

In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2024-1 Bonds (including any original issue discount properly allocable to the owner of a Series 2024-1 Bond) is excludable from gross income for federal income tax purposes. However, in the opinion of Special Tax Counsel, interest on the Series 2024-1 Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series 2024-1 Bonds may affect the federal alternative minimum tax imposed on certain corporations. For a more detailed description of such opinions of Special Tax Counsel, see “TAX MATTERS” herein.



\$41,750,000

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

Tax-Exempt Education Loan Revenue Bonds, Senior Series 2024-1A (AMT)

Dated: Date of Delivery

Due: as shown on the inside front cover

North Texas Higher Education Authority, Inc.’s \$41,750,000 Tax-Exempt Education Loan Revenue Bonds, Senior Series 2024-1A (AMT) (the “Series 2024-1 Bonds”). The Series 2024-1 Bonds shall be in fully registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC is to act as securities depository of the Series 2024-1 Bonds. Individual purchases of the Series 2024-1 Bonds are to be made in Book-Entry Form Only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers of the Series 2024-1 Bonds will not receive certificates representing their interest in the Series 2024-1 Bonds purchased. See the caption “THE SERIES 2024-1 BONDS—Book-Entry-Only System” herein.

The Series 2024-1 Bonds will bear interest from their date of delivery and mature on June 1 in the years and in the principal amounts set forth on the inside front cover hereof. The Series 2024-1 Bonds will bear interest at the rates per annum set forth on the inside front cover, payable semiannually on each June 1 and December 1, commencing December 1, 2024.

The Series 2024-1 Bonds are the first issuance of bonds pursuant to the Indenture of Trust, dated as of August 1, 2024 (the “Master Indenture”), as amended and supplemented by a Series 2024-1 Supplemental Indenture of Trust, dated as of August 1, 2024 (the “Series 2024-1 Supplemental Indenture” and, together with Master Indenture, the “Indenture”), each by and between the North Texas Higher Education Authority, Inc. (the “Authority”) and UMB Bank, National Association, as trustee (the “Trustee”). The Series 2024-1 Bonds are secured under the Indenture on a parity basis with any future senior series bonds that may be issued under the Indenture (collectively with the Series 2024-1 Bonds, the “Senior Bonds”), and on a senior basis to any future Senior-Subordinate Bonds or Subordinate Bonds issued under the Indenture (collectively, with the Senior Bonds, the “Bonds”). The proceeds of the Series 2024-1 Bonds, together with other available funds of the Authority, are being used by the Authority primarily to (a) acquire certain student loans made pursuant to the Texas Extra Credit Loan Programs (defined herein), (b) financing a deposit to the debt service reserve fund and (c) pay the costs related to the issuance of the Series 2024-1 Bonds.

Pursuant to the Indenture, the Bonds, including the Series 2024-1 Bonds, are secured by a pledge of and security interest in the student loans financed under the Indenture, all revenues derived from such student loans, the moneys and securities held in certain pledged funds established under the Indenture and certain other assets constituting the trust estate under the Indenture, in each case subject to the provisions of the Indenture. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS” herein. Upon the satisfaction of certain conditions, additional Bonds may be issued under the Indenture from time to time on a parity basis with, or subordinate to, the Senior Bonds, including the Series 2024-1 Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds; Priority” herein.

The Series 2024-1 Bonds are subject to redemption prior to maturity. See the caption “THE SERIES 2024-1 BONDS—Redemption Provisions” herein.

Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2024-1 Bonds. Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay the principal of and interest on the Series 2024-1 Bonds, and which could have an effect on the market price of the Series 2024-1 Bonds to an extent that cannot be determined. See the caption “CERTAIN RISK FACTORS” herein.

THE BONDS, INCLUDING THE SERIES 2024-1 BONDS, AND ANY AGREEMENT OF THE AUTHORITY MENTIONED HEREIN ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS, INCLUDING THE SERIES 2024-1 BONDS. THE AUTHORITY’S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS. THE AUTHORITY IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF TEXAS TO CREATE, AND THE BONDS, INCLUDING THE SERIES 2024-1 BONDS, DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE TEXAS CONSTITUTION OR LAWS OF THE STATE OF TEXAS OR DEBT OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY OTHER PURPOSE WHATSOEVER. HOLDERS OF THE BONDS, INCLUDING THE SERIES 2024-1 BONDS, SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.

The Series 2024-1 Bonds will be offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, and are subject to the approving opinions of the Attorney General of the State of Texas and the legal opinions of Norton Rose Fulbright US LLP, Bond Counsel, and certain other conditions described herein. Certain additional legal matters will be passed upon by Kutak Rock LLP, as Special Tax Counsel to the Authority, and for the Underwriter by Kutak Rock LLP, counsel to the Underwriter. It is expected that the Series 2024-1 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about August 28, 2024.

BofA Securities

MATURITY SCHEDULE

\$41,750,000
NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.
EDUCATION LOAN REVENUE BONDS
SENIOR SERIES 2024-1A (AMT)

Serial Bonds

Maturity Date (June 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[^]
2027	\$ 1,700,000	5.000%	103.294	3.730%	66286U AA7
2028	2,450,000	5.000	104.266	3.770	66286U AB5
2029	3,400,000	5.000	105.084	3.820	66286U AC3
2030	4,100,000	5.000	105.830	3.860	66286U AD1
2031	4,200,000	5.000	106.290	3.930	66286U AE9

\$25,900,000 4.125% Series 2024-1 Bonds maturing June 1, 2045
Price: 97.876%; Yield: 4.280%; CUSIP[^]: 66286U AF6

[^] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers are included solely for the convenience of bondholders, and the Authority is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market.

Information set forth herein has been furnished by the Authority and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to herein or that the other information or opinions are correct as of any time subsequent to the date hereof. References in this Official Statement to the Indenture do not purport to be complete and potential purchasers are referred to the Indenture for full and complete details of the provisions thereof.

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations with respect to the Series 2024-1 Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2024-1 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter listed on the front cover of this Official Statement (the “Underwriter”) has provided the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applicable to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information in this Official Statement concerning DTC, and DTC’s book-entry-only system has been obtained from DTC. None of the Authority, any of its advisors or the Underwriter has independently verified, makes any representation regarding or accepts any responsibility for the accuracy, completeness or adequacy of such information.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2024-1 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

Upon issuance, the Series 2024-1 Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2024-1 Bonds and the security therefor, including an analysis of the risks involved. The Series 2024-1 Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2024-1 Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2024-1 Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2024-1 Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement or approved the Series 2024-1 Bonds for sale.

There follows in this Official Statement certain information concerning the Authority, together with descriptions of the terms of the Indenture, the Series 2024-1 Bonds, the Administration Agreement, the

HESC Servicing Agreement, certain other documents related to the security for the Bonds, including the Series 2024-1 Bonds, and certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the Series 2024-1 Bonds, and all references to the Series 2024-1 Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture. This Official Statement is submitted in connection with the sale of the Series 2024-1 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Authority since the date hereof.

FORWARD-LOOKING STATEMENTS

This Official Statement, including the Appendices attached hereto, contains statements which should be considered “forward looking statements,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “plan,” “expect,” “estimate,” “budget” or similar words.

The achievement of certain results or other expectations contained in such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. The Authority does not expect or intend to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur, or fail to occur.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and no conclusion should be drawn from the order of material or information presented in this Official Statement. The offering of North Texas Higher Education Authority, Inc.’s, Tax-Exempt Education Loan Revenue Bonds, Senior Series 2024-1A (AMT) (the “Series 2024-1 Bonds”) to potential investors is made only by means of this entire Official Statement. The Series 2024-1 Bonds are the first issuance of bonds under the Indenture (as hereinafter defined). The Series 2024-1 Bonds and any other senior bonds that may hereafter be issued by the Authority under the Indenture (collectively with the Series 2024-1 Bonds, the “Senior Bonds”), together with any senior-subordinate bonds that may hereafter be issued by the Authority under the Indenture (the “Senior-Subordinate Bonds”) and any subordinate bonds that may hereafter be issued by the Authority under the Indenture (the “Subordinate Bonds”), are herein referred to as the “Bonds.” Any Senior-Subordinate Bonds and any Subordinate Bonds that may be issued in the future are secured under the Indenture on a subordinated basis to the Senior Bonds as described herein. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All terms capitalized, but not defined, in this Summary Statement shall have the meaning set forth elsewhere in this Official Statement. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions” attached hereto.

The AuthorityNorth Texas Higher Education Authority, Inc. (the “Authority”) is a nonprofit corporation organized in 1971 under the Texas Nonprofit Corporation Law and is exempt from payment of federal income taxation as a “501(c)(3)” charitable organization. The Authority operates pursuant to the Higher Education Loan Authority Act (Chapter 53B of the Education Code) (the “Act”) on behalf of the City of Arlington, Texas (the “City”). See the caption “THE AUTHORITY” herein. Under the Act, the City has no liabilities, costs or expenses relating to the Authority’s student loan program or bonds. The Authority has no power to tax and does not have the power of eminent domain.

AdministratorThe Higher Education Servicing Corporation, a nonprofit corporation organized under the laws of the State of Texas (“HESC”), will act as administrator (the “Administrator”) under the Indenture pursuant to a Master Indenture Administration Agreement, dated as of August 1, 2024 (the “Administration Agreement”), among the Authority, the Trustee and the Administrator. See the captions “THE AUTHORITY—The Administrator, Servicer, Originator and Seller” and “—The Administration Agreement” herein. Pursuant to the Administration Agreement, the Administrator is obligated to cause the Financed Eligible Loans held under the Indenture to be serviced by a Servicer pursuant to a Servicing Agreement.

SellerThe Eligible Loans were originated by HESC and will be acquired from HESC, as seller (the “Seller”), pursuant to the terms and provisions of a Student Loan Purchase Agreement, dated as of August 1, 2024 (the “Student Loan Purchase Agreement”), between HESC, as seller, and the Authority, as purchaser. See the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS—Student Loan Purchase Agreement” herein.

ServicerThe Financed Eligible Loans will be serviced by HESC, as servicer (a “Servicer” pursuant to the Indenture) pursuant to a Loan Servicing Agreement, dated as of August 1, 2024, between HESC and the Authority (the “HESC Servicing Agreement” and a “Servicing Agreement” pursuant to the Indenture). See the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS—Servicing of the Financed Eligible Loans” herein.

TrusteeUMB Bank, National Association, a national banking association, will act as trustee (the “Trustee”), paying agent (the “Paying Agent”) and registrar (the “Registrar”) pursuant to the Indenture. See the caption “THE TRUSTEE” herein.

The Series 2024-1 Bonds.....The Series 2024-1 Bonds are the first issuance of Bonds under the Indenture of Trust, dated as of August 1, 2024 (the “Master Indenture”), as amended and supplemented by a Series 2024-1 Supplemental Indenture, dated as of August 1, 2024 (the “Series 2024-1 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), between the Authority and the Trustee. The Series 2024-1 Bonds will constitute Senior Bonds and Tax-Exempt Bonds under the Indenture and will be on a parity basis with any future Senior Bonds that may be issued by the Authority under the Indenture. The Series 2024-1 Bonds will mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover hereof.

The proceeds of the Series 2024-1 Bonds, together with other available funds of the Authority, will be used by the Authority primarily to (a) provide moneys to acquire the Eligible Loans, (b) make a deposit to the Debt Service Reserve Fund and (c) pay the costs related to the issuance of the Series 2024-1 Bonds.

The Authority may hereafter issue Senior Bonds under the Indenture on parity basis with the Series 2024-1 Bonds and may issue Bonds under the Indenture, subordinate to the Senior Bonds, including the Series 2024-1 Bonds. The Indenture permits the issuance of Senior-Subordinate Bonds, which are secured on a basis subordinate to the Senior Bonds, but senior to the Subordinate Bonds and Subordinate Bonds which are secured on a basis subordinate to the Senior Bonds and the Senior-Subordinate Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Additional Bonds; Priority” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Financing of Eligible Loans.....The Indenture permits the financing of Eligible Loans from moneys in the Student Loan Fund established pursuant to the Indenture. The Authority expects to use proceeds of the Series 2024-1 Bonds to finance certain student loans originated pursuant to an education loan program developed by HESC entitled the Texas Extra Credit Student Loan Program and the Texas Extra Credit Parent Loan Program (collectively, the “Texas Extra Credit Loan Programs”) on the delivery date of the Series 2024-1 Bonds (the “Closing Date”) and to finance certain additional student loans originated pursuant to the Texas Extra Credit Loan Programs during the

acquisition period (the “Acquisition Period”) relating to the Series 2024-1 Bonds beginning on the delivery date of the Series 2024-1 Bonds and currently ending on October 1, 2025, which date may be extended upon the satisfaction of the Rating Agency Notification. In addition, the Authority will be permitted to use repayments on Financed Eligible Loans to finance additional Eligible Loans during any recycling period permitted pursuant to a Supplemental Indenture (each, a “Recycling Period”), and any Recycling Period may be extended upon the satisfaction of the Rating Agency Notification. There is no Recycling Period relating to the Series 2024-1 Bonds. See the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS” herein and “APPENDIX B—THE TEXAS EXTRA CREDIT LOAN PROGRAMS” hereto for further description of the Texas Extra Credit Loan Programs. See, also, the captions “ESTIMATED SOURCES AND USES OF PROCEEDS” and “THE FINANCED ELIGIBLE LOANS” herein.

The loans originated pursuant to the Texas Extra Credit Loan Programs so acquired and financed, together with any other Eligible Loans acquired or financed with proceeds of other Bonds issued under the Indenture or certain other available moneys under the Indenture, are referred to herein, collectively, as the “Financed Eligible Loans.”

