

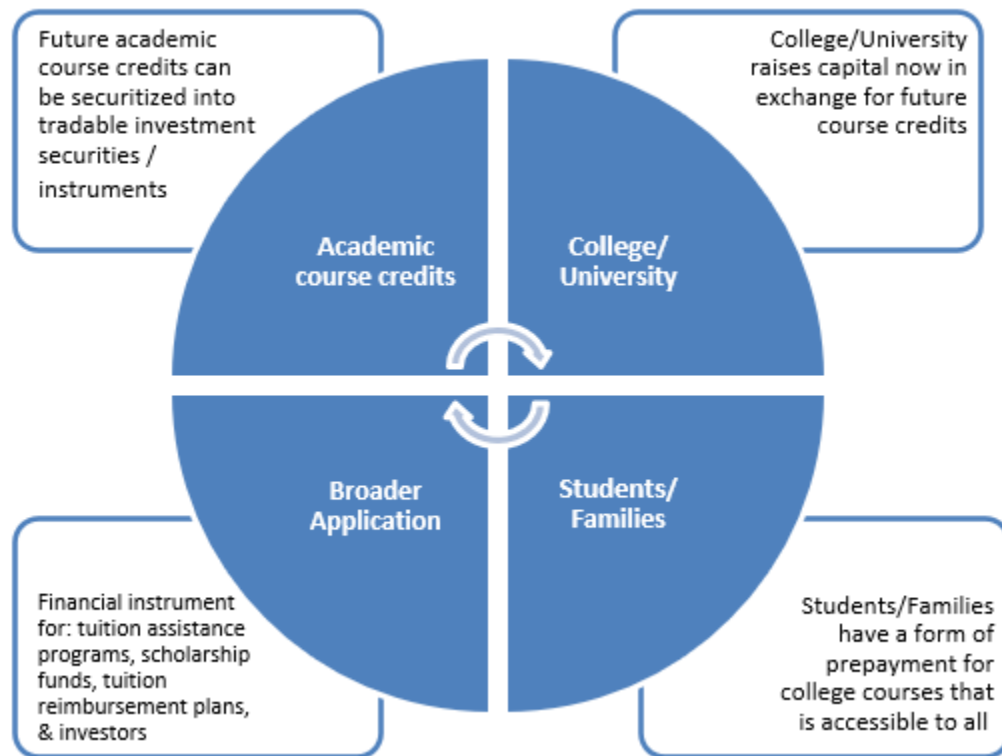
# Tuition Shares: Innovation in Higher Education Financing

Colleges and universities are confronted with an array of challenges ranging from declining enrollment, rising costs, and student debt, to certification programs that are quicker and cheaper options to career paths. When faced with financial difficulties over the past 50 years, higher education institutions raised tuition. This has resulted in skyrocketing tuition costs that are ~4.6 times<sup>1</sup> the rate of inflation. To be fair, colleges and universities have also raised capital from bond issuances and fundraising efforts to help support various initiatives.

We have reached an inflection point where student debt is ~\$1.7 trillion<sup>2</sup> with students and families questioning the value and cost of higher education. In tandem, higher ed executives are reviewing balance sheets with the daunting task of deciding to implement cost cutting measures, take on additional debt, or both. Addressing higher education struggles by “doing the same thing over and over and expecting different results”, the quote attributed to Albert Einstein, is no longer sufficient.

Businesses raise capital by expanding their universe of investors through an Initial Public Offering (“IPO”). These investors, in turn, own stock or have a share of the company. Broadening the number of stakeholders provides the additional capital a business requires. Higher education has other factors to consider that prevent it from applying this same model.

An innovative utilization of academic course credits can advance the needs of higher education. Through the creation of a *new financial instrument* – **Tuition Shares** – academic course credits are securitized into an investment instrument which provide colleges and universities needed capital; students and families with a form of prepayment; and broader investment applications.



<sup>1</sup>Source: My eLearning World

<sup>2</sup>Source: Source: Federal Reserve Bank of St. Louis

# Tuition Shares

Tuition Shares is a patented FinTech solution that provides higher education with an opportunity to issue IPOs of academic course credits, which are a share, or a portion of tuition-related to course credits. Tuition Shares give colleges and universities an independent source of capital with no debt.

