

Item 1 – Cover Page



Edly Advisors LLC
43 West 23rd Street, 4th Floor
New York, New York 10010
914-775-8299
October 2023

Part 2A Form ADV The Brochure

This brochure provides information about the qualifications and business practices of Edly Advisors LLC. If you have any questions about the contents of this Brochure, please contact us at 914-775-8299 or info@edly.info. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Edly Advisors LLC also is available on the SECs website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This is a new Form ADV application being filed by Edly Advisors LLC in connection with its conversion from a New York state registered investment adviser to registration with the SEC as an investment adviser. There are no material changes to disclose.

Item 3: Table of Contents

Item 1 – Cover Page	1
Item 2 – Material Changes	2
Item 3– Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	6
Item 6 – Performance-Based Fees and Side-By-Side Management	8
Item 7 – Types of Clients	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9 – Disciplinary Information	24
Item 10 – Other Financial Industry Activities and Affiliations	25
Item 11 – Code of Ethics, Participation, or Interest in Client Transactions & Personal Trading	26
Item 12 – Brokerage Practices	27
Item 13 – Review of Accounts	28
Item 14 – Client Referrals and Other Compensation	29
Item 15– Custody	30
Item 16 – Investment Discretion	31
Item 17 – Voting Client Securities	32
Item 18 – Financial Information	33
Item 19– State Registered Investment Adviser	34

Item 4: Advisory Business**4A. Advisory Firm**

Edly Advisors LLC ("Edly Advisors") is a Delaware limited liability company that was formed in September 2023. It is a wholly owned subsidiary of Edly Inc. ("Edly"), its sole member, which was previously registered in the state of New York as an investment adviser. Edly has transferred its entire investment advisory business to Edly Advisors in connection with its corporate restructuring. Edly Advisors is owned by Edly which, in turn, is owned by its employees and outside investors. The largest single owner of Edly is Christopher Ricciardi, who owns 23% of the company on a fully diluted basis. Employees own 40.43% of Edly on a fully diluted basis.

Edly Advisors is engaged in the business of providing investment advice to clients about investing in student loans, consumer loans, and other consumer financing contracts ("Consumer Loans"). It is particularly focused currently on advising clients about investing in deferred tuition agreements, such as income-based repayment loans ("IBR loans"), income share agreements ("ISAs"), and similar instruments (collectively, "Deferred Tuition Contracts"). acts as sub-adviser to various private funds pursuant to the terms and conditions of a sub-advisory agreement it has entered into with the investment adviser to each of these funds. Edly Advisors is not an affiliate of the investment adviser to any of these funds. We refer herein to each private fund for which Edly Advisors serves as sub-adviser as a "Sub-Advisor Client" and, collectively, as the "Sub-Advisor Clients."

Edly Advisors also operates a marketplace for investing in Consumer Loans and Deferred Tuition Contracts. It provides financially sophisticated investors, including particularly persons who meet the definition of "accredited investor" in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), with the opportunity to invest in Consumer Loans and Deferred Tuition Contracts by acquiring participation interests in pools of these contracts through structured investments.

Edly Advisors provides advice to clients about investing in participations in Consumer Loans and Deferred Tuition Contracts that are in the form of IBR loans. Under this type of contract, a student receives a loan to finance his education expenses, but the periodic repayment amount is based on the student's income. The student repayment process thus is tailored specifically to a student's starting salary and adjusts with the student's professional progress. This model uses historical data about student outcomes from various sources, such as the Department of Education, the Bureau of Labor Statistics, private databases, and Edly's proprietary data, to underwrite the likely success of student borrowers. More than 4,000 students have received funding through this process since Edly's launch in 2019. It has offered education financing to students at more than 1,800 of the leading US colleges and universities. All IBR loans are fully regulatory compliant, unsecured personal student loans currently originated by FinWise Bank, a Utah chartered commercial bank and FDIC member.

Edly Advisors, to a much lesser extent, also provides advice to clients about investing in Deferred Tuition Contracts that are in the form of ISAs, which work in a similar fashion to IBR loans but are ISAs are originated by schools directly and not by a lender. Since they are not originated by a licensed lender, they are not considered loans but are considered private deferred tuition contracts.

A client participates in investments in Consumer Loans and Deferred Tuition Contracts by investing in consumer loans or participations in loans directly or by acquiring all of the outstanding membership interests in a series of Edly Funding Series LLC, (“EFS”), a Delaware series limited liability company, which Edly Advisors sponsors and for which it acts as investment adviser or manager. Substantially all of the assets of each series consist of participations in Deferred Tuition Contracts that were acquired and assembled in pools based on advice provided by Edly Advisors and pursuant to an investment strategy. The participations represent fractional interests in these contracts, and they contain all of the economic benefits and rights in these contracts that are associated with each participation. As such, an investor of a particular series, as its sole member, is entitled to- receive distributions, from time to time, based on the member’s participation interests in Deferred Tuition Contracts, from (i) the cash flows generated by these contracts, (ii) the reserves held by the EFS established from investment proceeds received from the investor, and (iii) the proceeds from the disposition of Deferred Tuition Contracts.

Each series has a single member who meets the definition of “accredited investor” in Rule 501(a) of Regulation D under the Securities Act. Each series, therefore, effectively functions as a managed account with respect to the advice Edly Advisors provides to this series about investing in participations in Deferred Tuition Contracts. In accordance with the requirements of Delaware law, the assets of each series are insulated from claims of members, creditors, or litigants pursuing the assets of, or asserting claims against, another series. Consistent with its investment strategy, Edly Advisors manages the various series of EFS and works with schools to ensure there is an alignment of interest among the schools, students, and investors.

As of August 30, 2023, Edly Advisors acted as investment adviser to series with portfolios of participations in Consumer Loans and Deferred Tuition Contracts having an aggregate fair market value of \$38,959,904. This consisted of \$5,758,125, of assets for which Edly Advisors provided discretionary investment advice, and \$33,201,779 for which it provided non-discretionary investment advice.