Initial Eligible Loans.....This Official Statement includes statistical information relating to Eligible Loans expected to be acquired and pledged under the Indenture on the Closing Date that had an aggregate outstanding balance as of April 30, 2024 (the “Statistical Cut Off Date”) of approximately \$34.9 million (the “Initial Eligible Loans”). See the caption “THE FINANCED ELIGIBLE LOANS” herein. As of the Statistical Cut-Off Date, the Initial Eligible Loans had a weighted average annual borrower interest rate of approximately 5.44% (before adjusting for any borrower benefits), a weighted average remaining term to scheduled maturity of approximately 116 months and a weighted average FICO Credit Score at origination of 778.

After the Closing Date, the Authority also intends to acquire and pledge under the Indenture additional Eligible Loans during the Acquisition Period relating to the Series 2024-1 Bonds, and may issue additional Bonds under the Indenture in the future to acquire and pledge additional Eligible Loans under the Indenture. Following any of these actions, the aggregate characteristics of the entire pool of Financed Eligible Loans will vary from those of the Initial Eligible Loans described in this Official Statement. The acquisition of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

**Sources of Payment and
Security for the**

Series 2024-1 BondsThe Bonds, including the Series 2024-1 Bonds, are special and limited obligations of the Authority, secured by and payable solely from: (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof; (d) the rights of the Authority in and to the Administration Agreement, the Student Loan Purchase Agreement, any Custodian Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and (e) any and all other property, rights and interests of every kind or description from time to time granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture (collectively, the “Trust Estate”). See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” attached hereto and the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

THE BONDS, INCLUDING THE SERIES 2024-1 BONDS, AND ANY AGREEMENT OF THE AUTHORITY MENTIONED HEREIN ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS, INCLUDING THE SERIES 2024-1 BONDS. THE AUTHORITY’S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF. THE AUTHORITY IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF TEXAS TO CREATE, AND THE SERIES 2024-1 BONDS DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE TEXAS CONSTITUTION OR LAWS OF THE STATE OF TEXAS OR DEBT OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY OTHER PURPOSE WHATSOEVER. HOLDERS OF THE SERIES 2024-1 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.

Upon the satisfaction of certain conditions, additional Bonds may be issued under the Indenture from time to time on a parity basis with, or subordinate to, the Senior Bonds, including the Series 2024-1 Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Additional Bonds; Priority” herein.

Redemption.....The Series 2024-1 Bonds are subject to special mandatory redemption from unexpended proceeds of the Series 2024-1 Bonds in the Student Loan Fund prior to or at the expiration of the Acquisition Period relating to the Series 2024-1 Bonds (currently October 1, 2025) at a redemption price equal to the principal amount being redeemed, plus any unamortized premium, plus accrued interest to but not including the redemption date. The Series 2024-1 Bonds maturing on June 1, 2045 (the “Series 2024-1 Term Bonds”) are subject to optional redemption prior to maturity, in whole or in part, on any date on or after June 1, 2031, at the option of the Authority, at a redemption price equal to the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date. The Series 2024-1 Term Bonds are subject to optional redemption and, until certain conditions are satisfied, mandatory redemption prior to maturity, in whole or in part, on any Interest Payment Date from Excess Taxable Revenue, as defined under the caption “THE SERIES 2024-1 BONDS—Redemption Provisions—*Optional Redemption from Excess Taxable Revenue*” herein and Excess Tax-Exempt Revenue, as defined under the caption “THE SERIES 2024-1 BONDS—Redemption Provisions—*Optional Redemption from Excess Tax-Exempt Revenue*” herein. The Series 2024-1 Bonds are subject to extraordinary redemption by the Authority, in whole or in part, on any Interest Payment Date, in an aggregate amount deemed by the Authority to be necessary to avoid an Event of Default under the Indenture. With the exception of any Series 2024-1 Bonds sold at a price in excess of par and redeemed with unexpended proceeds or upon an extraordinary redemption, all redemptions of the Series 2024-1 Bonds will result in the payment to the Registered Owner of a redemption price equal to the principal amount of the Series 2024-1 Bonds being redeemed, without premium, plus accrued interest, if any, to but not including the redemption date. See the caption “THE SERIES 2024-1 BONDS—Redemption Provisions” herein.

**Overcollateralization
and Initial Parity**

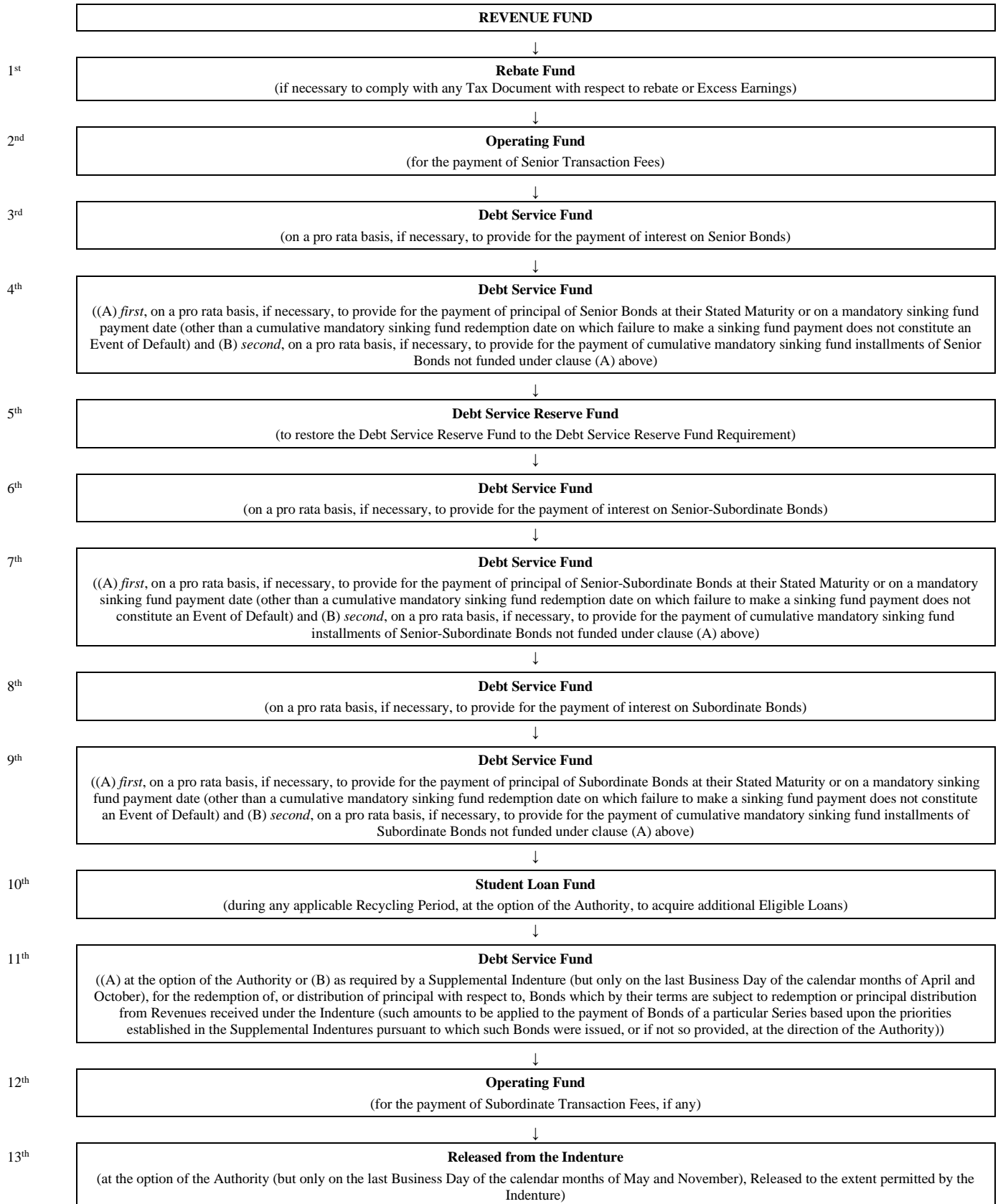
Percentage.....Upon the issuance of the Series 2024-1 Bonds, the initial Overall Parity Percentage will be approximately 144.9%.

The Indenture does not permit the release of moneys in the Revenue Fund, as described in level 13th under the caption “Flow of Funds” below, free and clear of the lien of the Indenture unless: (i) the Overall Parity Percentage (assuming that amounts in the Tax-Exempt Retirement Account and the Taxable Retirement Account of the Debt Service Fund have been used to redeem a principal amount of Bonds equal to amounts on deposit therein) will equal or exceed 148% (the “Required Overall Parity Percentage”), and (ii) the Value of assets constituting the Trust

Estate exceeds the amount of Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by at least \$15,000,000 (the “Net Asset Requirement”). The Required Overall Parity Percentage, the Required Senior Parity Percentage, if any, and the Net Asset Requirement may each be reduced upon satisfaction of the Rating Agency Notification. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then, notwithstanding the foregoing, the Authority is required to use all Excess Taxable Revenue and Excess Tax-Exempt Revenue to mandatorily redeem Bonds subject to such redemption. See the captions “ESTIMATED SOURCES AND USES OF PROCEEDS” and “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Overcollateralization and Initial Parity Percentages” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund” attached hereto.

Flow of FundsPrior to an Event of Default, the Paying Agent on behalf of the Trustee will pay out of the Revenue Fund moneys deposited therein in the following order of priority as set forth in the chart below; however, Revenues related to Financed Eligible Loans allocable to the Taxable Bonds will generally be used to pay principal and interest on the Taxable Bonds, as well as fees and expenses related thereto, and Revenues related to Financed Eligible Loans allocable to the Tax-Exempt Bonds will generally be used to pay principal and interest on the Tax-Exempt Bonds, as well as fees and expenses related thereto (see “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund” attached hereto):

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Ratings Prior to the issuance and delivery of the Series 2024-1 Bonds, S&P Global Ratings (“S&P”) is expected to assign its bond rating of “AA(sf)” to the Series 2024-1 Bonds. See the caption “RATINGS” herein.

**Rating Agency Confirmation
and Rating Agency**

Notification The Indenture provides that the Rating Agency has various rights and further requires as a condition of certain actions, inactions or other events that the Authority obtain or satisfy either a Rating Agency Confirmation or Rating Agency Notification. The Indenture requires that the Authority satisfy the Rating Agency Notification requirement for determinations of the types of private loans to be included as Eligible Loans in the future and changes to the certain parameters for Eligible Loans; the appointment of a new Administrator; the appointment of a new Servicer; changes in the amount and timing of Senior Transaction Fees; a reduction in the Debt Service Reserve Fund Requirement; types of Investment Securities; certain material amendments or supplements to the Indenture, the Administration Agreement or a Servicing Agreement; certain sales of Financed Eligible Loans; establishment of, and changes in, the Required Senior Parity Percentage, if any, the Required Overall Parity Percentage and Net Asset Requirement amounts with respect to the redemption of Bonds and the release of moneys from the Trust Estate; extension of any Recycling Period; and extension of any Acquisition Period. The Indenture requires that the Authority satisfy the Rating Agency Notification requirement for the issuance of additional Bonds. The Indenture also requires that the Authority make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission. See the captions “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Rating Agency Confirmation and Rating Agency Notification” and “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

Weighted Average Life

Analysis The estimated weighted average life, first bond retirement date, last bond retirement date and average maturity date of the Series 2024-1 Term Bonds under various assumed prepayment scenarios may be found in “APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2024-1 TAX-EXMPT TERM BONDS” attached hereto.

Certain Risk Factors..... Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay debt service on the Series 2024-1 Bonds and which could have an effect on the market price of the Series 2024-1 Bonds to an extent that cannot be determined. See the caption “CERTAIN RISK FACTORS” herein. An investment in the Series 2024-1 Bonds involves an element of risk. Each prospective purchaser of Series 2024-1 Bonds should read this entire Official Statement, including the front cover page and Appendices attached hereto, in order to make a judgment as to whether the Series 2024-1 Bonds are an appropriate investment.

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OFFICIAL STATEMENT
RELATING TO
\$41,750,000
NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.
TAX-EXEMPT EDUCATION LOAN REVENUE BONDS,
SENIOR SERIES 2024-1A (AMT)

INTRODUCTION

This Official Statement, including the front cover page and inside front cover page hereof, the Summary Statement and the Appendices attached hereto, sets forth information regarding the issuance by North Texas Higher Education Authority, Inc. (the “Authority”) of its Tax-Exempt Education Loan Revenue Bonds, Senior Series 2024-1A (AMT) (the “Series 2024-1 Bonds”). The Series 2024-1 Bonds and any other senior bonds that may hereafter be issued by the Authority under the Indenture (collectively with the Series 2024-1 Bonds, the “Senior Bonds”), together with any senior-subordinate bonds that may hereafter be issued by the Authority under the Indenture (the “Senior-Subordinate Bonds”) and any subordinate bonds that may hereafter be issued in the future by the Authority under the Indenture (the “Subordinate Bonds”), are referred to as the “Bonds” herein. Terms capitalized in the body of this Official Statement and not otherwise defined therein shall have the meaning set forth in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions” attached hereto.

The Authority is a nonprofit corporation organized in 1971 under the Texas Nonprofit Corporation Law and is exempt from payment of federal income taxation as a “501(c)(3)” charitable organization. The Authority operates pursuant to the Higher Education Loan Authority Act (Chapter 53B of the Education Code) (the “Act”) on behalf of the City of Arlington, Texas (the “City”) as a qualified nonprofit corporation. At the request of the Authority, Higher Education Servicing Corporation, a nonprofit corporation providing management services to the Authority, developed its Texas Extra Credit Student Loan Program and the Texas Extra Credit Parent Loan Program in accordance with the Act (collectively, the “Texas Extra Credit Loan Programs”). See the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS” herein and “APPENDIX B—THE TEXAS EXTRA CREDIT LOAN PROGRAMS” hereto.

In order to finance educational loans made under the Texas Extra Credit Loan Programs, the Authority is authorized to borrow money and to issue bonds payable from specified sources, including the revenues derived from such loans.