As an investment instrument, it is expected that Tuition Shares would be held within 529 or brokerage accounts. Tuition Shares are a blend of security characteristics:

## Equity-like features:

- ✧ Buyer of Tuition Shares owns all or a portion of academic course credits
- ✧ Common vs. preferred stock principle can apply to Out-of-State vs. In-State
- ✧ Higher education institutions can offer dividends

## Bond-like features:

- ✧ Fixed number of Tuition Shares are issued
- ✧ Date when Tuition Shares are redeemable
- ✧ Issuer is obligated to redeem Tuition Shares for academic course credit(s) that is applied to a given course(s)

## **Advantages of Tuition Shares**

Tuition Shares only relates to costs associated with course credits, unlike 529 pre-paid plans or other pre-paid plans which typically encompass total tuition. This provides colleges and universities with the flexibility to adjust other fees associated with tuition as needed.

## Benefits:

- ✧ New source of capital/financial support
- ✧ No upfront cost as fees are built into Tuition Shares IPO
- ✧ No debt associated with Tuition Share issuance
- ✧ Price fluctuations of Tuition Shares subscriptions or redemptions, do not impact higher education institution's balance sheet
- ✧ Tuition Shares ownership does not equate to automatic acceptance; standard application requirements apply

## **Implementation**

Colleges and universities can issue Tuition Shares for their institutions working with their trusted advisors via the capital markets. The College/University meets with its consultant and/or security underwriter to:

- ✧ Determine Tuition Share issuance/IPO
- ✧ Conduct breakeven analysis
- ✧ Establish when Tuition Shares can be redeemed
- ✧ Decide how monies from Tuition Shares issuance will be used and managed

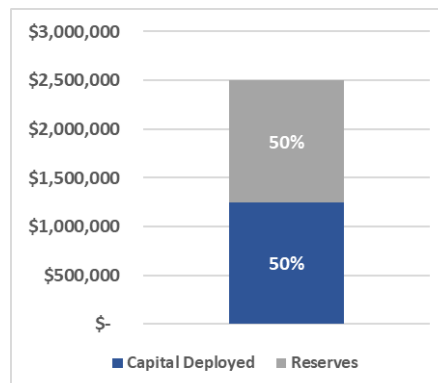
Once terms are agreed upon, the security underwriter introduces Tuition Shares to the market. Tuition Shares are traded on a securities exchange such as the New York Stock Exchange ("NYSE") or a higher education market. *(The Velona Group will collaborate with institutions' trusted advisors for Intellectual Property licensing.)*

Colleges and universities have flexibility in the application of Tuition Shares. The following are four potential scenarios that demonstrated how institutions can issue Tuition Shares.

# Tuition Shares

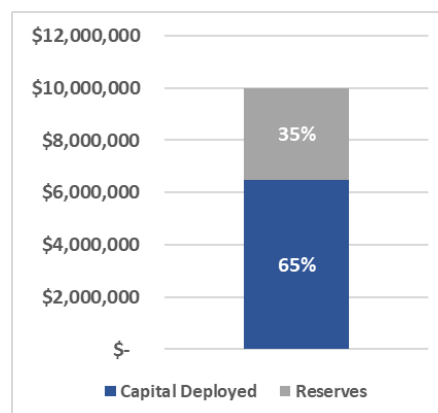
## Scenario 1

A College with a student body of 2,600 collaborates with its independent consultant and determines to issue Tuition Shares to renovate dorms and offer a new degree program. The College's IPO will raise \$2.5 million through an issuance of 2,083 Tuition Shares @ \$1,200 per share that become redeemable in 10 years. Total expenses of an academic course at the College are covered by 30% of the students in each course. The College is conservative and has decided to split the capital raised less expenses from Tuitions Shares equally with 50% being used to fund renovations and programs with the remainder being held in reserves. The finance team has also decided to outsource management of the reserves through an annuity product that they believe will help protect reserves from market volatility. Once the redeemable date has been reached, payouts from the annuity will be made for Tuition Shares redemptions.



