



## Entrepreneurship Case Study

To complete the case study, watch this video below:

<https://www.youtube.com/watch?v=aSZxmwl0k0s>

Once you have watched the video, please read this short article by Forbes:

<https://www.businessinsider.com/charlie-javice-frank-fintech-startup-jp-morgan-fraud-2023-1>

### The Dispute between JPMorgan Chase and Frank

In 2016, Ms Charlie Javice founded Frank, a fintech startup with a vision to simplify the complex student loan application process for young Americans seeking financial aid. Javice's ambitious goal was to create an innovative platform, more like an "Amazon for higher education," which garnered substantial support from influential backers. Frank received funding from prominent investors such as billionaire Marc Rowan and a consortium of venture capitalists, including Aleph, Chegg, Reach Capital, Gingerbread Capital, and SWAT Equity Partners. JPMorgan's interest in the fintech space led to the acquisition of Frank for \$175 million. The decision to acquire Frank was largely influenced by Ms Javice's representations, claiming a user base of over 4 million individuals using Frank's tools for federal aid applications.

JPMorgan alleged that Charlie Javice and her team provided inflated and misleading user data to entice the acquisition. During the due diligence process, when pressed for substantiating evidence, Ms Javice purportedly resorted to creating an extensive list of fictitious users, fabricating names, addresses, dates of birth, and other personal information for an inflated 4.265 million "students". However, according to the lawsuit, Frank had significantly fewer legitimate customer accounts, numbering less than 300,000 at the time of acquisition.



The lawsuit claimed that when JPMorgan requested proof of the user base, Javice initially cited privacy concerns, stating that she could not share the customer list. Subsequently, upon insistence from JPMorgan, she allegedly opted to invent millions of non-existent Frank customer accounts, presenting it as genuine data.

In response to JPMorgan's lawsuit, Charlie Javice filed a suit against the bank, asserting that the institution launched baseless investigations into her conduct. The lawsuit alleged that the bank orchestrated a termination under false pretenses and attempted to deny her owed compensation. Javice contended that JPMorgan falsely accused her of misconduct, both during and post-acquisition.

Post-acquisition, Ms Javice and her team became part of JPMorgan. However, the bank reported poor results when marketing its products and services to what it believed were Frank's customers. Subsequently, they unearthed what they claim to be fake customer lists, leading to the legal dispute between Javice and JPMorgan.

After reading the material and watching the video, please answer the following questions:

1. What ethical considerations should guide both startups and acquiring companies in the representation of user data during an acquisition?
2. What measures could JPMorgan have implemented during due diligence to ascertain the authenticity of Frank's user base?
3. What impact could this controversy have on investor confidence in the fintech industry?
4. What are some of the underlying issues that caused the situation on both sides?
5. Should both of the leaders have handled this situation any differently?
6. What steps should companies take to ensure transparency and honesty in presenting their company's performance and user base during acquisition negotiations?