The Series 2024-1 Bonds are being issued under an Indenture of Trust, dated as of August 1, 2024 (the “Master Indenture”), as amended and supplemented by a Series 2024-1 Supplemental Indenture, dated as of August 1, 2024 (the “Series 2024-1 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), each by and between the Authority and UMB Bank, National Association, as trustee (the “Trustee”). The Series 2024-1 Bonds constitute the first issuance of Bonds under the Indenture. The Series 2024-1 Bonds will constitute Senior Bonds and Tax-Exempt Bonds under the Indenture and will be on a parity basis with any future Senior Bonds that may be issued by the Authority under the Indenture. The Series 2024-1 Bonds are being issued as fixed rate bonds and will bear interest at the rates shown on the inside front cover page hereof.

The proceeds of the Series 2024-1 Bonds, together with other available funds of the Authority, will be used by the Authority primarily to (a) provide moneys to acquire the Eligible Loans, (b) make a deposit

to the Debt Service Reserve Fund and (c) pay costs related to the issuance of the Series 2024-1 Bonds. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

The Indenture permits the financing only of Eligible Loans from moneys in the Student Loan Fund established under the Indenture. The Eligible Loans were originated by and will be acquired from the Higher Education Servicing Corporation, a nonprofit corporation organized under the laws of the State of Texas (the “Seller”), pursuant to the terms and provisions of a Student Loan Purchase Agreement, dated as of August 1, 2024 (the “Student Loan Purchase Agreement”), between the Seller, as seller, and the Authority, as purchaser. See the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS—Student Loan Purchase Agreement” herein. The Authority expects to use a portion of the amounts deposited into the Student Loan Fund to finance Eligible Loans on the Closing Date that had an aggregate outstanding balance as of April 30, 2024 (the “Statistical Cut-Off Date”) of approximately \$34.9 million (the “Initial Eligible Loans”), which Eligible Loans have been originated by the Seller. For a description of the composition of the Initial Eligible Loans as of the Statistical Cut-Off Date, see the caption “THE FINANCED ELIGIBLE LOANS” herein. The Authority expects to use the balance of amounts deposited into the Student Loan Fund to acquire additional Eligible Loans from the Seller during the Acquisition Period relating to the Series 2024-1 Bonds (period beginning on the Closing Date and currently ending on October 1, 2025). The acquisition of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto. See the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS” herein and “APPENDIX B—THE TEXAS EXTRA CREDIT LOAN PROGRAMS” hereto for further descriptions of the Texas Extra Credit Loan Programs.

All Eligible Loans acquired with proceeds of Bonds, including the Series 2024-1 Bonds, all Eligible Loans acquired during any Recycling Periods and any Eligible Loans otherwise deposited to the Student Loan Fund, are referred to herein, collectively, as the “Financed Eligible Loans.”

The Series 2024-1 Bonds, and any other Bonds issued pursuant to the Indenture, are secured by and payable solely from: (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof; (d) the rights of the Authority in and to the Administration Agreement, the Student Loan Purchase Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and (e) any and all other property, rights and interests of every kind or description from time to time granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture (collectively, the “Trust Estate”). See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” attached hereto. Such Revenues includes, without limitation, payments of interest on such Financed Eligible Loans (whether regularly scheduled, delinquent or paid in advance) and income on investments and principal payments on such Financed Eligible Loans (whether regularly scheduled, delinquent or advance). Bonds other than the Series 2024-1 Bonds (“Additional Bonds”) may be issued under the Indenture upon satisfaction of certain conditions specified in the Indenture. Such Bonds may be payable and secured on a parity with the Senior Bonds, including the Series 2024-1 Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Additional Bonds; Priority” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” and “—FUNDS” attached hereto.

THE BONDS, INCLUDING THE SERIES 2024-1 BONDS, AND ANY AGREEMENT OF THE AUTHORITY MENTIONED HEREIN ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE SERIES 2024-1 BONDS. THE AUTHORITY'S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF. THE AUTHORITY IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF TEXAS TO CREATE, AND THE SERIES 2024-1 BONDS DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE TEXAS CONSTITUTION OR LAWS OF THE STATE OF TEXAS OR DEBT OF THE CITY OF ARLINGTON, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY OTHER PURPOSE WHATSOEVER.

THE BONDS, INCLUDING THE SERIES 2024-1 BONDS, ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY. THE BONDS DO NOT REPRESENT AN OBLIGATION OF OR INTEREST IN THE AUTHORITY, THE ADMINISTRATOR, THE TRUSTEE, ANY SERVICER OR THE UNDERWRITER OR ANY OF THEIR RESPECTIVE AFFILIATES.

There can be no assurances that any future law will not prospectively or retroactively affect the terms and conditions under which Eligible Loans are made in a manner that might adversely affect the ability of the Authority to pay the principal of and interest on the Series 2024-1 Bonds when due. See the caption "CERTAIN RISK FACTORS" herein.

The descriptions of the Series 2024-1 Bonds, the documents authorizing and securing the Series 2024-1 Bonds, and the pertinent State legislation contained herein do not purport to be comprehensive or definitive. All references herein to such documents or legislation and rules are qualified in their entirety by reference to such documents or legislation. Copies of certain of such documents may be inspected at an office of the Trustee at a predetermined and agreed upon time as the Trustee can accommodate.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS

General

The Bonds, including the Series 2024-1 Bonds, are limited obligations of the Authority, payable solely from the Trust Estate pledged pursuant to the Indenture as described herein. The Bonds, including the Series 2024-1 Bonds, are not general obligations of the Authority. None of the Authority's other assets or funds pledged and held under its other financings are pledged as security for the Bonds, including the Series 2024-1 Bonds, under the Indenture.

The Bonds, including the Series 2024-1 Bonds, will be secured by and payable, subject to the terms of the Indenture, solely from the Trust Estate. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" attached hereto and the caption "ESTIMATED SOURCES AND USES OF PROCEEDS" herein. The Authority will finance only Eligible Loans through application of the proceeds of the Bonds. For a discussion of certain of the terms applicable to the Eligible Loans, see the caption "THE TEXAS EXTRA CREDIT LOAN PROGRAMS" herein and "APPENDIX B—THE TEXAS EXTRA CREDIT LOAN PROGRAMS" hereto. For a more detailed description of the Funds established under the Indenture, certain Accounts established therein under the Indenture, and the purposes to which

moneys in such Funds and Accounts may be applied, see “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS” attached hereto.

Debt Service Reserve Fund

On the Closing Date, \$835,000 will be deposited to the Debt Service Reserve Fund under the Indenture, which is equal to 2.0% of the aggregate principal amount of Series 2024-1 Bonds. The Debt Service Reserve Fund is to be maintained at the Debt Service Reserve Fund Requirement. “Debt Service Reserve Fund Requirement” means an amount equal to 2.0% of the aggregate principal amount of Bonds then Outstanding (calculated semi-annually on each June 1 and December 1), but in no event less than \$500,000, provided, however, that such percentage or amount may be reduced if the Authority shall have satisfied the Rating Agency Notification. Amounts on deposit in the Debt Service Reserve Fund shall be transferred to the Revenue Fund to the extent the funds on deposit in the Revenue Fund, after taking into account any transfers from the Capitalized Interest Fund, if any, and the Student Loan Fund, are insufficient to make the required transfers to the Debt Service Fund. The Indenture provides that upon the issuance of any Additional Bonds, there will be deposited into the Debt Service Reserve Fund, if necessary, an amount sufficient to increase the amount therein to be equal to the Debt Service Reserve Fund Requirement, calculated after such issuance. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Debt Service Reserve Fund” attached hereto.

Additional Bonds; Priority

Pursuant to the provisions of the Indenture, Additional Bonds may be issued on a parity basis with the Series 2024-1 Bonds. The Indenture also permits the issuance of Senior-Subordinate Bonds and Subordinate Bonds, which are secured on a basis which is subordinated to the Senior Bonds.

The Senior Bonds, including the Series 2024-1 Bonds, are entitled to payment and certain other priorities over any Senior-Subordinate Bonds and Subordinate Bonds. Current payments of interest and principal due on Senior-Subordinate Bonds or Subordinate Bonds, on any Bond Payment Date will be made only to the extent there are sufficient moneys available for such payment after making all payments due on such date with respect to Senior Bonds. So long as any Senior Bonds remain Outstanding under the Indenture, the failure to make interest or principal payments with respect to Senior-Subordinate Bonds or Subordinate Bonds will not constitute an Event of Default under the Indenture. In the event of an acceleration of the Bonds following the occurrence and continuation of an Event of Default, the principal of and accrued interest on the Senior-Subordinate Bonds and the Subordinate Bonds will be paid only to the extent there are moneys available under the Indenture after payment of the principal of, and accrued interest on, all Senior Bonds. In addition, Registered Owners of Senior Bonds are entitled to direct certain actions to be taken by the Trustee prior to and upon the occurrence of an Event of Default, including election of remedies. Only after there are no Senior Bonds Outstanding will Registered Owners of Senior-Subordinate Bonds or Subordinate Bonds have such rights. See the definition of “Highest Priority Bonds” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions” and the provisions described in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES” attached hereto.

The Series 2024-1 Bonds will be the first issuance of Bonds under the Indenture. It is a condition to the issuance of any Additional Bonds that the Authority satisfies a Rating Agency Notification with respect to the issuance of such Additional Bonds. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—BOND DETAILS—Issuance of Bonds” attached hereto.

Overcollateralization and Initial Parity Percentage

Upon the issuance of the Series 2024-1 Bonds, the initial Overall Parity Percentage will be approximately 144.9%.

The Indenture does not permit the release of moneys in the Revenue Fund, as described in paragraph (m) in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund—*Taxable Account*” and “—*Tax-Exempt Account*” attached hereto, free and clear of the lien of the Indenture unless: (i) the Overall Parity Percentage after such transfer is at least equal to 148% (the “Required Overall Parity Percentage”), and (ii) the Value of assets constituting the Trust Estate exceeds the amount of all Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by at least \$15,000,000 (the “Net Asset Requirement”). The Required Overall Parity Percentage, the Required Senior Parity Percentage, if any, and the Net Asset Requirement may each be reduced upon satisfaction of the Rating Agency Notification. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then, notwithstanding the foregoing, the Authority is required to use all Excess Taxable Revenue and Excess Tax-Exempt Revenue to mandatorily redeem Bonds subject to such redemption. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund” attached hereto.

Senior Transaction Fees

The Senior Transaction Fees (including Administration Fees, Standard Servicing Fees, Trustee Fees, Rating Agency Fees and certain Extraordinary Expenses) will be transferred to the Operating Fund out of the Revenue Fund on the last Business Day of each calendar month or on other dates if directed by the Authority prior to providing for the payment of principal and interest on the Bonds, including the Series 2024-1 Bonds. As provided in the Series 2024-1 Supplemental Indenture with respect to the Series 2024-1 Bonds, the Paying Agent on behalf of the Trustee is to pay (a) monthly Administration Fees allocable to the Series 2024-1 Bonds equal to one-twelfth (1/12th) of 0.10% of the average monthly outstanding principal balance of the Financed Eligible Loans for the prior calendar month, (b) the Standard Servicing Fees allocable to the Series 2024-1 Bonds equal to one-twelfth (1/12th) of 0.75% of the average monthly outstanding principal balance of the Financed Eligible Loans for the prior calendar month and which shall include all expenses payable to the Servicers with respect to the servicing of the Financed Eligible Loans consisting of periodic unit fees, default related fees, delinquency fees, and annual privacy mailing fees (including any currently contemplated increases to those amounts pursuant to existing inflationary escalator clauses relating to such Standard Servicing Fees as set forth in the HESCServicing Agreement on the Closing Date), but shall not include fees due as a result of the termination of a Servicing Agreement (including any deconversion fees related to Financed Eligible Loans resulting from such termination), indemnification or other extraordinary expense items, (c) the Trustee Fees allocable to the Series 2024-1 Bonds and payable as Senior Transaction Fees in each Fiscal Year which shall not exceed an amount equal to \$12,000, and (d) the Extraordinary Expenses and Rating Agency Fees allocable to the Series 2024-1 Bonds and payable as Senior Transaction Fees in each Fiscal Year which are not permitted to exceed \$100,000; unless the Authority shall have satisfied the Rating Agency Notification with respect to a higher dollar amount for such limits, except that the dollar limit set forth in such clause (d) shall not apply with respect to Extraordinary Expenses incurred by the Trustee (i) after the occurrence and during the continuation of an Event of Default, other than an Event of Default under paragraph (d) under the caption “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Event of Default Defined” attached hereto, or (ii) after an acceleration of the maturity

of the Bonds as described under the caption “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Accelerated Maturity” attached hereto. The Indenture permits the Authority to change the amount of such fees after providing a Rating Agency Notification. See the caption “Rating Agency Confirmation and Rating Agency Notification” below and the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

Rating Agency Confirmation and Rating Agency Notification

The Indenture provides that the Rating Agency has various notice rights and further requires as a condition of certain actions, inactions or other events that there be (a) a Rating Agency Notification for the issuance of Additional Bonds or (b) a Rating Agency Notification, including, but not limited to, for determinations of the types of private loans to be included as Eligible Loans in the future and changes to the certain parameters for Eligible Loans; the appointment of a new Administrator; the appointment of a new Servicer; changes in the amount and timing of Senior Transaction Fees; a reduction in the Debt Service Reserve Fund Requirement; types of Investment Securities; certain material amendments or supplements to the Indenture, the Administration Agreement or a Servicing Agreement; certain sales of Financed Eligible Loans; establishment of, and changes in, the Required Overall Parity Percentage, the Required Senior Parity Percentage, if any, and the Net Asset Requirement with respect to the redemption of Bonds and the release of moneys from the Trust Estate; extension of any Recycling Period; and extension of any Acquisition Period. The Indenture also requires that the Authority make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission. “Rating Agency Confirmation” means a letter or press release or other written release from each Rating Agency rating any of the Bonds confirming that its Ratings on the Bonds will not be reduced, withdrawn, conditioned or placed under review with negative implications as a result of a Proposed Action to be taken by the Authority. “Rating Agency Notification” means, with respect to a Proposed Action, that the Authority shall have given written notice of such Proposed Action to each Rating Agency then rating the Bonds at least twenty (20) Business Days prior to the proposed effective date thereof. “Proposed Action” means any proposed action, failure to act or other event which, under the terms of the Indenture, is conditional upon a Rating Agency Notification or a Rating Agency Confirmation. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto and the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

Certain Risk Factors

Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay the principal of and interest on the Series 2024-1 Bonds, and which could have an effect on the market price of the Series 2024-1 Bonds in the future to an extent that cannot be determined at the present time. See the caption “CERTAIN RISK FACTORS” herein. Each prospective purchaser of Series 2024-1 Bonds should read this entire Official Statement, including the Appendices attached hereto.