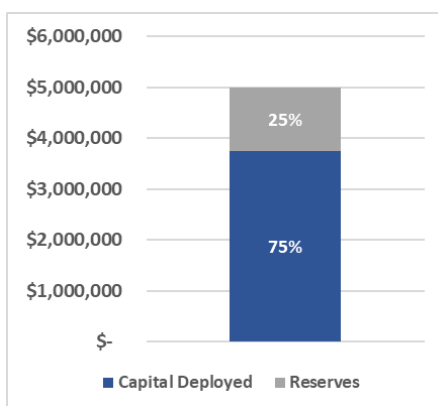
## Scenario 2

A public University with a student body of 41,500, in consultation with its independent advisors, has decided to issue Tuition Shares to make tech and security enhancements across its various campuses. The intention is to have the IPO raise a total of \$10 million in capital. Tuition Shares will be issued in two different share classes – “In-State” and “Out-of-State”. The “In-State” class will have an issuance of 14,286 Tuition Shares @ \$350 totaling \$5 million, while the “Out-of-State” class issuance will be comprised of 5,263 Tuition Shares @ \$950 totaling \$5 million. Its course expenses are covered by 35% of students in the course. Expenses related to the IPO will be paid from deployed capital. The University has an extensive course catalog (6,000+). Tuition Shares will only be redeemable for core courses that have larger class sizes based on their analysis. In doing so, they can deploy more capital and hold less in reserves.



## Scenario 3

A private University with a student body of 18,000 has decided they will go to IPO to fund campus expansion. The IPO will raise \$5 million in capital through an issuance of 2,778 Tuition Shares @ \$1,800 per share that becomes redeemable upon issuance. Its course expenses are covered by 20% of the students in the course. The University has a supportive alumni network that will likely contribute to the expansion. The University believes their Tuition Shares will appreciate in value and students will likely sell shares to pay for courses in cash. They also anticipate alumni purchases and bequeathments to the school. Thus, few Tuition Shares will be redeemed. Based on their analysis, they expect to utilize 75% of the proceeds raised from the IPO and hold less in reserves and manage them internally.



## Scenario 4

A consortium of higher education institutions could elect to execute a Tuition Shares issuance together. Collectively, they determine the number of Tuition Shares to be issued, price, redeemable date, and establish terms and conditions between the institutions.

# Tuition Shares



These are a few examples of approaches that may be considered by higher ed executives. Tuition Shares provides each institution a customized approach that best suits their organization. Options are not limited to those outlined above.

Should Tuition Shares not be a good fit for the higher education institution, there are exit strategies available to them.

*Buyback/Share Repurchase:* A college or university can buy back its outstanding Tuition Shares similar to companies that issue stock. Monies from reserves or other sources could be used to purchase the outstanding Tuition Shares.

*Callable/Redeemable:* A college or university may choose to call or have Tuition Shares owners redeem the Tuition Shares in the market. Owners must apply Tuition Shares to academic courses within a given timeframe.

## **Student/Family Outcomes**

We are not a nation of savers as evidenced by our country's historically low savings rate. We are consumers with individuals of diverse financial means flocking to malls and stores to get the best deals on Black Friday, Cyber Monday, or searching for daily deals online. Others wait in lines, sometimes for days, to get the latest phone, video game release, or concert tickets. As consumers, we crave the tangible instant gratification of obtaining an item in hand. Tuition Shares appeals to the passionate consumer within.

Families and individuals across the wealth spectrum can purchase Tuition Shares for their children. As an investment instrument, families can purchase Tuition Shares within 529 accounts and brokerage accounts. Alternatively, Tuition Shares can also be purchased via an app such as Stockpile, where not only fractional shares can be purchased, but e-gift cards of a security can be purchased from as little as \$1. **This provides accessibility to all!**

Tuition Shares are held until they are ready to be redeemed. Tuition Shares ownership does not equate to automatic acceptance. Students follow standard application requirements for acceptance. They can redeem Tuition Shares at the college/university they attend. If Tuition Shares are trading at a premium, students can sell the Tuition Shares. They can then take the cash along with profits and pay for the courses as well as additional tuition expenses. However, if Tuition Shares are trading at a discount, the student would submit Tuition Shares for redemption of the class, which insulates them from Tuition Shares market fluctuations.

