCL is closing in on a partnership with a market research firm, Evaluative Criteria Inc. ('E.C.I. Research'), to collect, and analyze these primary data points from a market perspective. Once these primary data points have been collected and analyzed by E.C.I. Research, they'll be injected into the model to improve accuracy. Currently, we estimate the model has around 80% accuracy, therefore we consider it to be an MVP. In order to consider this a final product, we will take to market (to license to our clientele) we will require at least 95% accuracy of the models. At each stage, in this product development process, FSCL will engage with external auditors to ensure the model has been reviewed and accepted by industry professionals with a 'fresh set of eyes.'

Part C: Costs and Intellectual Property

FSCL estimates total product development costs to be in the ballpark of $400K. The cost to develop the web-application is an estimated $250K, which will be outsourced to a specialized firm. The cost to develop the risk model will be about $150k including auditors. FSCL is planning to contract an outside firm to build the web-application rather than license an existing platform (for the full-final product). Though this strategy requires higher up-front fixed costs, they believe it is the more economical choice (as compared to licensing existing software, which would be an ongoing variable cost) in the long-run due to the future expected volume of ISA application and issuance. Furthermore, as discussed below, there are Intellectual Property implications of this strategy that make sense from a business perspective.

Intellectual property is very important and key in protecting the best interests of FSCL. Although, FSCL will probably contract an external firm to build the web-application FSCL will retain full Intellectual Property (IP) of the platform. Furthermore, in regard to the risk model, and other strategic assets, FSCL will retain full IP rights, and protections. These will be kept as Trade Secrets. Furthermore, FSCL is currently discussing with patent attorneys the idea of seeking a Business Methods Patent (Subcategory of a Process Patent) for certain aspects of FSCL's business, and unique/individual business model. The FSCL ISA contract will be copywritten.

FSCL is also seeking registered trademark prosecution on multiple words, phrases, graphics, logos and terms. These include, "FSCL," FSCL's logos and brand assets, "Financial Services for College Lending," "Future Share," "Income Share Agreement," "ISA," etc. FSCL already was granted a trademark with an Intent to Use (ITU) for "FSCL."

Section VII: Operations Plan

Part A: Operating Model and Strategy

FSCL has a unique operating model, in that there is no need to fully staff the company until the product is ready for launch. FSCL plans to develop the risk model by hiring a staff of two or three financial engineers with expertise in risk management. Once FSCL is ready to launch their beta test, FSCL will hire a full staff, and get ready to launch the product to market one year later.

Although, the decision on when to lend will ultimately be left up to FSCL's customers (the higher ed institutions and private lenders), FSCL believes there will be a certain seasonality to the issuance of new ISA's. This seasonality will come in the form of new ISA's being taken out at the beginning of each semester as students are financing their next semesters tuition then. FSCL projects to see a slightly higher number of new customers during this period, while a smaller number of people will take out an ISA during the months of February-June.

Besides the outsourcing of certain product development tasks, FSCL plans to outsource collections of defaulted ISAs. After much consideration, FSCL has decided that it will act as a manager, and servicer to ISA's, and it is most efficient to outsource collections.

Part B: Facilities, Locations, Improvements, and Equipment

At this moment, FSCL does not plan to have a physical office space to hold an entire staff of employees. FSCL will rent out a small co-working space that will act as a central-hub for the business, where in-person meetings can take place, as well as collaborative work. FSCL will allow employees to work from home, as long as they are able to operate on Eastern Time and are able to be an effective employee.

Today, while still a team of students, FSCL’s employees are mostly working out of their dorm rooms, and co-working spaces provided by their universities. For example, at Syracuse University, the Blackstone LaunchPad Powered by Techstars has been an incredible resource to network with others, join an entrepreneurial community, and have an innovative collaborative space to grow businesses.

For legal purposes, once FSCL has enough capital, FSCL will be providing computers for their employees. FSCL needs to provide these to keep up with cyber-security concerns, as well as monitor activity for potential policy and compliance violations.

Part C: Legal Issues Affecting Operations

As with many companies that operate in the finance world, FSCL may be subject to a myriad of regulations, which would need to be kept in compliance with. FSCL is currently working with external legal counsel, with extensive expertise in financial services, to define their legal, compliance and organizational requirements.