THE SERIES 2024-1 BONDS

General Terms of the Series 2024-1 Bonds

The Series 2024-1 Bonds will bear interest from the Closing Date. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2024 (each, an “Interest Payment Date”), to the Registered Owners of the Series 2024-1 Bonds as of the record date, which is the Business Day

immediately preceding an Interest Payment Date. The Series 2024-1 Bonds will bear interest at the interest rates per annum, and will mature on June 1 in each of the years and in the principal amounts, shown on the inside front cover of this Official Statement. Interest on the Series 2024-1 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Series 2024-1 Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Individual purchases of the Series 2024-1 Bonds will be made in book-entry form only. Purchasers of the Series 2024-1 Bonds will not receive certificates representing their interest in the Series 2024-1 Bonds purchased. See the caption “Book-Entry-Only System” below.

Redemption Provisions

The Indenture sets forth the provisions for the redemption of the Series 2024-1 Bonds prior to maturity, as described below. The Trustee shall provide notice of the redemption of Series 2024-1 Bonds in accordance with the provisions described under the caption “Notice and Effect of Redemption” below.

Optional Redemption. The Series 2024-1 Bonds maturing on June 1, 2045 (the “Series 2024-1 Term Bonds”) are subject to redemption prior to maturity at the option of the Authority from moneys in the Revenue Fund and any other source available therefor in accordance with the Indenture, in whole or in part, in such maturities and amounts as may be directed by the Authority (and by lot within a maturity), at any time, commencing June 1, 2031, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Series 2024-1 Bonds.

Optional Redemption From Excess Taxable Revenue. The Series 2024-1 Term Bonds, along with any other Bonds which are subject to optional redemption pursuant to an Excess Taxable Revenue redemption provision, are subject to redemption, on a pro rata basis (or such other redemption procedure selected by the Authority), prior to maturity, in whole or in part, in any Authorized Denominations, at the option of the Authority, on any Interest Payment Date, from Excess Taxable Revenue, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds; provided, however, future Senior-Subordinate Bonds or Subordinate Bonds may not be redeemed unless (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity Percentage and (ii) the Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage.

“*Excess Taxable Revenue*” means any funds remaining in the Taxable Account of the Revenue Fund after all prior transfers required or permitted by paragraphs (a) through (j) and all prior transfers, if any, required or permitted by paragraph (k) as described in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund—*Taxable Account*” attached hereto have been made.

Optional Redemption From Excess Tax-Exempt Revenue. The Series 2024-1 Term Bonds, along with any other Bonds which are subject to optional redemption pursuant to an Excess Tax-Exempt Revenue redemption provision, are subject to redemption, on a pro rata basis (or such other redemption procedure selected by the Authority), prior to maturity, in whole or in part, in any Authorized Denominations, at the option of the Authority, on any Interest Payment Date, from Excess Tax-Exempt Revenue, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds; provided, however, future Senior-Subordinate Bonds or Subordinate Bonds may not be redeemed unless (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity Percentage, and (ii) the

Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage.

“Excess Tax-Exempt Revenue” means any funds remaining in the Tax-Exempt Account of the Revenue Fund after all prior transfers required or permitted by paragraphs (a) through (j) and all prior transfers, if any, required or permitted by paragraph (k) as described in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund—Tax-Exempt Account” attached hereto have been made.

Mandatory Redemption From Excess Taxable Revenue. The Series 2024-1 Term Bonds, along with any other Bonds which are subject to mandatory redemption pursuant to an Excess Taxable Revenue redemption provision, are subject to mandatory redemption, on a pro rata basis (or such other redemption procedure selected by the Authority), in whole or in part, on any Interest Payment Date, from Excess Taxable Revenue in an amount equal to the greater of (i) the least amount required to increase the Overall Parity Percentage to at least the Required Overall Parity Percentage, and (ii) the least amount required to satisfy the Net Asset Requirement, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds; provided, however, future Senior-Subordinate Bonds or Subordinate Bonds may not be redeemed unless (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity Percentage and (ii) the Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then, notwithstanding the foregoing, the Authority is required to use all Excess Taxable Revenue to mandatorily redeem Bonds subject to such redemption as described above. See “APPENDIX G—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2024-1 TERM BONDS” attached hereto.

Mandatory Redemption From Excess Tax-Exempt Revenue. The Series 2024-1 Term Bonds, along with any other Bonds which are subject to mandatory redemption pursuant to an Excess Tax-Exempt Revenue redemption provision, are subject to mandatory redemption, on a pro rata basis (or such other redemption procedure selected by the Authority), in whole or in part, on any Interest Payment Date, from Excess Tax-Exempt Revenue in an amount equal to greater of (i) the least amount required to increase the Overall Parity Percentage to at least the Required Overall Parity Percentage, and (ii) the least amount required to satisfy the Net Asset Requirement, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds; provided, however, future Senior-Subordinate Bonds or Subordinate Bonds may not be redeemed unless (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity Percentage and (ii) the Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then, notwithstanding the foregoing, the Authority is required to use all Excess Tax-Exempt Revenue to mandatorily redeem Bonds subject to such redemption as described above. See “APPENDIX G—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2024-1 TERM BONDS” attached hereto.

Extraordinary Redemption To Avoid an Event of Default. The Series 2024-1 Bonds are subject to extraordinary redemption by the Authority, upon the written direction of an Authorized Representative, in whole or in part, on any Interest Payment Date, in such maturities and amounts as may be directed by the Authority and by lot within each maturity (with such adjustments as the Authority may determine to

enable the Series 2024-1 Bonds to be redeemed in Authorized Denominations), at a Redemption Price equal to (a) in the case of Series 2024-1 Premium Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date, plus the Series 2024-1 Unamortized Premium and (b) in the case of all other Series 2024-1 Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the Redemption Date, from moneys identified to the Trustee by an Authorized Representative of the Authority, in an aggregate amount deemed by the Authority to be necessary to avoid an Event of Default under the Indenture.

Mandatory Redemption From Unexpended Tax-Exempt Proceeds. The Series 2024-1 Bonds are subject to mandatory redemption on any date not later than 60 days after each respective date set forth in the following Acquisition Schedule (the “Tax-Exempt Proceeds Acquisition Schedule”) to the extent that the amounts deposited to the Tax-Exempt Account of the Student Loan Fund on the Closing Date (and not used to pay costs of issuing the Series 2024-1 Bonds) have not been used to acquire Eligible Loans in accordance with the Tax-Exempt Proceeds Acquisition Schedule:

Tax-Exempt Proceeds Acquisition Schedule¹

Date	Amount To Be Acquired
April 1, 2025	12,000,000
October 1, 2025	12,000,000

¹ The “Date” and/or “Amount to be Acquired” may be modified by the Authority if the Authority has satisfied the Rating Agency Notification.

The amount of Series 2024-1 Bonds to be redeemed pursuant to this unexpended proceeds redemption will be equal to the difference between the amounts deposited to the Tax-Exempt Account of the Student Loan Fund on the Closing Date and used to acquire Eligible Loans and the amount required to be used to acquire Eligible Loans in the Tax-Exempt Proceeds Acquisition Schedule (the “Series 2024 Tax-Exempt Unexpended Amounts”); provided, however, with respect to the amount required to be used to acquire Eligible Loans by the end of the Acquisition Period with amounts on deposit in the Tax-Exempt Account of the Student Loan Fund, that amount set aside to acquire any Approved Undisbursed Loans shall be deemed to have been used to acquire such Approved Undisbursed Loans by the end of the Acquisition Period. The applicable Series 2024 Tax-Exempt Unexpended Amounts on deposit in the Student Loan Fund, if any, shall be transferred on each date set forth in the Tax-Exempt Proceeds Acquisition Schedule to the Tax-Exempt Retirement Account of the Debt Service Fund in order to effect any such mandatory redemption. To the extent that the Authority shall have approved the acquisition of and certified to the Trustee the aggregate principal amount of any Approved Undisbursed Loans to be acquired after the end of the Acquisition Period with amounts on deposit in the Tax-Exempt Account of the Student Loan Fund, an amount on deposit in the Tax-Exempt Account of the Student Loan Fund up to the amount of such Approved Undisbursed Loans so certified (but not with respect to any amount in excess thereof) shall be used by the Authority to acquire such Approved Undisbursed Loans until the earlier of the date on which the Authority has (i) acquired the Approved Undisbursed Loans following disbursement by the Seller or (ii) certified to the Trustee that such amounts remaining in the Tax-Exempt Account of the Student Loan Fund are no longer needed therefor, at which time any such remaining, unneeded amounts shall be transferred to the Tax-Exempt Account of the Revenue Fund. Each amount set forth under the caption “Amount to be Acquired” in the Tax-Exempt Proceeds Acquisition Schedule shall be reduced by the principal amount of any Series 2024-1 Bonds previously redeemed pursuant to this excess proceeds redemption. In the case of any such mandatory redemption from such Series 2024 Tax-Exempt Unexpended Amounts, the Series 2024-1 Bonds shall be redeemed (A) *first*, from the Series 2024-1 Term

Bonds and, *second*, from the remaining Series 2024-1 Bonds on a pro rata basis and to the extent permitted or (B) as otherwise set forth in a written direction delivered to the Trustee containing a representation that the Authority, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, shall remain able to pay debt service on the Bonds when due and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption, in each case with such adjustments as the Authority may determine to enable the Series 2024-1 Bonds to be redeemed in Authorized Denominations, at a Redemption Price equal to (a) in the case of Series 2024-1 Premium Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date, plus the applicable Series 2024-1 Unamortized Premium and (b) in the case of all other Series 2024-1 Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date. The redemption date shall be the earliest practicable date for which the required notice of redemption may be given pursuant to the Indenture, but in no event later than 60 days after the related date set forth in the Tax-Exempt Proceeds Acquisition Schedule.

Selection of Series 2024-1 Bonds To Be Redeemed. If less than all of the Series 2024-1 Bonds are to be redeemed, the Trustee will notify DTC of the particular amount of such Stated Maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such Stated Maturity to be redeemed, and each participant will then select by lot the beneficial ownership interests in such Stated Maturity to be redeemed. No redemption, however, shall cause the Series 2024-1 Bonds of any Stated Maturity that remain outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result.

Notice and Effect of Redemption. The Trustee shall give notice of any such redemption by providing a copy of the notice not less than 10 days, and not more than 60 days (or such shorter period as may be set forth in the applicable Supplemental Indenture), before the redemption date to the Registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing upon the registration records, but failure so to mail any such notice to a given Registered Owner shall not affect the validity of the proceedings for the redemption of Bonds to other Registered Owners. Such notice may however state that it is a conditional notice and that the redemption shall be cancelled if moneys are not available on the redemption date.

Book-Entry-Only System

The Authority and the Underwriter cannot and do not give any assurances that DTC, Participants or others will properly distribute: (a) payments of debt service on the Series 2024-1 Bonds paid to DTC, or its nominee owner, as the registered owners; or (b) any redemption or other notices, to the purchasers of the Series 2024-1 Bonds, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to the beneficial owners of the Series 2024-1 Bonds.

Direct Participants and Indirect Participants (as such terms are defined below and, collectively, "Participants") may impose service charges on book-entry interest owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

NONE OF THE AUTHORITY, THE UNDERWRITER OR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO: THE ACCURACY OF THE RECORDS

MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, ANY PARTICIPANT OR BOOK-ENTRY INTEREST OWNERS; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2024-1 BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF SERIES 2024-1 BONDS.

The Authority and the Trustee have no role in the purchases, transfers or sales of book-entry interests. The rights of book-entry interest owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Book-entry interest owners may want to discuss with their legal advisers the manner of transferring or pledging their book-entry interests. The Authority and Trustee have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, book-entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership. For ease of reference in this and other discussions, reference to “DTC” includes when applicable any successor securities depository and the nominee of the depository. For all purposes under the Indenture, DTC will be and will be considered by the Authority and the Trustee to be the owner or holder of the Series 2024-1 Bonds. Owners of book-entry interests in the Series 2024-1 Bonds (book-entry interest owners) will not receive or have the right under the Indenture to receive physical delivery of the Series 2024-1 Bonds.

The description which follows concerning DTC and DTC’s book-entry securities depository procedures with respect to beneficial ownership interests in the Series 2024-1 Bonds, payment of the principal of and interest on the Series 2024-1 Bonds to Participants or to Beneficial Owners; confirmation and transfer of beneficial ownership interests in the Series 2024-1 Bonds; and other securities related transactions by and between DTC, Participants and Beneficial Owners (as such term is defined below), is based solely on information furnished by DTC and has not been independently verified by the Authority, the Underwriter and the Trustee or their respective counsel or Bond Counsel. The inclusion of this information is not, and should not be construed as, a representation by the Authority, the Underwriter and the Trustee or their respective counsel or Bond Counsel as to its accuracy or completeness or otherwise and references to any websites under the following caption are not incorporated by reference herein.