Edly Advisors selects Consumer Loans and Deferred Tuition Contracts for investment by clients, or recommends these contracts for investment by clients, based on the anticipated monthly cash returns and level of risk in pursuing a particular investment strategy, while ensuring that it can achieve the ancillary goal of providing access to education for students. Its approach has the potential to be applied to any higher education program. Edly Advisors analyzes the historical outcomes of students as captured in data about the schools, the areas of study, and geography, and it looks for an attractive relationship between the tuition of the program and the student graduation and employment or career outcomes. The higher the Return on Student Investment (“ROSI”), the more attractive the investment is to Edly Advisors.

Important historical outcomes that Edly Advisors uses to calculate ROSI include, but are not limited to, graduation rates, placement rates, time to employment, starting salaries, and salary increases over time. Under its approach, Edly Advisors is able to utilize the experience and contacts of its professional staff who have proven track records in structured finance, education finance, and financial technology.

Edly Advisors may use different investment strategies to assemble portfolios of Consumer Loans and Deferred Tuition Contracts to offer to clients. Under one such strategy, the Outcomes Strategy, it assembles Deferred Tuition Contracts with the objective to maximize diversification across a wide range of schools, industries, and geographies, while seeking to minimize risk by setting high parameters for the types of Deferred Tuition Contracts it may include in the pool. As of August 30, 2023, the assets under management in the Outcomes Strategy were \$829,361.

Item 5: Fees and Compensation

Clients of Edly Advisors pay investment advisory fees primarily as a percentage of the amount invested and also as a percentage of cash received by investors.

Sub-advisory clients pay between .75% and 1.00% of the amount they invested per annum until they have received their investment return. After that point they pay between 4% and 5% of the gains on their investment.

Some investors pay only a percentage of the monthly cash they receive – from 2% to 5% of monthly cash.

For the investment advisory services it provides to clients that have invested in the Outcomes Strategy, Edly Advisors is paid the following fees:

Outcomes I:

- 1.) a 1% annual management fee on invested capital, paid at the time of the initial investment, and 1% on invested capital paid after 1 year, plus;
- 2.) 4% of the cash flows received by clients over time (less any cash flow fees paid to Edly from the same assets).

Outcomes II:

- 1) 2% per annum of the amount of invested capital plus;
- 2) 5% of the gains earned by investors on their initial investment amount.

In addition, Edly Advisors may receive additional fees, such as an origination fee paid by schools or originators or a warehouse financing fee paid by these persons.

Edly Advisors works with several third-party companies that provide administrative services in connection with its business of advising clients about and investing in Consumer Loans and

Deferred Tuition Contracts. The servicers are paid a combination of per contract fees, as well as fees based on the administration of the cash flows paid by obligors on the Deferred Tuition Contracts. Per contract fees can range from \$0 to \$10 per month, while the cash flow fees can be as much as 5% of cash flows generated by a Deferred Tuition Contract.

Item 6: Performance-Based Fees and Side-By-Side Management

For providing investment advisory services to clients, Edly Advisors does not receive compensation that is based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of clients, within the meaning of Section 205(a)(2) of the Investment Advisers Act. Edly Advisors makes distributions to clients based on payments made by obligors under the terms of the Deferred Tuition Contracts, not based on the appreciation or depreciation in the value of these contracts.

Edly Advisors allocates available investments to all clients who have open investment mandates pro-rata in proportion to their open investment capacity. All such transactions are effected at fair market value and the investments are allocated to participating members on a rolling basis, consistent with prescribed procedures.

Item 7: Types of Clients

Clients of Edly Advisors are the members of each series of the EFS that have invested in Deferred Tuition Contracts as the sole member of each series, the private funds that are sub-advised by Edly Advisors pursuant to the sub-advisory agreement it has entered into with the investment adviser to each of these funds, and certain insurance companies.

Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

Edly Advisors seeks to provide its clients with the opportunity to invest in participations in Consumer Loans and Deferred Tuition Contracts pursuant to investment strategies that involve the pooling of these contracts in accordance with various factors and to achieve a desired level of risk.

Edly Advisors conducts an analysis of the investment returns available to clients 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 on structural enhancements Edly Advisors adds to the program. The result is a method for analyzing unique programs on a common system. These tools are made available to clients to allow them to analyze potential investments and create customized investment options of their own design.

An investment in Deferred Tuition Contracts involves a high level of risk so that the investment should be considered to be speculative. As a result, an investment in these contracts should be considered only by persons who have a high level of financial sophistication and can reasonably afford a loss of their entire investment. For this reason, Edly Advisors requires any client that it advises about the purchase of Consumer Loans and Deferred Tuition Contracts to be an “accredited investor.” Prospective clients should also consult their own financial, tax and legal advisors regarding the suitability of this investment. They should carefully consider, in addition to the matters set forth elsewhere in this brochure, the following risks of investing in these contracts:

Risks Related to the Business and Operations of Edly and Edly Advisors***Edly and Edly Advisors have a Limited Operating History***

Our operating history is limited, and there can be no assurance that we will remain in business for any extended period of time to continue to provide advice to clients about investing in Consumer Loans and Deferred Tuition Contracts (“DTCs”), and affording clients the opportunity to invest in these contracts through EFS in the manner discussed above. Should we cease operations, we expect that our delivery of investment advisory services to members of series of the EFS would be provided by another company, but there is no assurance that another investment adviser will agree to provide these services. In this unlikely event, there could be delays in payments to clients and investors participating in investments in DTCs

Edly, as well as Edly Advisors, is a relatively new company with limited assets. They may be unable to conduct their business as intended. Edly and its affiliates have been engaged in the business of providing advice about investing in DTCs for only a short period of time, and there is no assurance that they will be successful in maintaining and building this business.