Income Share Agreements themselves are not considered Securities as defined by the Securities and Exchange Commission (S.E.C.). FSCL may or may not be classified as a non-bank lender. FSCL may or may not be forced to comply with the Fair Credit Reporting Act, Equal Credit Opportunity Act, Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Sarbanes Oxley Act of 2002 etc. FSCL will either employ, contract or otherwise engage legal counsel with expertise in the matter to ensure FSCL always remains in compliance with Federal, State, and Local regulations and laws.

Section VIII: Management Team

Part A: Organization

FSCL is organized in a hierarchical structure, with the CEO being at the top. Below the CEO will be the CFO, COO, and CTO, which will manage the Finance, Operations and Technology Teams respectively.

The Finance team will consist of two separate departments: internal finance, and external/structured finance. The internal finance team will specialize in accounting specifically for FSCL, including financial management and accounting. The External/Structured Finance team will be dealing with strategic partners (Investment Bank, and others) to make sure that FSCL is properly able to fund and manage the ISA programs in compliance with their agreements with vendors.

The operations team will have two separate departments: Internal Operations, and Business Development. The Internal operations team will consist of HR, Legal, and other logistical operations to make sure FSCL runs day to day. The Business Development team will deal with strategic growth, marketing, advertising, sales, and customer support.

The technology team will have two separate departments: Data Science, and Web-Application/Database Security. The data science department will deal with refining and updating the risk models, and the Web-Application/Database Security team will ensure the web-application and infrastructure is constantly up and running and the redundant disaster recovery site is fully functional, as well as making improvements to the security of their platform, to protect against a data-breach.

Part B: Key Management Personnel and Advisors

The team is led by Sam Hollander (Founder and CEO), an undergraduate at Syracuse University in the Martin J. Whitman School of Management, and S.I. Newhouse School of Public Communications Dual Degree Program, and a serial entrepreneur. Hollander serves as the Chief Executive Officer, President, Secretary and Treasurer of FSCL Inc. in an official capacity. Hollander is studying Finance and Advertising (with an emphasis in Financial and Investor Communications). He started his first company when he was 15 years old - a content creation and marketing firm, SPHMedia. SPHMedia is still in operation today, though Hollander has shifted focus away in order to make FSCL his full-time obligation. Furthermore, Hollander served as the Head of Operations at Visos, a company building Medical VR Technology. Hollander has extensive experience in Business Development, Operations, and Advertising. Hollander previously worked in a business-focused role, at Beautiful Destinations, an Ad agency that runs the largest travel and lifestyle community on social media.

The business development team is led by Jack Lyons, FSCL's Head of Business Development. Like Hollander, Lyons is a Syracuse University student in the Whitman, Newhouse Dual Degree Program. Lyons is studying Marketing and Advertising (with an emphasis in creative advertising), and has been instrumental in building business operations, as well as bringing his marketing expertise to the table to solidify those plans. Lyons has also led building out and development of FSCL's strategic partnership strategy as well as Public Relations strategy.

FSCL has a world-class team of advisors and mentors who have been instrumental in guiding the management personnel in the right direction, to foster success. FSCL has a team of strategy advisors and mentors, which includes Steven 'Steve' VonDeak, Linda Dickerson Hartsock, and Courtney Gras. FSCL also has a team of Finance Mentors and Advisors, which includes Jeff Rich, Bob Como and Joe Kunkemoeller, who are subject-matter experts in consumer and structured finance.

Steve VonDeak is FSCL's business strategy advisor. VonDeak brings incredible experience in startup strategy. VonDeak serves as the Chief of Staff at Density, and recently led a $51 MM fundraising exercise. Linda Dickerson Hartsock is the Executive Director of the Blackstone Launchpad at Syracuse University Powered by Techstars. Hartsock, a native of the Hudson Valley, NY has immense experience advising high growth startups. Hartsock sits on the board of Pursuit Capital, a massive $1.5 B fund that provides debt financing to high-growth startups. Finally, Courtney Gras, is the Director of the LaunchPad program at Techstars. Courtney has advised many high-growth student-startups and has helped them prepare for a Techstars Accelerator Program. Gras' background is an invaluable asset to FSCL.