The Securities Depository

DTC will act as securities depository for the Series 2024-1 Bonds. The Series 2024-1 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series and maturity (and interest rate, if applicable) of the Series 2024-1 Bonds in the aggregate principal amount of such series and maturity, as set forth on the inside cover page hereof, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing

corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s Ratings Services (“S&P”) rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Such website is not incorporated into this Official Statement.

Purchases of the Series 2024-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024-1 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2024-1 Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2024-1 Bonds, except in the event that use of the book-entry system for the Series 2024-1 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024-1 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024-1 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024-1 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2024-1 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Beneficial Owners of the Series 2024-1 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2024-1 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2024-1 Bonds may wish to ascertain that the nominee holding the Series 2024-1 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2024-1 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024-1 Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct

Participants to whose accounts Series 2024-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption premium, if any, with respect to the Series 2024-1 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Authority or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of principal and interest and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2024-1 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered to the Beneficial Owners.

Direct Participants and Indirect Participants may impose service charges on book-entry interest owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

THE TRUSTEE

UMB Bank, National Association ("UMB Bank") is a national banking association, organized under the laws of the United States of America. It maintains a trust office at 100 William Street, Suite 1850, New York, New York 10038. UMB Bank currently serves as trustee or indenture trustee for numerous securitization transactions and programs.

Other than the above paragraph, UMB Bank has not participated in the preparation of, and is not responsible for, any other information contained in this Official Statement.

Under the Indenture, UMB Bank will act as Trustee, Paying Agent and Bond Registrar for the Bonds. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—THE TRUSTEE" attached hereto for additional information regarding the responsibilities of the Trustee, Paying Agent and Bond Registrar.

CERTAIN RISK FACTORS

Potential investors in the Series 2024-1 Bonds should consider the following risk factors together with all other information in this Official Statement in deciding whether to purchase the Series 2024-1 Bonds. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2024-1 Bonds and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the Series 2024-1 Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future. Except as specifically provided in the Indenture with respect to Subordinate Bonds and Senior-Subordinate Bonds,

all Bonds, including the Series 2024-1 Bonds, will be equally and ratably secured by all Financed Eligible Loans and other assets comprising the Trust Estate.

Limited Obligations

The Bonds, including the Series 2024-1 Bonds, are limited, not general, obligations of the Authority secured solely by and payable solely from the Trust Estate, including all Revenues and moneys and securities on deposit in any of the Funds and Accounts or Subaccounts thereof established by the Indenture (other than the Rebate Fund and the Operating Fund), including the investments, if any, thereof (other than earnings and income derived from amounts on deposit in the Rebate Fund and the Operating Fund), subject to the application thereof to the purposes and on the conditions permitted by the Indenture. Neither the full faith and credit nor the taxing power of the City of Arlington, Texas or the State of Texas or any agency or political subdivision thereof is pledged for the payment of the Bonds. The Authority's obligations, including any Bonds, are not general, special or moral obligations of the City of Arlington, Texas or the State of Texas. The Authority is not authorized under the Indenture or laws of the State of Texas to create, and the Bonds do not constitute, public debt of the State of Texas or any agency or political subdivision thereof within the meaning of the Texas Constitution or laws of the State of Texas or debt of the City of Arlington, Texas or the State of Texas or any agency or political subdivision thereof for any other purpose whatsoever. Holders of the Bonds shall never have the right to demand payment thereof out of money raised or to be raised by taxation. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" attached hereto.

Payment of principal of and interest on the Bonds, including the Series 2024-1 Bonds, is primarily dependent upon collections on the Financed Eligible Loans. If the combined payment of principal of and interest on the Financed Eligible Loans does not at least equal the amounts necessary to pay, when due, interest with respect to the Bonds, principal of the Bonds, payment of all related Rebate Amounts and Excess Earnings to the U.S. Treasury and expenses relating to the servicing of the Financed Eligible Loans and administration of the Indenture, the Authority may have insufficient funds to repay the Bonds, including the Series 2024-1 Bonds.

The Financed Eligible Loans Are Unsecured and Do Not have the Benefit of a Guaranty Agency

The Financed Eligible Loans are private, or alternative, student loans, are not originated pursuant to the Higher Education Act of 1965, as amended (the "Higher Education Act"), and are not, and will not be, guaranteed by any governmental entity or third-party guarantor, and there are no reserves available to pay defaulted Financed Eligible Loans. In addition, the Financed Eligible Loans to be pledged to the Trust Estate will be unsecured. The vast majority of the Financed Eligible Loans have cosigners. Therefore, the receipt by the Trustee of principal and interest on the Financed Eligible Loans will be dependent on the ability and willingness of the borrowers and, if applicable, the cosigners to make these payments. See the caption "Variety of Factors Affecting Borrowers" below and the caption "THE FINANCED ELIGIBLE LOANS" herein.

Limited Performance History of the Financed Eligible Loans

The Financed Eligible Loans were, and will be, originated pursuant to the Texas Extra Credit Loan Programs for which there is only a limited amount of historical performance information. The Rating Agency providing ratings for the Series 2024-1 Bonds based its credit stress case scenario assumptions on gross default rates for the Financed Eligible Loans, which relied upon a combination of unique borrower

characteristics and historical default information available to them from other similar lenders, and to a much lesser extent upon the limited, actual historical data available for the Texas Extra Credit Loan Programs. If the actual default rates for Financed Eligible Loans are higher than those assumed in the Rating Agency stress case default scenarios, the Authority may not have sufficient funds to pay principal of and interest on the Bonds, including the Series 2024-1 Bonds.

The Financed Eligible Loans May Be Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are generally non dischargeable, unless excepting a loan from discharge would impose an undue hardship on the debtor and the debtor's dependents. A number of bankruptcy reform proposals that would alter the treatment of student loans similar to the Financed Eligible Loans under the Bankruptcy Code have been discussed and/or introduced in the Congress of the United States in recent years, including proposals to liberalize the exceptions to the current general nondischargeability of student loans in bankruptcy. In addition, bankruptcy courts may interpret the exception for undue hardship on the debtor for dischargeability more liberally than historic judicial precedent. If judicial interpretations become more lenient, a greater number of education loans may satisfy the existing undue hardship exception and become dischargeable under existing law. No assurance can be given as to whether bankruptcy reform legislative proposals will be enacted at the federal level or whether judicial interpretations may change, in each case, in a manner that might affect the Authority's ability to enforce collection of the Financed Eligible Loans.

The discharge of a significant amount of the Financed Eligible Loans could adversely affect the ability of the Authority to pay principal of and interest on the Series 2024-1 Bonds.

Possible Future Changes in Federal Law and Regulations

There are from time-to-time proposed changes at the federal level, which if pursued, could have an adverse effect on student loan issuers, such as the Authority. Such proposed changes include, but are not limited to, the following: a student loan borrower's ability to discharge a student loan under the federal bankruptcy code without the need to show undue hardship, including bills proposing to amend Title 11 of the United States Code to make student loans dischargeable or to liberalize the exceptions to the current general non-dischargeability of private student loans in bankruptcy; legislation that would increase borrowing availability under federal programs which could potentially reduce borrowing under private student loan programs or create new opportunities for borrowers to refinance their private student loans with federally subsidized loans; and various tax and budgetary changes which could impact the Authority. Additionally, administrative agencies charged with implementation of laws previously passed have the ability to adversely impact the Authority through, for example, the Consumer Financial Protection Bureau's ("CFPB") use of authority to regulate student lending.

The Authority cannot predict whether any or all of these proposals will become effective. Furthermore, there can be no assurance that any future federal law or regulation will not prospectively or retroactively affect the terms and conditions under which student loans are made in a manner that might adversely affect the ability of the Authority to pay the principal of and interest on the Bonds, including the Series 2024-1 Bonds, when due.

Changes in Applicable Law

A significant portion of the Authority's business activity pertains to its portfolio of loans made under the FFELP program of the Higher Education Act. While such loans are not a part of the Trust Estate,

events that significantly impact such loans could have a detrimental impact on the Authority. See the Financial Statements of the Authority in “APPENDIX F—FINANCIAL STATEMENTS OF THE AUTHORITY” attached hereto.

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (the “Reconciliation Act”) was enacted into law. The Reconciliation Act eliminated the FFELP effective July 1, 2010 and the origination of new FFELP loans after June 30, 2010. As of July 1, 2010, all loans made under the Higher Education Act have been, and will be, originated under Direct Loan Program.

Because no new FFELP loans are permitted to be made and outstanding FFELP loans available for purchase by student loan secondary markets, including the Authority, have become more scarce, the Authority’s outstanding FFELP portfolios have begun to age and decline in size. To the extent this causes the Authority’s cost related to the servicing of its FFELP portfolio to increase, this trend may have a negative impact on the Authority.

The Authority cannot predict whether any further changes will be made to the Higher Education Act, other relevant federal or state laws, and rules and regulations in future legislation, or the effect of such legislation on the Authority, the Administrator, a Servicer, the Financed Eligible Loans or the Texas Extra Credit Loan Programs.

Application of Consumer Protection Laws to the Financed Eligible Loans May Increase Costs and Uncertainties About the Financed Eligible Loans

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Certain of these requirements may apply to purchasers such as the Seller and the Authority and may result in both liability for penalties for violations and a material adverse effect upon the enforceability of the Financed Eligible Loans. For example, federal law such as the Truth in Lending Act can impose statutory damages on assignees and defenses to enforcement of the Financed Eligible Loans, if errors were made in disclosures that must be made to borrowers. Certain state disclosure laws, such as those protecting cosigners, may also affect the enforceability of the Financed Eligible Loans if appropriate disclosures were not given or records of those disclosures were not retained. If the interest rate on the Financed Eligible Loans in question exceeds applicable usury laws, that violation could materially adversely affect the enforceability of the Financed Eligible Loans.

If the Financed Eligible Loans were marketed or serviced in a manner that is unfair, deceptive or abusive, or if marketing, origination or servicing violated any applicable law, then state and federal laws applicable to unfair, deceptive or abusive acts or practices may impose liability on the loan holder, as well as creating defenses to enforcement. Under certain circumstances, the holder of a Financed Eligible Loan is subject to all claims and defenses that the borrower on that Financed Eligible Loan could have asserted against the educational institution that received the proceeds of the Financed Eligible Loans. If pricing of private student loans has an adverse impact on classes of protected persons under the federal Equal Credit Opportunity Act and other similar laws, claims under those acts may be asserted against the originator and, possibly, the Financed Eligible Loan holder.

In addition, several states have recently passed laws requiring the licensing of student loan servicers by the state and adherence to new state regulations governing student loan servicing. To the extent that a Servicer of the Financed Eligible Loans fails to obtain such licenses or to adhere to such regulations, sanctions imposed could impair their ability to adequately perform their role as prescribed under the

Indenture. Also, additional state regulatory fees and expenses may cause the Authority's costs relating to the servicing of its Financed Eligible Loans to increase, which may have a negative impact on the Authority.

Certain of the Financed Eligible Loans may be subject to the so called "Holder-in-Due-Course" rule of the Federal Trade Commission (the "Holder Rule"), the provisions of which are similar to those contained in the Uniform Consumer Credit Code and in state statutes and common law of many states. The effect of the Holder Rule is to subject a purchaser (and certain lenders and their assignees, such as the Authority) in a consumer credit transaction to all claims and defenses which the obligor in the transaction can assert against the seller of the goods or services. Some courts have held that consumers can bring affirmative claims under the Holder Rule, while other courts have only permitted consumers to raise it as a defense. Although the exact scope of the types of claims and defenses that a consumer can assert against a holder have been subject to interpretation by the courts, the Authority as holder of the Financed Eligible Loans will be subject to any claims or defenses that the student borrower may assert against its school for failure of the school to satisfy its obligations under the enrollment agreement with the student as a result of a school closure, a school bankruptcy, if applicable, a failure of a school to be licensed with the applicable state regulatory authority in that state, or otherwise. If a student is successful in making such a claim against the school, the student may have the right to recover from the Authority payments previously made on the related Financed Eligible Loan and have a defense against making further payments. In this event, any shortfall caused by the payment of such amounts by the Authority could adversely affect the Bonds, including the Series 2024-1 Bonds.

The CFPB or other federal, state, and local regulators may adopt new laws and regulations that may reduce the Seller's or the Authority's revenues, cause its expenses to increase and/or require it to substantially modify its business practices. Additionally, further regulation by Congress, State legislatures or regulatory agencies, or changes in the regulatory application or judicial interpretation of existing laws and regulations applicable to consumer lending, could make it more difficult for the Servicers to collect payments on the Financed Eligible Loans or otherwise affect the manner in which the Servicers conduct their business. The regulatory environment in which financial institutions, creditors and servicers operate has become increasingly complex.