The performance of the DTCs largely depends upon the expertise and performance of third-party servicers who will collect the required payments from the Obligors under these instruments and who will enforce the rights thereunder in case of a default by the obligors, including in any bankruptcy proceedings involving any of these obligors. Because DTCs are relatively new financial products, the servicers that are engaged in servicing them have not had extensive experience collecting and enforcing these contracts. Accordingly, there can be no assurance that one or more servicers will perform satisfactorily and will not need to be replaced or will terminate their business in servicing these contracts.

Business Continuity

Various force majeure events, including acts of God, natural disasters such as fire, flood or earthquakes, wars, terrorist acts, outbreaks of infectious disease, epidemics, pandemics or other serious public health concerns, cyber-attacks, technology and/or power failures, labor strikes, or geopolitical or other extraordinary, or other unforeseen circumstances or events, may materially disrupt the clients' business and operations, or the business and operations of any counterparty or service provider to the clients, and the clients may be adversely affected thereby. For example, if a significant number of a servicer's personnel were to be unavailable in a force majeure event (such as war, terror attack or an outbreak of infectious disease), its ability to effectively conduct business could be severely compromised. In addition, the cost to the servicer client company of repairing or replacing damaged assets or systems resulting from such force majeure event could be considerable. While the servicer client company might have adopted certain policies and procedures designed to restore and/or continue its business and operations in such situations, there is no guarantee that such policies and procedures will be effective in any of such situations or will be implemented in time, and the clients may be adversely affected thereby.

Bank Deposit and Custody Risk

Deposits maintained at an FDIC-insured bank are insured up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Any deposits over \$250,000 in cash per account at a single bank may be unrecoverable in the event the bank fails. In March 2023, developments in the banking sector have caused uncertainty and fear of instability in the global financial system. In addition, some banks acting as qualified custodians, smaller regional banks in particular, have been subject to concerns that depositors at these institutions have withdrawn, or may withdraw in the future, significant sums from their accounts and have also experienced volatile stock prices and significant losses in their equity value. Such circumstances could impact the operations of these custodians and potentially lead to their insolvency, bankruptcy or other events that could subject the DTCs which they hold in custody for the account of clients of Edly Advisors to a risk of loss. Because of these concerns, there is a higher risk of loss of deposits in excess of \$250,000, risks surrounding liquidity concentration, systemic risk regarding the failure of other banks, and increased compliance costs associated with diversifying deposits among multiple banks. However, diversifying banking relationships could serve to mitigate the potential loss of assets and available liquidity.

Risks Associated with the Bankruptcy or Insolvency of a Servicer

In the event that a third-party servicer of the DTCs becomes bankrupt or the subject of a receivership or conservatorship, the servicer may not be required to remit any collections on these contracts that are in its possession or have not been remitted at the time it goes into bankruptcy or becomes subject to a similar proceeding.

If a third-party servicer of the DTCs were to become bankrupt or the subject of a receivership or conservatorship, it may stop performing its responsibilities such that Edly Advisors may stop receiving payments with respect to the DTCs serviced by such party, and it may be difficult to find a third party to act as replacement servicer. Alternatively, a servicer of the DTCs may take the position that unless the amount of its compensation is increased or the terms of its obligations are otherwise altered, it will stop performing its responsibilities. If it becomes difficult to find a third party to act as successor servicer, Edly Advisors, as a practical matter, may have no choice but to agree to the demands of such servicer. A servicer may also have the power, with the approval of the court or the receiver or conservator, to assign its rights and obligations to a third party without the consent, and even over the objection, of the parties, and without complying with the requirements of the applicable documents.

If a servicer is in bankruptcy or the subject of a receivership or conservatorship, then the parties may be prohibited (unless authorization is obtained from the court or the receiver or conservator) from taking any action to enforce any obligations of such servicer under the applicable documents or to collect any amount owing by such servicer under the applicable documents. If a servicer is in bankruptcy or the subject of a receivership or conservatorship, then, despite the terms of the documents, the parties may be prohibited from terminating such servicer and appointing a successor servicer.

In addition, if a servicer is in bankruptcy or the subject of a receivership or conservatorship, with the authorization of the court or the receiver or conservator, that servicer may be able to repudiate servicing agreements to which it is a party. Such a repudiation would excuse such servicer from performing its obligations, and the rights of Edly or Edly Advisors under the servicing agreements may be limited or eliminated. In particular, a servicer may be able to repudiate any obligations to cure breaches or service assets administered by such party if, and as required by, the related servicing agreement.

The occurrence of any of these events could result in delays or reductions in distributions on, or other losses with respect to, the DTCs. There may also be other possible effects of a bankruptcy, receivership or conservatorship of a servicer that could result in delays or reductions in return on, or other losses with respect to, these contracts, and as result a failure to achieve the goals of the investment strategies. Regardless of any specific adverse determinations in a bankruptcy, receivership or conservatorship of a servicer, the fact that such a proceeding has been commenced could have an adverse effect on these strategies.

Risks Associated with the Bankruptcy or Insolvency of a School Originator of a Deferred Tuition Contract

In the event that a school that has originated a DTC and has sold it becomes bankrupt or the subject of a receivership or conservatorship, the school may not be required to remit any collections that are in its possession or have not been remitted at the time the school becomes bankrupt or subject to a similar proceeding. Under certain circumstances, Edly Advisors may also be the subject of claims and required to return to the school payments received with respect to the DTCs. Schools that are acting as servicers for these contracts that they have originated may be subject to claims of creditors of the school in a bankruptcy proceeding, under the assertion that the school did not surrender legal ownership of the contracts transferred to Edly Advisors but instead entered into a financing transaction with Edly Advisors. In such cases, the creditors of the school may try to recover any value of the DTCs transferred to Edly Advisors in excess of the purchase price paid to the school for the contracts. Regardless of any specific adverse determinations in a bankruptcy, receivership or conservatorship of a school, the fact that such a proceeding has been commenced could have an adverse effect in achieving the goals set forth for the investment strategies.