Tuition Shares provide students with flexibility. Students are not locked into attending the college/university for the Tuition Shares they hold. As an investment instrument, Tuition Shares can be traded or bought and sold on an exchange, such as the NYSE or a new higher education exchange is created.

## **Broader Stakeholder**

As a financial instrument, Tuition Shares reach goes beyond the traditional student and provides higher education benefits and investment opportunities for: tuition assistance programs, scholarship funds, endowments, corporate tuition reimbursement plans, as well as retail and institutional investors. Tuition Shares held by the public may not be redeemed but held as an investment.

## **Marketing Tool**

Tuition Shares provides higher education institutions with another marketing tool. Alumni may opt to purchase Tuition Shares in support and can bequeath them back to the higher education institutions or to the next generation of students. Tuition Shares appeal goes beyond the alumni network to broader groups of individuals and organizations that are interested in supporting higher education institutions.

# Tuition Shares

## Key Differentiators of Tuition Shares vs. Existing Higher Education Finance

### Higher Education Institution:

- ✧ **New capital source** – Tuition Shares provide colleges and universities with a new avenue to raise capital for financial support.
- ✧ **Debt alternative** – Tuition Shares are a debt alternative to financing college and university initiatives and budgets.
- ✧ **Flexibility** – Colleges and universities have flexibility to determine terms and conditions of Tuition Shares issuance as well as the ability to adjust other fees, as needed.
- ✧ **Price fluctuations** – Tuition Shares market prices do not impact higher education institution's balance sheet.
- ✧ **No upfront cost** – Fees are built into Tuition Shares IPO issuance.
- ✧ **Standard application requirements apply** – Tuition Shares ownership does not equate to automatic college acceptance. Students follow standard application process.

### Students & Families:

- ✧ **New investment** – Tuition Shares offer families a new investment that has appreciation potential to pay for other higher ed expenses.
- ✧ **Debt alternative** – Tuition Shares are a debt alternative to student loans, providing another financing option for higher education tuition.
- ✧ **Flexibility** – Students have flexibility to trade Tuition Shares for a college/university that they plan on attending, or purchase and sell Tuition Shares on an exchange.
- ✧ **Price fluctuations** – Students holding Tuition Shares for institution they plan on attending are insulated from price fluctuations.
- ✧ **Prepayment** – Tuition Shares are a tangible purchase of academic course credits.
- ✧ **Higher Education Gifting** – Tuition Shares can be gifted to students through other platforms offering e-gift cards and fractional shares of investment securities as low as \$1.

**Colleges & Universities encourage students to challenge the status quo.  
Isn't it time to do so with college finance?**

# Tuition Shares



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Diane Velona is President and founder of The Velona Group. She has worked in various roles in the financial services industry for over 25 years. Her experience is comprised of managing various marketing initiatives related to the launch of a closed-end mutual fund, which included a cocktail reception on the NYSE trading floor on the day of IPO. Diane has also worked collaboratively on teams that developed and implemented financial solutions for a variety of clients raising over \$25 billion in assets under management. Diane took that experience and applied it to higher education financing to develop the patented solution - Tuition Shares.

Diane earned her Bachelor of Science degree in Business Administration with a Certificate in Marketing from Caldwell University. She holds a Master of Business Administration from Caldwell University and graduated with honors.

## About The Velona Group, LLC

The Velona Group is a woman-owned firm, established by Diane Velona, looking to disrupt college financing. Diane's life was forever changed by a family tragedy. At the age of seven, a shoelace spared her life from a pedestrian accident that killed her five-year old sister and left her mother in a coma for several days. This event has had an everlasting effect. She wants to make a positive impact with her second chance and establish a Memorial Scholarship Fund with proceeds from the licensing or sale of Tuition Share patent rights. Support is intended for all levels of education from elementary through undergraduate studies at colleges and universities.

[www.velonagroup.com](http://www.velonagroup.com)

*US Patent No. 7,809,618 & 8,078,520*

## Disclosures

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