The Financed Eligible Loans are subject to a variety of consumer protection laws, including but not limited to:

- the Federal Truth-in-Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to borrowers regarding the terms of their loans;
- the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination in the extension of credit on certain bases;
- the Federal Fair Credit Reporting Act, which regulates the use and reporting of information related to applicants' credit histories;
- the Telephone Consumer Protection Act, which regulates the use of automated telephone dialing systems to contact cellphones (including via text messages);
- the Federal Trade Commission Act, the Dodd-Frank Act, and analogous state laws, which prohibit unfair, deceptive or abusive acts or practices in connection with consumer financial products or services;

- the Federal CAN-SPAM Act and the Telemarketing Sales Rule, and analogous state laws, to the extent that an entity markets credit or other products and services by use of email or telephone marketing;
- the federal Fair Debt Collection Practices Act and state fair debt collection practices acts, many of which regulate debt collection practices and prohibit certain practices in collecting, and attempting to collect, outstanding consumer loans;
- the privacy provisions of the Gramm-Leach-Bliley Act and the Federal Affiliate Marketing Rule, and analogous state laws, such as the California Financial Information Privacy Act and the California Consumer Privacy Act, which regulate financial institutions' use and disclosure of nonpublic personal information about consumers and require certain safeguards with respect to personal customer information;
- the Bankruptcy Code, which limits the extent to which creditors may seek to enforce debts against parties who have filed for bankruptcy protection;
- the Servicemembers' Civil Relief Act, as described under "Military Service Obligations, Natural Disasters and Pandemics" herein;
- the Military Lending Act, which mandates certain notices to certain borrowers who are members of the armed forces or their dependents, and prohibits certain terms and practices with respect to loans made to such borrowers;
- the Federal Electronic Fund Transfer Act and Regulation E promulgated thereunder, which regulate the use of electronic transfers for customer payments and provide disclosure requirements, guidelines and other restrictions on the electronic transfer of funds to and from consumers' bank accounts; and
- the Electronic Signatures in Global and National Commerce Act ("E-SIGN") and similar state laws, including, without limitation, the Uniform Electronic Transactions Act ("UETA"), which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures and govern the circumstances in which a person may electronically provide disclosures otherwise required to be in writing.

The Financed Eligible Loans may also become subject to a number of laws adopted or that may be adopted in the future in connection with a pandemic as described under "An Outbreak Similar to the COVID-19 Pandemic Could Adversely Affect the Value of the Series 2024-1 Bonds or Borrowers' Ability to Repay their Financed Eligible Loans" herein.

The federal and state consumer protection laws, rules and regulations applicable to the solicitation and advertising for, underwriting of, granting, servicing and collection of personal loans, and the protection of sensitive customer data, frequently provide for administrative penalties, as well as civil (and in some cases, criminal) liability resulting from their violation. An administrative proceeding, litigation, investigation or regulatory action relating to one or more allegations or findings of the violation of such laws by the Seller, the Authority, the Servicers, other parties to the transaction or any of their respective affiliates (whether by an administrative agency, a borrower or a group or class of borrowers), could result in modifications in any such entity's methods of doing business which could impair such entity's ability to service or collect the Financed Eligible Loans or result in the requirement that the aforementioned parties pay damages and/or cancel the balance or other amounts owing under a Financed Eligible Loan associated with such violations.

The CFPB has successfully asserted the power to investigate and bring enforcement actions directly against securitization vehicles. On December 13, 2021, in an action brought by the CFPB, the U.S. District Court for the District of Delaware denied a motion to dismiss filed by a securitization trust by holding that the trust is a “covered person” under the Dodd-Frank Act because it engages in the servicing of loans, even if through servicers and subservicers. *CFPB v. Nat’l Collegiate Master Student Loan Trust*, No. 1:17-cv-1323-SB (D. Del.). The case remains pending. As a “covered person,” the securitization trust would be subject to supervision, investigations and enforcement actions by the CFPB. On February 11, 2022, the District Court for the District of Delaware granted the defendant trusts’ motion to certify that order for immediate appeal and stayed the case pending resolution of any appeal. On April 29, 2022, the U.S. Court of Appeals for the Third Circuit agreed to hear the appeal and on March 19, 2024, the Court held that the securitization trust entities are “covered persons” under the Dodd-Frank Act because they “engage” in consumer financial products or services (student loan servicing and debt collection). While the District Court did not decide whether the securitization trust could be held liable for the conduct of the servicer at this stage of the case, the CFPB could make that argument now that the case is allowed to proceed. The CFPB may rely on this decision as precedent in investigating and bringing enforcement actions against other securitization issuers, such as the Authority, in the future.

The Seller and the Authority operate in an environment of heightened political and regulatory scrutiny of education loan lending, servicing and originations. The rising cost of higher education, questions regarding the quality of education provided, particularly among for-profit institutions, and the increasing level of student loan debt in the United States have prompted this heightened and ongoing scrutiny. This environment could lead to further laws and regulations applicable to, or limiting, the Seller’s or the Authority’s business. For instance, over the last several years, numerous proposals on spending have been discussed by executive branch officials and political candidates, and/or introduced by legislators, to make higher education “free” or “substantially free.” Some proposals have included the potential forgiveness of substantial amounts of existing outstanding student loan indebtedness. Also, various states have proposed and/or enacted legislation providing for “free” or “substantially free” higher education to residents of the state having incomes below a certain level and who attend publicly funded universities in the state. Moreover, since 2010, a number of bills have been introduced in the United States Congress to promote federal financing for consolidation or refinancing of existing student loans. The regulatory environment at the state level has shifted such that many states recently have enacted new legislation specifically restricting the conduct and practices of student loan servicers. The enactment of any of the proposed legislation or policies described above, even if they do not apply specifically to Financed Eligible Loans, could have a material adverse impact on the Seller’s or the Authority’s business, financial condition or results of operations, or impair collections on the Financed Eligible Loans. This is particularly true given the COVID-19 pandemic, which caused federal, state, or local governments to consider (and in some cases enact) laws, regulations, executive orders, or other guidance that allow borrowers to forego making scheduled payments for some period of time, require modifications to the loans (e.g. waiving accrued interest), or preclude creditors from exercising certain rights.

**An Outbreak Similar to the COVID-19 Pandemic
Could Adversely Affect the Value of the
Series 2024-1 Bonds or Borrowers’ Ability
To Repay Their Financed Eligible Loans**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, spread globally, including throughout the United States, and was declared a pandemic by the World Health Organization in 2020. In response to the pandemic, international, federal, state and local governments, as well as private organizations, implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals and businesses altered their behavior to adapt to such measures and to respond to the spread of COVID-19. The spread of any illness similar to COVID-19 and its variants, the mitigation

measures implemented, including potential business closures, travel restrictions, and workforce reductions and furloughs, and related behavioral adaptations could cause disruption in global, national, and local economies, as well as global financial markets, and significant volatility in the U.S. capital markets.

The Authority cannot predict any pandemic's long-term economic effects, including its effects on borrowers. Additional outbreaks of COVID-19 and its variants or other illnesses and further actions or extensions of actions taken to limit such outbreaks and their economic effects could lead to further disruptions in economic activities, the financial markets, and the global economy in general. As a result, there may be a delay in, or reduction of, total education loan collections that might materially and adversely affect the ability of the Authority to pay the principal of and interest on the Series 2024-1 Bonds, as and when due.

The extent to which a future pandemic may affect the Series 2024-1 Bonds will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the pandemic and the actions taken to contain it or alleviate its effects. The Authority cannot predict how legal and regulatory responses to a pandemic and related economic problems may affect the Authority or the Series 2024-1 Bonds, however, the Authority or the Series 2024-1 Bonds may be negatively impacted by such events.

Military Service Obligations and Natural Disasters and Pandemics

Military service obligations, national disasters and pandemics may result in delayed payments from borrowers. Congress has enacted, and may enact in the future, statutes and other guidelines that provide relief to borrowers who enter active military service, to borrowers in reserve status who are called to active duty after the origination of their student loan, and to individuals who live in a disaster area or suffer a direct economic hardship as a result of a national emergency or pandemic.

The number and aggregate principal balance of the Financed Eligible Loans that may be affected by the application of these statutes and other guidelines will not be known at the time the Series 2024-1 Bonds are issued. If a substantial number of borrowers of the Financed Eligible Loans become eligible for the relief under these statutes and other guidelines, or any actions Congress may take to respond to national disasters, there could be an adverse effect on the total collections on those Financed Eligible Loans and the Authority's ability to provide for payments of principal and interest on the Bonds, including the Series 2024-1 Bonds.

The Servicemembers Civil Relief Act (the "Relief Act"), 50 U.S.C. App. § 501 et seq., updates and replaces the Soldiers' and Sailors' Civil Relief Act of 1940. The Relief Act provides persons in military service with certain legal protections and benefits, such as a reduction of interest on debts incurred prior to entering military service, protection from court actions and default judgments, and stays on proceedings such as garnishments.

Pursuant to the Relief Act, student loan borrowers who enter military service shall not incur interest in excess of 6% per year during their military service. Any interest greater than 6% is forgiven by the Authority. As of the Statistical Cut Off Date, five (5) of the Existing Eligible Loans from three (3) different borrowers have entered into military service and whose Financed Eligible Loans are currently accruing interest at a rate of 6% per year. Ultimately, however, the Authority does not know how many of the Financed Eligible Loans may be affected by the application of the Relief Act. Payments on the Financed Eligible Loans may be delayed as a result of these requirements, which may reduce the funds available to pay principal and interest on the Bonds, including the Series 2024-1 Bonds.

Federal Financial Regulatory Legislation May Affect the Series 2024-1 Bonds

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which was enacted in July 2010, represents a comprehensive overhaul of the financial services industry within the United States, and established the Consumer Financial Protection Bureau (“CFPB”). The CFPB, an independent agency within the Federal Reserve, regulates consumer financial products, including education loans, and other financial services offered primarily for personal, family, or household purposes, and the CFPB and other federal agencies, including the Securities and Exchange Commission (the “SEC”) and the Commodity Futures Trading Commission (the “CFTC”), are required to undertake various assessments and rulemakings to implement the law. The majority of the provisions in the Dodd-Frank Act are aimed at financial institutions. However, there are components of the law that will have an impact on the Authority, including new requirements for securitizations as discussed below.

The Dodd-Frank Act will affect the Authority’s future student loan portfolio securitization financing transactions which result in the issuance of asset-backed securities. In December 2014, the SEC and federal banking agencies published final regulations, effective December 24, 2016 for issuers of student loan asset-backed securities, requiring issuers of asset-backed securities or persons who organize and initiate asset-backed securities transactions to retain a portion of the underlying assets’ credit risk. The Authority is, however, currently exempt from such credit risk regulations. In addition, the SEC approved changes to the rules applicable to issuers and sponsors of asset-backed securities under the Securities Act and the Securities Exchange Act of 1934, as amended, which substantially revise Regulation AB and other rules governing the offering process, disclosure and reporting for asset-backed securities issued in registered and certain unregistered transactions. It is not clear how the revisions to Regulation AB will be implemented, and to what extent the Authority may be affected. No assurance can be given that the new standards contained in the amended Regulation AB will not have an adverse impact on the Authority or on the value or marketability of the Bonds, including the Series 2024-1 Bonds.

Student loans and student loan servicing are top priorities for the CFPB. In May 2015, the CFPB launched a public inquiry into student loan servicing practices throughout the industry. In September 2015, the CFPB issued a report discussing public comments submitted in response to the inquiry and, in consultation with the Department of Education and Department of the Treasury, released recommendations to reform student loan servicing to improve borrower outcomes and reduce defaults. In July 2016, the Department of Education expanded on these joint principles by outlining enhanced customer service standards and protections that will be incorporated into federal servicing contracts and guidelines. The CFPB also announced that it may issue student loan servicing rules in the future.

The Dodd-Frank Act gave the CFPB authority to supervise private education lenders. In addition, the CFPB adopted a rule in December 2013 that enables it to federally supervise certain non-bank student loan servicers that service more than one million borrower accounts, to ensure that bank and non-bank servicers follow the same rules in the student loan servicing market. The rule covers both federal and private student loans. The CFPB began conducting its initial supervisory examinations of the large nonbank student loan servicers after the rule became effective in March 2014. If the CFPB were to determine that a Servicer is not in compliance, it is possible that this could result in material adverse consequences to such Servicer, including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in a Servicer’s business practices, or other actions. However, it is not possible to estimate at this time any potential financial or other impact to any of the Authority, the Administrator or a Servicer, including any impact on its ability to satisfy its obligations with respect to the Financed Eligible Loans to be pledged to the Indenture, that could result from the CFPB’s examinations, in the event that any adverse regulatory actions occur. Although HESC is not considered to be a large nonbank servicer and potentially less likely

to be subject to a supervisory examination by the CFPB, HESC is, nonetheless, still subject to supervision and supervisory examinations by the CFPB.

In addition to its supervisory authority, the CFPB has broad authority to enforce compliance with federal consumer financial laws applicable to private student lenders and student loan servicers, including the Dodd-Frank Act's prohibition on unfair, deceptive or abusive acts or practices, by conducting investigations and hearings, imposing monetary penalties, collecting fines and requiring consumer restitution in the event of violations. It may also bring a federal lawsuit or administrative proceeding.

Also in December 2013, the banking regulators and other agencies principally responsible for banking and financial market regulation in the United States implemented the final rule under the so-called Volcker Rule under the Dodd-Frank Act, which in general prohibits "banking entities" (as defined therein) from (a) engaging in proprietary trading, (b) acquiring or retaining an ownership interest in or sponsoring certain hedge funds, private equity funds (broadly defined to include any entity that would be an investment company under the Investment Company Act but for the exemptions provided in Section 3(c)(1) or 3(c)(7) of the Investment Company Act) and certain similar funds and (c) entering into certain relationships with such funds. Although the Authority does not rely upon the exemptions in Section 3(c)(1) or 3(c)(7) of the Investment Company Act for an exemption from being an investment company under the Investment Company Act and, as such, is not a covered fund, the general effects of the final rules implementing the Volcker Rule remain uncertain. Any prospective investor in the Series 2024-1 Bonds, including a U.S. or foreign bank or an affiliate or subsidiary thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule and regulatory implementation.

At this time, it is also difficult to predict the extent to which the Dodd-Frank Act or the resulting regulations will impact the Authority's business and operations and the business and operations of the Administrator and a Servicer. As rules and regulations are promulgated by the federal agencies responsible for implementing and enforcing the provisions of the Dodd-Frank Act, the Authority, the Administrator and any Servicer will need to apply adequate resources to ensure that they are in compliance with all applicable provisions. Compliance with these new laws and regulations may result in additional costs and may otherwise adversely impact the Authority's, the Administrator's or a Servicer's results of operations, financial condition, or liquidity.