Risks Associated with the Bankruptcy of an Obligor on an ISA

The treatment of a DTC Contract that is an ISA executed by an obligor whose assets and liabilities become subject to a bankruptcy proceeding is uncertain. Because this contract is generally not considered to be equivalent to a student loan, which is usually not dischargeable in bankruptcy, there is a risk that it may not be discharged in a bankruptcy. In such an event, the value of the DTC would be reduced to zero, and the obligor on this contract would no longer make contractual payments. Generally, the duration of a bankruptcy case can only be roughly estimated; it may last five years or more. This process can involve substantial legal, professional and administrative costs to the debtor and Edly Advisors, and it is subject to unpredictable and lengthy delays. In addition, during the process the debtor's financial position may erode. An obligor on a DTC in bankruptcy will, in most cases, not make current payments on the contract during the proceedings and, therefore, such bankruptcy proceeding could have an adverse effect on the achievement of goals set for the investment strategies.

Risks Related to Payments by Obligors on Deferred Tuition Contracts

The ability of Edly Advisors to distribute cash flows to clients in accordance with its investment strategies will indirectly depend upon the payment performance of obligors on the underlying DTCs

The obligors may default on payment requirements set forth in the related contracts, and the servicers may have difficulty enforcing the requirements against obligors on these contracts. For example, if an obligor moves out of the United States after completing his training and education in this country, it may be difficult to locate the obligor. Even if an obligor makes the required payments under the contract, the payments may not be made on the required schedule, and commencement of payments may be delayed if the obligor has difficulty finding suitable employment. In such cases, because of a lag in payments by the obligors, the payments on the

investment strategies may be less than expected. Some obligors on these contracts may not graduate and their job prospects could decrease. In addition, some may not earn above the minimum income threshold and would not be required to make payments under the terms of the contracts.

Some obligors on DTCs may take an extended leave of absence from work due to illness or for other personal reasons, and in those circumstances may not be obligated to make payments on the related DTCs. Some of these contracts require that the obligor make only a certain number of monthly payments, based on the obligor's then earned income (for example, a DTC may require 48 monthly payments of \$500 per month, but only if the obligor's monthly earned income exceeds a specified threshold amount (for example, \$3,500 per month). At the end of the 48 months, the contract will be terminated and the owner of the contract will not receive any further payments from the obligor under the contract.

For these and other reasons, some obligors on DTCs may not pay the "maximum payment amount" that is expected to be paid pursuant to the terms of the contracts, which in turn will have a negative adverse effect on Edly Advisors' ability to distribute cash pursuant to the goals set for the investment strategies. In addition, the concentration of DTCs in specific geographic areas may increase the risk of loss on these contracts. Economic conditions in the states where obligors reside may adversely affect the ability of the obligors to perform under the contracts. Economic conditions in any state or region may decline over time and from time to time. Any adverse economic conditions adversely and disproportionately affecting certain states may have a greater effect on the ability of Edly Advisors to distribute cash pursuant to the investment strategy than if these concentrations did not exist.

Risks Related to the Deferred Tuition Contracts

Schools That Originate Income-Based Contracts and the Academic and Training Programs That They Offer Can Differ Significantly

Edly and Edly Advisors have negotiated with a variety of educational institutions and schools to acquire the DTCs that will provide the cash collections to be used by Edly Advisors for the purpose of distributing cash in accordance with its investment strategies. Correspondingly, Edly Advisors believes that the schools from which the DTCs are purchased have demonstrated a reasonable likelihood of success in the payment performance of obligors on these contracts, in part because of the reputation of the school and track record of post-graduation employment of the obligors. However, many of the schools with which Edly or Edly Advisors has entered into agreements for the purchase of DTCs are relatively new, and it is not possible to predict whether the continued reputation of the school and/or the post-graduation employment success (and payment performance) of the contracts originated by those schools will continue. Certain schools and training programs may in the future turn out to be more valuable to obligors on the DTCs than others. Given the limited operating history of Edly and Edly Advisors, it is possible that the success of the DTCs at certain schools may vary drastically.

Risks Related to the Current Regulatory Regime

ISAs might be treated as loans by regulators, legislators or courts, which would make them subject to federal and state consumer protection and lending laws.

DTCs that are ISAs are an alternative form of financing that may be considered to be different from a loan due to their unique nature and structure. Among other things, ISAs are conditional obligations the payments on which are dependent on a student's income and level of employment. When considering alternative financing transactions, courts, legislators and regulators might tend to recast unique or unusual financing arrangements as traditional financing tools, such as loans. For example, in a consent order issued in 2021, the Consumer Financial Protection Bureau ("CFPB"), which has jurisdiction over the provision of ISAs and the regulation of ISA providers, stated that ISAs that were offered in the circumstances described in that administrative proceeding were loans. *See In the Matter of Better Future Forward, Inc., et al.*, Adm. Proc. File No. 2021-CFPB-005, (Sept. 1, 2021). Similarly, on November 6, 2020, the Washington Department of Financial Institutions of the State of Washington ("WA DFI") issued interim guidance to lenders offering ISAs in that state indicating that they are required to be licensed and that they were subject to the requirements of the Consumer Loan Act. Underlying its position was WA DFI's conclusion that ISAs subject to regulation in that state are loans.

If the CFPB were to take the position that all ISAs should be treated as loans, this could have a material effect on the ability of Edly Advisors to advise clients about investing and providing a structure for their investment in ISAs. The CFPB is the primary regulator for a range of consumer financial products and services. This includes authority to write regulations under federal consumer financial protection laws, such as the Truth in Lending Act and the Equal Credit Opportunity Act, and to enforce those laws and examine entities for compliance. The CFPB is authorized to prevent "unfair, deceptive or abusive acts or practices" through its regulatory, supervisory and enforcement authority. The CFPB could use its enforcement authority to investigate Edly Advisors or other companies that offer or service ISAs and attempt to regulate ISAs through a public consent order. Such an order could limit the terms that may be included in ISAs, the manner in which they are originated, serviced or sold, clarify the applicability of existing federal consumer financial laws to ISAs, or otherwise make them less attractive and restrict Edly Advisors' ability to offer them. The CFPB may also use its rulemaking authority to promulgate a rule or guidance that places similar limits on ISAs.