Jeffrey Rich is a Partner at Rich, Michaelson, Magaliff, LLP, a Finance law-firm based in New York City. Rich, and his colleagues have extensive experience in Structured Finance and securitization law and have been instrumental in providing insight and expertise into the industry through the legal lens. Next, is Bob Como. Como is a retired Senior Vice President of Business Banking at JP Morgan Chase. Como has extensive experience in financial product management, helping businesses fulfil their banking needs. Finally, Joe Kunkemoeller is a private wealth management consultant who has a background in investment banking at J.P. Morgan. Kunkemoeller is currently an Entrepreneur in Residence (E.I.R.) at Launch New York (LNY), an Upstate-NY venture development organization, as well as venture capital firm.

Part C: Capital Structure, Compensation, Board of Directors

At the moment, Hollander is the only stockholder of FSCL Inc. Hollander currently holds 100% of shares outstanding, and 50% of the total shares authorized.

FSCL has the “2020 FSCL Stock Option Incentive Plan” which is an options pool with about 13.5% of outstanding shares available to exercise for key employees.

Currently the team works for no immediate compensation, but rather compensation after fundraising. This creates a highly motivated team with a love and passion to work. All company employees, contractors and advisors are required to sign a Proprietary Information and Invention Assignment Agreement (PIIAA).

Hollander is the only person on the Board of Directors, and currently acts as the Chairman of the Board of Directors. As FSCL gains traction and investment, Hollander will likely step down as his role of Chairman but still hold his board seat, as a means of ‘checks and balances,’ and ‘separation of powers’. Upon request from a significant investor, more seats can and will be added to the board of directors.

Conclusion

FSCL is a FinTech company pioneering the use of alternative finance vehicles to alleviate the student debt crisis. On a macro level, FSCL is blending the use of complex technologies and processes to bring a solution to market. At the customer level, FSCL is building a simple, affordable and flexible solution to finance higher education by using Income Share Agreements.

Now is the time to disrupt the student loan market. FSCL has built (and continues to build) a world class team that are the right people to execute. Furthermore, FSCL is working with world-class partners who share the same vision to execute this idea.

A new way of financing higher education is on the horizon, and FSCL is going to be the company to make it ubiquitous.

Appendix

Exhibit 1: Fee Structure

Fee Name	**FSCL’s Estimated Fee**
FSCL Program Initiation Fee	$15,000-$30,000
Credit Decisioning Engine Licensing Fee	$4 per query
Monthly Licensing Fee for ISA contract and web-servicing platform	$5 per ISA per month
Servicing Fee	150 Basis Points

Exhibit 2: Startup Costs

Expense	**Cost**	**Financed Through…**	**Status**
Proof of Concept ISA Contract	$5,000	Grant Funding	Complete
Proof of Concept Credit Decisioning Engine	$30,000	Grant Funding	Complete
Proof of Concept Web-Servicing Platform	$5,000	Grant Funding	Complete
MVP of ISA Contract	$15,000	Grant Funding (TBD)	In Progress
MVP of Credit Decisioning Engine	$20,000	Grant Funding (TBD)	Complete
MVP of Web-Servicing Platform	$10,000	Grant Funding (TBD)	In Progress
Final Product: ISA Contract	$30,000	Pre-Seed	**TBD**
Final Product: Credit Decisioning Engine	$150,000	Pre-Seed	**TBD**
Final Product: Web-Servicing Platform	$200,000	Initial Customers	**TBD**

Exhibit 3: SWOT Analysis

Strengths: -Simple to understand product -Safer payback for investors -World class team and advisory board who are industry experts -Market research suggests target market need	**Weaknesses:** -Team must do more market research to pinpoint specific companies who may be acquisition targets or potential sales partners -Current lack of funding to significantly progress in the web-platform or the ISA contract.
Opportunities: -The amount of people drowning in student debt continues to rise, leading to creation and growth of an economic bubble, leaving students looking for a more affordable solution to finance their higher education - Students, Government, and Institutions are looking to invest in new innovative solutions to the problem. -Higher ed institutions and private lenders are looking for a new value proposition to differentiate themselves	**Threats:** -Competitors shifting to FSCL's business model -Inadequate funding -Bad economy