Possible Future Changes in State Law and Regulations

A number of Texas governmental officials or agencies have a direct role in the oversight of the Authority. These officials and agencies include the following:

- (a) the City Council of the City of Arlington, Texas appoints the Authority's board of directors, and under state and federal law must approve the issuance of federally tax-exempt bonds issued by the Authority under Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"); and

- (b) the Texas Attorney General's office must approve the issuance of bonds by the Authority that are issued under the Act.

Additionally, in certain circumstances, the Authority is subject to the State's open meetings and open records laws with respect to matters relating to the issuance of federally tax-exempt bonds.

There can be no assurance that a future Governor via direct action, the Texas Legislature as the result of legislation or an agency of the state using oversight and regulatory powers will not take action

prospectively or retroactively that may affect the terms and conditions under which the Authority is governed or how it is permitted to finance Eligible Loans. Furthermore, such changes may have the result of adversely affecting the ability of the Authority to pay the principal of and interest on the Bonds, including the Series 2024-1 Bonds, when due.

Investigations and Inquiries of the Student Loan Industry

A number of state attorneys general and the U.S. Senate Committee on Health, Education, Labor and Pensions have conducted broad inquiries or investigations of the activities of various participants in the student loan industry, including, but not limited to, activities that may involve perceived conflicts of interest.

There is no assurance that the Authority, the Administrator or a Servicer will not be subject to inquiries or investigations. While the ultimate outcome of any inquiry or investigation cannot be predicted, it is possible that these inquiries or investigations and regulatory developments may materially affect each of the Authority's or the Administrator's ability to perform its obligations under the Indenture and a Servicer's ability to perform its obligations with respect to the Financed Eligible Loans or the Authority's ability to pay principal of and interest on the Bonds, including the Series 2024-1 Bonds, from assets in the Trust Estate.

Potential Risks Related Specifically to the Servicers

HESC will initially service all the Financed Eligible Loans pursuant to a Loan Servicing Agreement, dated as of August 1, 2024, between the Authority and HESC (the "HESC Servicing Agreement" and a "Servicing Agreement" pursuant to the Indenture). The Authority is dependent on HESC to provide certain equipment, software, training and related support with respect to the Financed Eligible Loans serviced by it. See the caption "THE TEXAS EXTRA CREDIT LOAN PROGRAMS—Servicing of the Financed Eligible Loans—*The HESC Servicing Agreement*" herein. In the event of HESC's insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer, the Authority may lose its ability to access the software and support provided by HESC and delays in collections in respect of those affected Financed Eligible Loans may occur. Any delay in the collections of Financed Eligible Loans may delay payments of principal of and interest on the Bonds, including the Series 2024-1 Bonds.

The Authority May Be Subject to Litigation

The Authority may be subject to various claims, lawsuits, and proceedings that arise from time to time. Currently, no such proceedings are pending. See the caption "ABSENCE OF CERTAIN LITIGATION" herein.

Repurchase Obligations

Under certain circumstances, the Authority may have the right to require a Servicer under its Servicing Agreement or the Seller under its Student Loan Purchase Agreement to purchase a Financed Eligible Loan. This right against a Servicer or the Seller arises generally as the result of a breach of certain covenants with respect to such Financed Eligible Loan in the HESC Servicing Agreement or the Student Loan Purchase Agreement, as applicable, in the event such breach materially adversely affects the interests of the Authority in that Financed Eligible Loan and is not cured within the applicable cure period. The Authority presently has such right against HESC under the HESC Servicing Agreement and against the Seller pursuant to the Student Loan Purchase Agreement. See the captions "THE TEXAS EXTRA

CREDIT LOAN PROGRAMS—Servicing of the Financed Eligible Loans—*The HESC Servicing Agreement*” and “—Student Loan Purchase Agreement” herein. In addition, under the terms of the Indenture, if any Financed Eligible Loan is found to have been subject to a lien at the time such Financed Eligible Loan was financed that cannot be released, the Authority is required to purchase such Financed Eligible Loan from the Trust Estate or provide a replacement Financed Eligible Loan. There is no guarantee that the Authority, the Seller or a Servicer will have the financial resources to make a purchase or substitution, and if the Authority or the Seller or a Servicer under the Student Loan Purchase Agreement or a Servicing Agreement is unable to make a required purchase or substitution, investors in the Bonds, including the Series 2024-1 Bonds, will bear any resulting loss.

Privacy, Data Protection and Cybersecurity Laws. The Authority, the Servicer, the Seller and the Originator are also subject to a dynamically changing landscape of privacy, data protection, and cybersecurity laws, regulations, and requirements. Various federal and state regulators, including governmental agencies, have adopted, or are considering adopting, laws and regulations regarding personal information and data privacy and security. This patchwork of legislation and regulation may lead to conflicts or differing views of personal privacy rights. State laws regarding personal information may be broader in scope or more stringent than federal laws or the laws of other states regarding personal information. The enactment of new federal data protection and privacy laws also is possible and could impact the Authority and its activities. The Securities and Exchange Commission (“SEC”) recently adopted rules regarding the public reporting of certain cybersecurity events.

Violations of, or changes in, federal or state consumer protection, privacy, data protection, or cybersecurity laws or related regulations, or in the prevailing interpretations thereof, may expose the Authority to litigation, administrative fines, penalties and restitution, result in greater compliance costs, constrain the marketing and origination of Eligible Loans or other products, adversely affect the collection of balances due on the loan assets held by the Authority, or otherwise adversely affect the Authority’s business. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations, as well as increased intensity in compliance and supervision activities, often impose additional compliance costs. Accordingly, the Authority could incur substantial additional expense complying with these requirements and may be required to create new processes and information systems.

Bankruptcy Could Result in Accelerated Prepayment

The Authority is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is not a “moneyed, business or commercial corporation.” As such, the Authority cannot be the subject of an involuntary bankruptcy proceeding under the United States Bankruptcy Code. The Authority is, however, eligible to file a voluntary bankruptcy proceeding under the United States Bankruptcy Code. Also, if the Authority were to convert to a taxable organization or lose its tax-exempt status for any reason, the Authority would become eligible to be the subject of an involuntary bankruptcy proceeding.

If, despite all steps taken to prevent such an occurrence, the Authority were to become the subject of a bankruptcy proceeding, the United States Bankruptcy Code could materially limit or prevent the enforcement of the Authority’s obligations, including its obligations with respect to the Bonds, including the Series 2024-1 Bonds. The Authority’s trustee in bankruptcy or the Authority itself as debtor in possession may seek to accelerate payment on the Bonds, including the Series 2024-1 Bonds, and liquidate the assets held under the Indenture. If the principal of the Bonds, including the Series 2024-1 Bonds, is declared due and payable, Registered Owners may lose the right to future payments and face reinvestment risks.

Risks Relating to Commingling of Payments on Student Loans

Payments received on the Financed Eligible Loans generally are deposited into an account in the name of the Servicer each business day. Payments received on the Financed Eligible Loans may not always be segregated from payments the Servicer receives on other student loans it services, and payments received on the Financed Eligible Loans that are part of the Trust Estate may not be segregated from payments received on the Authority's other student loans that are not part of the Trust Estate. Such amounts that relate to the Financed Eligible Loans are required by the Indenture to be forwarded to the Paying Agent on behalf of the Trustee for deposit into the Revenue Fund within two Business Days of identification. If Servicer fails to transfer such funds to the Trustee, Registered Owners may suffer a loss.

The Obligations of Each of the Trustee, the Administrator and the Servicer Are Limited

The duties, actions and obligations of each of the Trustee, the Administrator and the Servicer are limited to such duties, actions and obligations specifically set forth in the transaction documents and no implied covenants, duties or obligations are read into the transaction documents. None of the Trustee, the Administrator or the Servicer has any duty or obligation to take any additional action unless specifically directed to take such action and satisfactorily indemnified therefor. Additionally, certain of the duties and obligations of such parties are dependent upon receipt of information from other parties. Any failure of one party to timely and accurately deliver any information, or perform its duties and obligations, could prevent another party from being able to fulfill its duties and obligations.

Other Parties May Have or May Obtain Superior Interests in the Financed Eligible Loans

If, through inadvertence or fraud, Financed Eligible Loans were to be sold to a purchaser who purchases in good faith without knowledge that the purchase violates the rights of the Authority and the Trustee in the Financed Eligible Loans, the purchaser could defeat the Authority's and the Trustee's ownership interest in those Financed Eligible Loans.

Uncertain Secondary Market for the Series 2024-1 Bonds

There is no assurance that a secondary market will provide investors with a sufficient level of liquidity of investment. The spread between the bid price and the asked price for the Series 2024-1 Bonds in the secondary market may widen, thereby reducing the net proceeds to an investor from the sale of an investor's Series 2024-1 Bonds. The Authority does not intend to list the Series 2024-1 Bonds on any exchange, including any exchange in either Europe or the United States. Under current market conditions, holders may not be able to sell their Series 2024-1 Bonds when they want to do so, and, as a result, they may be required to bear the financial risks of an investment in the Series 2024-1 Bonds for an indefinite period of time, or they may not be able to obtain the price that they wish to receive. The market values of the Series 2024-1 Bonds may fluctuate and movements in price may be significant.

Events in the global financial markets including those described in the risk factors captioned “—Variety of Factors Affecting Borrowers” and “—An Outbreak Similar to the COVID-19 Pandemic Could Adversely Affect the Value of the Series 2024-1 Bonds or Borrowers' Ability to Repay their Financed Eligible Loans”; the failure, acquisition or government seizure of major financial institutions; rapid inflation; the establishment of government initiatives such as government bailout programs for financial institutions and assistance programs designed to increase credit availability, support economic activity and

facilitate renewed consumer lending; disrupted credit markets; the devaluation of currencies by foreign governments; a slowing growth or recession in the United States or other world economies; the rating agency downgrade of U.S. Treasury bonds and other debt instruments backed by the full faith and credit of the U.S. or similar downgrades of other European sovereign debt; an European Union member state's voluntary exit from the European Union, such as the United Kingdom's discontinuation of its membership in the European Union, have caused, or may in the future cause, a significant reduction in liquidity in the secondary market for asset-backed securities, which could adversely affect the market value of the Series 2024-1 Bonds or limit the ability of an investor to resell its Series 2024-1 Bonds. If U.S. Treasury bonds and other debt instruments backed by the full faith and credit of the U.S. are further downgraded, the market price and/or the marketability of the Series 2024-1 Bonds could be adversely affected.

As a result, no assurance can be given that the Series 2024-1 Bonds may be sold by a purchaser thereof at any time or at acceptable prices. Therefore, an investment in the Series 2024-1 Bonds should only be made by investors who are able to hold such Series 2024-1 Bonds to maturity notwithstanding the possibility that the Series 2024-1 Bonds may experience a severe reduction in value while held.

Uncertainty of Available Remedies

The remedies available to the Trustee or the Registered Owners upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (Federal Bankruptcy Code), the remedies specified by the Indenture or any other applicable transaction documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2024-1 Bonds and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, moratorium, insolvency or other similar laws affecting the rights or remedies of creditors generally.

The Series 2024-1 Bonds May Not Be Repaid on their Respective Final Maturity Dates

The Authority expects that final payment of each Series 2024-1 Bond will occur on or prior to its respective final maturity date. Failure to make final payment of a Series 2024-1 Bond on its respective final maturity date would constitute an Event of Default under the Indenture (except that a failure to pay principal on Subordinate Bonds is not an Event of Default if any Senior Bonds or Senior-Subordinate Bonds are Outstanding). However, no assurance can be given that sufficient funds will be available to pay each Series 2024-1 Bond in full on or prior to its respective final maturity date. If sufficient funds are not available, final payment of a Series 2024-1 Bond could occur later than its respective final maturity date or a Registered Owner could suffer a loss on its investment.

There Will Be No Market Valuation of the Financed Eligible Loans

The Financed Eligible Loans are not being valued at their fair market value as determined by any independent advisor, but will be valued based upon the principal of and accrued interest on the Financed Eligible Loans.

Factors Affecting Sufficiency and Timing of Receipt of Revenues

The Authority expects that the Revenues to be received under the Indenture will be sufficient to pay principal of and interest on the Series 2024-1 Bonds, and any other Bonds issued pursuant to the Indenture, when due and also to pay all Senior Transaction Fees and Subordinate Transaction Fees until the final maturity of the Series 2024-1 Bonds. This expectation is based upon an analysis of cash flow assumptions, which the Authority believes are reasonable and are derived from the Authority's experience in the student loan industry and the expected performance of the Texas Extra Credit Loan Programs, regarding the timing of the financing of such Financed Eligible Loans to be held pursuant to the Indenture, the future composition of and yield on the Financed Eligible Loan portfolio, the rate of return on moneys to be invested in various Funds and Accounts under the Indenture, and the occurrence of future events and conditions. For a description of the anticipated composition of the Initial Eligible Loans, see the caption "THE FINANCED ELIGIBLE LOANS" herein. There can be no assurance, however, that the Financed Eligible Loans will be financed as anticipated, that interest and principal payments from Financed Eligible Loans will be received as anticipated or that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized. Furthermore, future events over which the Authority has no control may adversely affect the Authority's actual receipt of Revenues pursuant to the Indenture.

Receipt of principal of and interest on Financed Eligible Loans may be accelerated due to various factors, including, without limitation: (a) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Eligible Loans expected to be held pursuant to the Indenture; (b) the commencement of principal repayment by borrowers on earlier dates than are assumed based upon the current analysis of the Eligible Loans expected to be held pursuant to the Indenture; and (c) economic conditions that induce borrowers to refinance or repay their loans prior to maturity. Growth in the size and number of companies specializing in refinancing student loans, and/or an increase in their marketing intensity, could cause the number of Financed Eligible Loans that refinance to increase.