In addition, if more states were to take the position of Washington state, the business of Edly Advisors to advise clients about investing and providing a structure for their investment in ISAs could be affected as it takes steps to comply with the new requirements adopted in those states.

Federal and state consumer protection and lending laws may be expanded, clarified or interpreted to include ISAs.

The existing regime of state and federal consumer financial laws do not explicitly include or exclude ISAs in general. As a result, there is a significant amount of uncertainty surrounding the regulation of ISAs and ISA service providers. Federal and state consumer protection and lending laws impose

requirements, including licensing requirements, and place restrictions on creditors and others in connection with solicitations and extensions of credit, the interest rate and other terms of credit, as well as servicing of and collections on personal loans, including protection of sensitive customer data obtained in the origination and servicing thereof. The scope of these statutes and regulations might be expanded or clarified by the appropriate regulatory agency or legislative body such that they encompass all ISAs and related activity. Courts may through case law include ISAs under the umbrella of those statutes, their implementing regulations, or other laws related to loans, credit or debt. ISAs that do not comply with applicable consumer protection and lending laws may be deemed invalid or unenforceable, the ability to collect anticipated ISA payments may be impacted, and the ISAs may be subject to litigation or enforcement activity.

Violations of federal, state and local laws may adversely affect the ability to collect amounts due on the ISAs

As indicated above, ISAs are a relatively novel education financing tool. The relative novelty of ISAs means compliance with various aspects of state and federal laws is unclear and untested or insufficiently tested. Certain state laws may, if applicable, regulate interest rates and other charges, require certain disclosures, and impose licensing for certain activities. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to Edly's (or Edly Advisors') origination of, or its service providers' servicing and collection of, the ISAs.

If classified generally as loans, or if federal and state consumer protection and lending laws are expanded, clarified or interpreted to include all ISAs, ISA providers and service providers may be subject to a range of statutes and implementing regulations including, but not limited to:

- the Federal Truth-in-Lending Act and Regulation Z, which require certain disclosures to ISA Obligor regarding the terms of their loans;
- the Federal Equal Credit Opportunity Act and Regulation B, which prohibit discrimination in the extension of credit on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act;
- the Federal Fair Credit Reporting Act and regulation V, which regulate the use and reporting of information related to each applicant's credit history;
- the Federal Fair Debt Collection Practices Act, Regulation D and similar state laws, which regulate certain debt collection activities;
- Section 5 of the Federal Trade Commission Act, and Section 1036 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which prohibits unfair, deceptive or abusive acts or practices;

- the Gramm-Leach-Bliley Act, Regulation P, and analogous state laws, such as the California Financial Information Privacy Act, which are intended to safeguard and maintain as private student personal information;
- the Servicemembers Civil Relief Act, which limits interest rates on certain obligations of servicemembers to 6% per annum;
- the Military Lending Act, which caps the annual percentage rate on certain credit transactions at 36%;
- the Federal Electronic Fund Transfer Act and Regulation E, which govern electronic transfers to and from deposit accounts;
- the Electronic Signatures in Global and National Commerce Act and similar state laws, including the Uniform Electronic Transactions Acts, which authorize the provision and signing of documents in electronic format; and state licensed lender laws and small loan acts, which impose licensing obligations and requirements on the amount of consumer loans, applicable interest rate and other loan terms and conditions;
- state loan servicer laws, which impose licensing obligations and set parameters concerning the manner in which servicers interact with students; and
- state student loan bill of rights laws, which confer on students certain benefits and rights with respect to student loans.
- Edly, as well as Edly Advisors and its service providers, may not be in compliance with these laws. Students and regulators may make claims regarding the enforceability of student obligations under student or consumer protection laws before or after collection actions have commenced, or otherwise seek damages and other remedies under these laws. Failure to comply with the laws and regulatory requirements applicable to the ISAs may, among other things, render the ISA invalid or enforceable, limit the service provider's ability to collect all or part of the payments anticipated under the ISA, or subject the ISAs to litigation or enforcement activity. An administrative proceeding, litigation, investigation or regulatory proceeding relating to one or more allegations or findings of the violation of such laws by Edly or Edly Advisors or its service providers, could result in modifications in these persons' methods of doing business, which could impair the servicer's ability to service the ISAs, collect on the ISAs or result in the requirement that Edly or Edly Advisors or the servicer disgorge funds, pay damages, fines or penalties and/or reduce in whole or in part the balance or other amounts owing under a ISA associated with such violations.

- **Edly Advisors and its service providers may be subject to heightened scrutiny under federal and state laws because of an increased interest in protecting students.**

In the last several years, a number of laws have been introduced or enacted at the federal, state and local level that are designed to discourage certain lending practices in the student financing space, including those deemed abusive or predatory. Students are generally perceived to be unsophisticated in transactions relating to the financing of their education. Companies that offer financing, and entities that support those functions, are subject to strict legal requirements that govern interactions with students, disclosures provided to students, and permissible conduct and activities. In some cases, state law has imposed requirements and restrictions that are greater than those imposed under federal law.

Any failure to comply with applicable federal and state laws in the student finance space may subject Edly or Edly Advisors and its service providers to claims of unfair, deceptive or abusive acts and practices, predatory lending, discrimination, or violation of other laws. Some such laws are extremely rigorous and a violation could lead to statutory, punitive, consequential and actual damages, administrative enforcement, forfeiture of ISA amounts due, or the voiding of any ISA or security interest therein. Because of the growing problems associated with education financing and servicing, and the regulatory uncertainty related to the treatment of ISAs under existing laws, there is a greater risk that Edly and Edly Advisors, as well as its service providers, could face heightened scrutiny or be targeted for litigation or enforcement activity.

The regulatory framework related to ISAs is evolving and remains uncertain, as federal and state governments consider new laws to regulate ISAs. New laws and regulations, as well as continued uncertainty regarding potential new laws or regulations, may negatively affect the business of Edly and Edly Advisors.

The regulatory framework for ISAs is evolving and remains uncertain. Similarly, the regulatory environment in which consumer financial institutions, including creditors and servicers, operate has become increasingly complex and robust, and efforts to apply relevant laws, regulations and policies have become more intense. It is possible that new laws and regulations will be adopted in the United States, or existing laws and regulations may be interpreted in new ways that would affect the business and operations of Edly and Edly Advisors in relation to ISAs.

Congress, the states and regulatory agencies could further regulate the consumer credit industry to include ISAs in ways that would make it more difficult for Edly and Edly Advisors to attract students and to collect payments on the ISAs. Further, changes in the regulatory application or judicial interpretation of the laws and regulations applicable to consumer finance institutions could impact the manner in which Edly and Edly Advisors conduct business.

To that effect, on the Federal level, ISAs were first addressed by Congress in 2017 in a bill called the “ISA Act of 2017.” In 2019, Congress introduced a new bill called the “ISA Student Protection Act of 2019” with the intent to provide regulatory clarity and clear up confusion on the legal treatment of ISAs. The bill established disclosure requirements of ISAs and that ISAs would be protected by federal laws.

The Honorable Elizabeth Warren, United States Senator for Massachusetts, has expressed concerns surrounding ISAs. In a letter dated June 4, 2019, she requested information from ISA providers and service providers to evaluate whether ISAs performed in the best interests of students. Senator Warren called ISAs potentially “predatory and dangerous” to students and has continued to express doubts about the use of ISAs to finance higher education. In particular, her concerns revolved around potential violations of fair lending laws.

On the state level, regulators are also starting to regulate ISAs. In 2019, Illinois signed into law the Student Investment Account Act and is also considering separate legislation that would limit the terms and conditions on ISAs offered to Illinois students. In January 2021, Mississippi introduced house bill 1029 authorizing state institutions of higher learning to enter into ISAs with eligible students. In turn, this bill also allows the Board of Trustees of State Institutions of Higher Learning to adopt policies and bylaws for administration of ISAs, thereby creating greater state oversight.

This additional legislative, regulatory and governmental scrutiny of ISAs may impact current or future ISAs. This level of potential scrutiny may result in laws and regulations which may create uncertainty in the ISA market and create other unknown risks. It is not clear whether and when any related legislation or regulation will be passed, or the impact it may have on the business of Edly and Edly Advisors. Any such legislative, regulatory and governmental activity may adversely affect the value or marketability of the ISA.

The cost and complexity to comply with potential new laws or regulations, both on a state and federal level, and increased regulatory scrutiny could be significant and result in the need to modify the business of Edly and Edly Advisors’ and increase its operating expenses, which may have an adverse impact on their ability to perform their obligations.

Social and Economic Factors May Affect Payment of the Deferred Tuition Contracts

The ability of the obligors on DTCs to make payments on these contracts may be affected by a variety of social and economic factors, such as unemployment levels, monthly housing payments or other debt payments, attitudes toward incurring debt, and changing attitudes regarding the stigma of personal bankruptcy. Further, the COVID pandemic and social and political unrest have caused the United States to experience an extended period of economic weakness. This period has been marked by high unemployment and underemployment, large scale deferment of ongoing obligations such as student loans, mortgage and rent payments, and decreased availability of consumer credit. High levels of unemployment or underemployment may persist for some time, and the restart of payments related to deferred obligations may impact a DTC obligor’s ability to make expected payments under the terms of their respective DTCs and result in increased delinquencies and defaults.

There is no collateral securing a student’s student loan or DTC obligations .

DTCs are not secured by any property or other collateral of the related student or others. Edly, as well as Edly Advisors and its service providers, will be limited in their ability to collect delinquent

amounts due under the DTCs. Accordingly, collections on the DTCs will be entirely dependent on voluntary payments made by the DTC obligors and the overall effectiveness of any collection efforts and activities of the service providers.

Neither Edly nor Edly Advisors has any significant historical performance data about performance on the DTCs. Loss rates on the DTCs may be higher than expected.

DTCs are still in the early stages of development and have a limited operating history. Therefore, neither Edly nor Edly Advisors has any significant historical data regarding the performance of DTCs, and neither knows what the long-term DTC loss experience will be. As a result, there can be no assurances or meaningful indicators of what the delinquency and loss experience will be for the DTCs. Given the level of sophistication of students, DTCs may experience higher defaults which could negatively and possibly significantly impact repayment.

If payments on the DTCs become delinquent, it is likely Edly Advisors will not receive the full amount owed on the DTC, which could negatively impact the repayment of the DTC.

Late payment performance is an early indicator that accounts may be uncollectible. Edly Advisors' service providers may refer DTCs that become past due to a third-party collection agency for collection, or in certain limited circumstances may collect on such DTC directly. If payments on such DTCs are received from a student after they have been referred to a third-party collection agency, the collection agency may retain a percentage of that payment as a fee before any amounts are received by Edly Advisors.

DTCs typically require employment information on the DTC obligor. DTC providers and service providers rely heavily on the DTC obligors to provide accurate income figures. There is a possibility that a DTC obligor may refuse to communicate with the DTC provider or service provider or refuse to share income information, thereby impacting the ability to collect amounts owed and thereby affecting the ability of Edly Advisors to recover any unpaid balance on the DTC. If losses are greater than anticipated, Edly Advisors could suffer a loss.

Payment of DTCs is also dependent on a robust job market. If a DTC obligor cannot find a job, then there is no expectation of payment on the related contract. This results in a loss to clients because it reduces the cash to be distributed to them.

Further, state or federal laws may require the owner or servicer of a DTC to send certain notices to DTC obligors upon a change in such owner or servicer. These notices might cause a student to request validation of the debt, dispute the debt or make other inquiries about debt balances, which may adversely affect collections.

The ISAs do not restrict DTC Obligor from incurring additional unsecured or secured debt, nor do they impose any financial restrictions on DTC Obligor during the term of the ISA.

A DTC is likely not the DTC obligor's only debt obligation. Edly Advisors will not receive any notification if a DTC obligor incurs additional debt. If this obligor incurs additional debt after

obtaining a loan on a DTC, the additional debt may impair the ability of that obligor to make payments on his or her DTC and Edly Advisors' ability to receive the amount it expects on such DTC. In addition, the additional debt may adversely affect the DTC obligor's creditworthiness generally, and could result in the financial distress, insolvency, or bankruptcy of the obligor. To the extent that the student has or incurs other indebtedness and cannot pay all of his or her indebtedness, the DTC obligor may choose to make payments on other debts and forgo payments under the ISA.

To the extent a DTC obligor has or incurs other indebtedness that is secured, such as a mortgage, a home equity line or an auto loan, the ability of the secured creditors to exercise remedies against the assets of the related DTC obligor may impair his ability to repay his DTC. DTC obligors may also choose to repay obligations under secured indebtedness or other unsecured indebtedness before repaying DTCs because there is no collateral securing the DTC.

Students may seek the protection of debtor relief under federal bankruptcy or state insolvency laws, which may result in delays in payment or losses on the ISA.

A student may seek protection under federal bankruptcy law or similar laws. If a student files for bankruptcy (or becomes the subject of an involuntary petition), a stay will go into effect that will automatically put any pending collection actions on the related DTC on hold and prevent further collection action absent bankruptcy court approval. If a student sought protection under federal or state bankruptcy or debtor relief laws, a court could reduce, restructure or discharge completely such student's obligations to make payments due on his or her DTC. As a result, all or a portion of the DTC could be written off as uncollectible. Whether any payment will ultimately be made or received on a DTC after the student becomes subject to a bankruptcy proceeding depends on the student's particular financial situation. In most cases, however, Edly Advisors could receive nothing, or only a fraction of the outstanding debt under a DTC.

The death of an Obligor on a Deferred Tuition Contract may impair the ability of Edly Advisor to receive any future collections on the Contract.

If a DTC obligor dies while his or her DTC is still outstanding, there is no obligation to repay the DTC. If such an event occurs, there will be a realized loss on the related DTC.

Deferred Tuition Contracts do not guarantee payment and may affect the ability of Edly Advisors to collect on the Contract..

DTCs are dependent on the DTC obligor's ability to obtain and maintain a job after graduation and meeting a certain minimum income threshold. A student may not find or may elect not to work in a position where he or she meets the minimum income threshold. That would mean the student is not responsible for payment on the DTC and would cause significant monetary loss to Edly Advisors.

DTC Obligors may not view or treat their obligations on the DTCs as having the same significance as loans from traditional lending sources, such as banks.

Repayment of DTCs depends on the IDTC obligors fulfilling their payment obligations in a timely and complete manner under their corresponding DTC. An obligor on this contract may not view the DTC as having the same significance as other credit obligations arising under more traditional circumstances, such as loans from banks or other commercial financial institutions. If a DTC obligor neglects his or her payment obligations on a DTC or chooses not to repay his obligations under a DTC entirely, the amount of payments received by Edly Advisors will be less than expected, and Edly Advisors could incur significant losses.

The relative nascence of ISAs as an education funding source and their limited but growing use in the education finance ecosystem could heighten regulatory scrutiny. This could impact Edly Advisors' ability to offer an attractive ISA program, create burdensome regulatory hurdles or result in enforcement actions against Edly Advisors.

Armed Conflict, Terrorism and Catastrophes.

Armed conflict, acts of terrorism and catastrophes could affect the operations of Edly and Edly Advisors and their ability to collect on a DTC, either directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism, armed conflict, war, and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the performance of any investment.

Risks Related to Potential Conflicts of Interest

Edly Advisors acts as manager of EFS pursuant to a Series Limited Liability Company Operating Agreement and a Series Designation that will be entered into among EFS, Edly Advisors, as manager, and the clients (members of series of EFS). Edly Advisors also acts from time to time as an investment adviser or as a sub-adviser with respect to investments in Deferred Tuition Contracts by "qualified institutional buyers," as defined in Rule 144A under the Securities Act of 1933, as amended. As manager, Edly Advisors is responsible for managing the business of EFS, preparing reports, monitoring the servicing of the Deferred Tuition Contracts and enforcing all of the rights and remedies under these contracts on behalf of EFS and the members of each series that own participations in these contracts. . No investor will have any rights or ability to enforce any remedies directly against the obligors on the Deferred Tuition Contracts. An officer or principal of Edly Advisors or one of its affiliates may own a membership interest in EFS or a participation in one or more Deferred Tuition Contracts that are purchased by clients.

Although Edly Advisors intends to manage EFS in the best interests of holders of Interests at all times, it is possible that a conflict of interest may arise between Edly Advisors and its affiliates, on the one hand, and clients, on the other hand. To minimize the likelihood of this risk, Edly Advisors monitors investments to be made by its officers and principals in Deferred Tuition Contracts to ensure that these investments at all times remain immaterial to the total funds

managed for a client. In addition, Edly Advisors does not intend to allocate or offer investments in EFS or in Deferred Tuition Contracts for clients on the basis of the performance of investments made by officers or principals of Edly Advisors. In no event will officers or principals of Edly Advisors be permitted to invest their own funds in the EFS or in Deferred Tuition Contracts if the investment will have a material adverse effect on clients' interests and cause Edly Advisors to breach its fiduciary duty to these clients.

Item 9: Disciplinary Information

Not Applicable. There are no legal or disciplinary events relevant to either Edly Advisors or any of its advisory affiliates, including its registered principals.

Item 10: Other Financial Industry Activities and Affiliations

Not Applicable.

Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Edly Advisors has adopted a written code of ethics (the “Code”) that is applicable to all employees. Among other things, the Code is designed to govern personal securities trading activities in the accounts of its employees, including an employee’s purchase or sale of DTCs and Consumer Loans. The Code is based on the principle that Edly Advisors and its employees owe a fiduciary duty to its advisory clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) putting their own personal interests ahead of those of the clients, (ii) taking inappropriate advantage of their position within the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct.

The employees of Edly or Edly Advisors are required to comply with the personal securities transactions rules as outlined in the Code. These rules require such persons to place the interests of clients first, and to conduct all personal securities transactions in such a manner as to avoid any actual or potential conflict of interest or any potential abuse of an individual’s position of trust and responsibility. The Code’s restrictions on personal securities trading apply to employees as well as employees’ family members living in the same household. A copy of the Code is available upon request.

Without preclearance, employees are prohibited from investing directly in the same Deferred Tuition Contracts and Consumer Loans held by Edly, Edly Advisors or any of its affiliates. Employees are permitted to invest in DTCs and Consumer Loans based on advice provided by Edly Advisors. Employees of Edly or Edly Advisors may also invest in the same DTCs and Consumer Loans in which clients invest, which creates a conflict of interest. All trading activity in employees’ accounts is subject to review by Edly’s CEO or President pursuant to the Code. The Code states that personal securities transactions in Deferred Tuition Contracts and Consumer Loans must be pre-cleared by Edly’s CEO or President. Personal securities transactions in Deferred Tuition Contracts and Consumer Loans of the CEO or President must be pre-cleared by Edly’s Board of Directors. Preclearance is not granted where it would appear that an employee’s trading could disadvantage a client.

Although neither Edly Advisors nor any of its affiliates has ever participated in any transaction involving DTCs and Consumer Loans that are purchased and held by clients (and does not intend to do so), the Code addresses potential conflicts that may arise in such cases. The Code includes provisions that are designed to ensure that all such transactions are conducted at the fair market value of the items involved, that neither Edly Advisors nor any of its affiliates receives any fees in connection with any such transaction, and to remove any bias that might be involved in allocating investments and expenses among Edly Advisors and its clients that are participants in any such transaction.

Item 12: Brokerage Practices

Not Applicable. Edly Advisors does not recommend broker-dealers for client transactions.

Item 13: Review of Accounts

Monthly Cash Flow: The participations in Deferred Tuition Contracts and Consumer Loans are designed to provide clients with regular monthly cash flows commencing with the first calendar month after the month in which a client acquires a participation. As payments from obligors on Deferred Tuition Contracts and Consumer Loans are collected, these payments are remitted to clients in the following calendar month. In addition, Edly Advisors establishes cash reserves from proceeds received from clients' purchases of participations.

Each Client is given a monthly statement of account from the Deferred Tuition Contract and Consumer Loan administrator, and a monthly Investment Summary from Edly Advisors to accompany all distributions of payments made on their Interests. In addition, each Client is given a quarterly report as well that discusses Edly Advisors' view of the Deferred Tuition marketplace and the education finance industry more broadly.

Item 14: Client Referrals and Other Compensation

Edly Advisors, from time to time, may engage the services of a registered broker-dealer or registered investment adviser to provide specific client introductions pursuant to an appropriate engagement letter. The letter describes the scope of the services to be provided and the compensation that the registered broker-dealer or investment adviser will receive for providing these services. These arrangements will be instituted in compliance with the requirements of Rule 206(4)-1 under the Investment Advisers Act.

Item 15: Custody

Edly Advisors does not maintain custody of, or have access to, clients' funds and securities. All of a client's funds and securities are maintained in an account at a bank, as defined in Section 202(a)(2) of the Investment Advisers Act, including JPMorgan Chase Bank, N.A., that was established for this particular purpose. All withdrawals from these accounts, including to pay for the purchase of participations in Deferred Tuition Contracts, are made at the direction of the clients. Edly Advisors is not involved in the process of effecting a purchase (after a decision has been made to purchase a participation). In addition, all cash received from obligors for payments due on the Deferred Tuition Contracts, as well as any cash received for sale of a Deferred Tuition Contract, are made to an unaffiliated servicer who remits the net distribution proceeds directly to the accounts of clients maintained at a qualified bank after deducting and remitting the management fees due to Edly Advisors for services rendered. Edly Advisors also is not involved in this process.

When an account is opened with a qualified bank the Client is provided promptly with information on the bank's name, address, and manner in which the funds are maintained and following any changes made to this information. In addition, Edly Advisors reasonably believes that the bank or an independent agent sends an account statement, at least quarterly, to a Client for which it serves as custodian, identifying the amount of funds it holds for the Client at the end of the period, and setting forth all transactions in the account occurring over this period.

Item 16: Investment Discretion

For many of its clients, Edly Advisors does not exercise investment discretion in delivering investment advisory services to these clients. It simply makes recommendations to these clients, who make the decision whether to follow the recommendations.

For a few clients, however, including clients pursuing the objectives of the Outcomes strategy, Edly Advisors has the ability to determine the type and the amount of participations in Deferred Tuition Contracts that the clients purchase or sell, and whether the clients' purchase or sale should be combined with those of other clients and purchased or sold as a "block." In any such case, Edly Advisors exercises investment discretion in a manner that is consistent with each client's stated investment objectives, risk tolerance, and time horizon, as agreed to between Edly Advisors and the client pursuant to the terms of the investment management agreement executed by each client.

Item 17: Voting Client Securities

Not Applicable. Under the terms of the Consumer Loans and DTCs, which clients purchase on the advice of Edly Advisors, no voting privileges are provided.

Item 18: Financial Information

Edly Advisors does not require or solicit prepayment of fees from clients. Neither Edly nor Edly Advisers has filed for bankruptcy, and neither has made any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

Item 19: Items required for State Registered Advisors

Not applicable.