Delay in the receipt of principal of and interest on Financed Eligible Loans may adversely affect payment of the principal of and interest on the Bonds, including the Series 2024-1 Bonds, when due. Principal of and interest on Financed Eligible Loans may be delayed due to numerous factors, including, without limitation: (a) forbearance being granted to borrowers under the Texas Extra Credit Loan Programs, (b) loans becoming delinquent for periods longer than assumed, and (c) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Eligible Loans expected to be held pursuant to the Indenture.

If actual receipt of Revenues under the Indenture or actual expenditures vary materially from those projected, the Authority may be unable to pay the principal of and interest on the Bonds, including the Series 2024-1 Bonds, and other amounts owing on other obligations when due. In the event that Revenues to be received under the Indenture are insufficient to pay the principal of and interest on the Bonds, including the Series 2024-1 Bonds, and amounts owing on other obligations when due, the Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default and to enforce the rights of the Registered Owners, including selling the Financed Eligible Loans and other assets comprising the Trust Estate and acceleration of the payment of the Bonds, including the Series 2024-1 Bonds. It is possible that the Trustee would not be able to sell the Financed Eligible Loans and the other assets comprising the Trust Estate in a timely manner or for an amount sufficient to permit payment of the principal of and accrued interest on all Outstanding Bonds, including the Series 2024-1 Bonds, then due and all amounts due with respect to other obligations.

Variety of Factors Affecting Borrowers

Collections on the Financed Eligible Loans may vary greatly in both timing and amount from the payments actually due on such Financed Eligible Loans for a variety of economic, social, and other factors. Economic factors include interest rates, unemployment levels, housing price declines, commodity prices, adjustments in the borrower's payment obligations under other indebtedness, the rate of inflation and consumer perceptions of economic conditions generally. Social factors include changes in consumer confidence levels and changing attitudes in respect of incurring debt and changing attitudes regarding the stigma of personal bankruptcy. Economic conditions may also be impacted by global or localized economic or political conditions, political turmoil and civil unrest in the United States, political gridlock on United States federal budget matters (including full or partial prolonged or recurring government shutdowns), conflicts or wars, regional hostilities, including the invasion by Russia of Ukraine and the prospect or occurrence of more widespread conflicts, social upheaval, fiscal and monetary policies, sanctions, trade wars and tariffs, safety concerns related to travel and tourism, limitations on travel and mobility, disruptions in air travel and other forms of travel, weather events, environmental disasters, national or localized outbreaks of a highly contagious or epidemic disease or pandemics and any related quarantines and terrorist events or wars or a deterioration or improvement in economic conditions in one of the markets where borrowers of the Financed Eligible Loans are concentrated. As a result, the Authority may not receive all the payments that are actually due on the Financed Eligible Loans. Failures by borrowers to make timely payments of the principal and interest due on the Financed Eligible Loans or an increase in forbearances could affect the revenues of the Trust Estate, which may reduce the amounts available to pay principal and interest due on the Bonds, including the Series 2024-1 Bonds. The Authority cannot predict with accuracy the effect of these factors, including the effect on the timing and amount of funds available and the ability to pay principal and interest on the Bonds, including the Series 2024-1 Bonds.

Recently there has been increased concern with potential slowing growth or recession in the United States that may result in part from interest rate increases by the Federal Reserve Board in order to curb inflationary pressures. The number of delinquencies and defaults on consumer receivables is significantly influenced by the employment status of borrowers. There can be no assurance that high levels of unemployment or underemployment will not recur, or that other factors relating to the uncertain economic climate, such as those described in the prior paragraph, will not result in increased delinquencies and defaults with respect to consumer receivables in the future. Such adverse economic conditions may also materially impair the ability of the Authority or other transaction parties to meet their respective obligations under the transaction documents. The occurrence of any increased delinquencies or defaults with respect to the Financed Eligible Loans or material impairment of the ability of the above referenced parties to meet their respective obligations under the transaction documents may reduce the market value of the Series 2024-1 Bonds.

Additionally, unstable real estate values, resetting of adjustable rate mortgages to higher interest rates, increased regulation in the financial industry, political gridlock on United States federal budget matters, rating agency downgrades of U.S. Treasury bonds and other debt instruments backed by the full faith and credit of the United States, the sovereign debt crisis and continuing political and economic instability in the United States and overseas, the COVID-19 pandemic, rapid inflation and other factors have impaired access to consumer credit, consumer confidence and disposable income in the United States, and may affect delinquencies and defaults on the Financed Eligible Loans, although the severity or duration of these effects are unknown.

It is impossible to predict the status of the economy or unemployment levels or when, if ever, a downturn in the economy would impair a borrower's ability to repay his or her Financed Eligible Loans. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Such events may also have other effects, the impact of which is impossible to project.

The amount of student loan debt has grown steadily over the last several years, reflecting rising costs of education. It is impossible to predict how this, when combined with a variety of economic, social and other factors and employment trends, might affect the timing and amount of payments received on the Financed Eligible Loans.

The Trust Estate may include Financed Eligible Loans that are in forbearance for which payments are temporarily postponed for a specific period of time and capitalized and will include Financed Eligible Loans for which the borrower is currently required to make payments of principal and interest. The Authority's cash flow, and its ability to make payments due on the Bonds, including the Series 2024-1 Bonds, will be reduced to the extent interest is not currently payable on the Financed Eligible Loans. As of the Statistical Cut-Off Date, the borrowers on approximately 1.31% of the aggregate principal amount of Initial Eligible Loans are not required to make payments during certain authorized periods as described under the caption "THE TEXAS EXTRA CREDIT LOAN PROGRAMS" herein. The proportions of the Financed Eligible Loans that are in forbearance for which payments are temporarily postponed and capitalized and currently in repayment will vary during the period that the Series 2024-1 Bonds are Outstanding. If defaults occur on the Financed Eligible Loans and the remedies or amounts held under the Indenture are not sufficient, Registered Owners may suffer a delay in payment or a loss on their Bonds, including the Series 2024-1 Bonds.

Risk of Geographic Concentration of the Financed Eligible Loans

Currently, under the Texas Extra Credit Loan Programs, Eligible Loans are only made to persons who are Texas residents at the time of origination. Eligible Loan borrowers who are Texas residents at the time of origination may subsequently relocate out of the State of Texas. The Authority cannot predict how many borrowers may relocate to other states. The concentration of the Financed Eligible Loans in specific geographic areas may increase the risk of losses on the Financed Eligible Loans. Economic conditions in the states where borrowers reside may affect the delinquency, loan loss and recovery experience with respect to the Financed Eligible Loans. As of the Statistical Cut-Off Date, approximately 99.71% of the Financed Eligible Loans by principal balance were to borrowers with current billing addresses in the State of Texas. While Texas is a large state with a robust and varied economy, conditions in any state or region may decline over time and from time to time. Because of the concentrations of the borrowers in State of Texas, any adverse economic conditions adversely and disproportionately affecting the State of Texas may have a greater effect on the repayment of the Bonds, including the Series 2024-1 Bonds, than if this concentration did not exist.

The Trustee May Be Forced To Sell the Financed Eligible Loans at a Loss After an Event of Default

Generally, if an Event of Default occurs and continues under the Indenture, the Trustee, at the direction of Registered Owners (in the percentage specified in the Indenture), will sell the Financed Eligible Loans. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Remedies on Default; Sale of Trust Estate" attached hereto. However, the Trustee may not find a purchaser for the Financed Eligible Loans or the market value of the Financed Eligible Loans plus other assets in the Trust Estate might not equal the principal amount of outstanding Bonds, including the Series 2024-1 Bonds, plus accrued interest. The market for private student loans, including the Financed Eligible Loans, is not as developed as the market for Federal Family Education Loan Program loans made pursuant to the Higher Education Act. There may be fewer potential buyers for the Financed Eligible Loans, and therefore lower prices available in the secondary market. Investors in the Bonds, particularly investors in the Subordinate Bonds, may suffer a loss if the Trustee is unable to find

purchasers willing to pay prices for the Financed Eligible Loans sufficient to pay the principal amount of the Bonds, including the Series 2024-1 Bonds, plus accrued interest.

The Composition and Characteristics of the Loan Portfolio Will Change Over Time

The statistical information in this Official Statement reflects only the characteristics of the Initial Eligible Loans that the Authority anticipates acquiring on Closing Date as of the Statistical Cut-Off Date. See the caption “THE FINANCED ELIGIBLE LOANS” herein. The Initial Eligible Loans actually acquired and pledged under the Indenture on the Closing Date will have characteristics that differ somewhat from the characteristics of the Initial Eligible Loans described herein due to payments received on and other changes in these Initial Eligible Loans that occur during the period from the Statistical Cut-Off Date to the Closing Date.

The Authority also intends to acquire additional Eligible Loans during the Acquisition Period relating to the Series 2024-1 Bonds. The acquisition of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

The characteristics of the Financed Eligible Loan portfolio included in the Trust Estate could also change from time to time due to the acquisition of new types of Eligible Loans that may be originated pursuant to the Texas Extra Credit Loan Programs (upon satisfaction of the Rating Agency Notification), changes in terms of the Texas Extra Credit Loan Programs, sales or exchanges of loans and scheduled amortization, prepayments, delinquencies and defaults on the Financed Eligible Loans.

Certain Actions May Be Permitted Without Registered Owner Approval

The Indenture permits the Authority to issue Additional Bonds pursuant to a Supplemental Indenture without Registered Owner consent, and further permits the Authority to take a range of actions in connection with its administration of the assets comprising the Trust Estate without either an amendment or supplement to the Indenture or Registered Owner consent, but requires that the Authority satisfy certain other conditions prior to undertaking, or in conjunction with, certain of such actions. The Indenture requirements applicable to such actions may include satisfying a Rating Agency Notification or Rating Agency Condition requirement; however, implementation of such actions which require only a Rating Agency Notification are not conditioned upon any response, or absence thereof, of any Rating Agency. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Rating Agency Confirmation and Rating Agency Notification” herein. The Indenture requires that the Authority make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission. To the extent such actions are taken, investors in the Series 2024-1 Bonds will be relying primarily upon the evaluation by the Authority of the potential impact of such actions upon the ability of the assets comprising the Trust Estate to provide for the full and timely payment of scheduled principal and interest on the Bonds, including the Series 2024-1 Bonds, payment of all Rebate Amounts and Excess Earnings to the U.S. Treasury and payment of all Senior Transaction Fees and Subordinate Transaction Fees. In addition, to the extent that such actions are taken, a resulting adverse rating action by any Rating Agency in response to such Authority action could materially decrease the market value or existence of a

secondary market for the Series 2024-1 Bonds. Moreover, the market price or marketability of the Series 2024-1 Bonds could be adversely affected by such actions even in the absence of such an adverse rating action. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Rating Agency Confirmation and Rating Agency Notification” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Less than All of the Registered Owners Can Approve Amendments to the Indenture or Waive Defaults Under the Indenture

Under the Indenture, Registered Owners of specified percentages of the aggregate principal amount of the Bonds (including, in many cases, only a specified percentage of the aggregate principal amount of the Highest Priority Bonds) may amend or supplement provisions of the Indenture and the Bonds and waive Events of Defaults and compliance provisions without the consent of the other Registered Owners. You have no recourse if such other Registered Owners vote in a manner with which you do not agree. The other Registered Owners may vote in a manner which impairs the ability to pay principal and interest on the Bonds. Also, so long as the Senior Bonds or Senior-Subordinate Bonds are Outstanding, the Registered Owners of the Subordinate Bonds will not have the right to exercise certain rights under the Indenture.

Suitability for Investors

The Series 2024-1 Bonds are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the reinvestment, default and market risk of such an investment, the tax consequences of such an investment, and the interaction of these factors.

Certain Factors Relating to Security

The Authority has covenanted in the Indenture that the assets constituting the Trust Estate pledged by the Authority under the Indenture are and will be owned by the Authority free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, and that all action on the part of the Authority to that end has been duly and validly taken. The Authority will acquire the Financed Eligible Loans by purchasing such loans from the Seller pursuant to the Student Loan Purchase Agreement (and will assume the obligation to make any future disbursements on certain of the Financed Eligible Loans). The Student Loan Purchase Agreement includes warranties from the Seller as to certain matters, including that the loans will be transferred to the Authority free of any liens and that all filings (including UCC filings) necessary in any jurisdiction to give the Authority ownership of the Financed Eligible Loans have been made. See the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS —Student Loan Purchase Agreement” herein. Notwithstanding the foregoing, under applicable law, other security interests in such loans may exist, and may not be ascertained by the Authority. Therefore, no absolute assurance can be given that liens other than the lien of the Indenture do not and will not exist. See the caption “Repurchase Obligations” above.

Incentive or Borrower Benefit Programs

The Financed Eligible Loans receive a 0.25% interest rate reduction when they are set up to have regular monthly payments deducted electronically from a savings or checking account. Additionally, certain student borrower graduates may be eligible to receive a 0.25% interest rate reduction. Any incentive program that effectively reduces borrower payments on Financed Eligible Loans will result in a reduction of the Revenues received from such Financed Eligible Loans. The Authority cannot accurately predict the

number of borrowers that will utilize the borrower benefits provided under the rate relief program currently offered by the Authority. The greater the number of borrowers that utilize such benefits with respect to Financed Eligible Loans, the lower the total loan receipts on such Financed Eligible Loans. See the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS” herein and “APPENDIX B—THE TEXAS EXTRA CREDIT LOAN PROGRAMS” attached hereto.

Risks Relating to Book-Entry Registration

The Series 2024-1 Bonds will be represented by one or more certificates registered in the name of Cede & Co., the nominee for The Depository Trust Company, and will not be registered in an individual investor’s name or the name of its nominee. Unless and until definitive securities are issued, holders of the Series 2024-1 Bonds will not be recognized by the Trustee as Registered Owners as that term is used in the Indenture. Until definitive securities are issued, holders of the Series 2024-1 Bonds will only be able to exercise the rights of Registered Owners indirectly through The Depository Trust Company and its participating organizations. See the caption “THE SERIES 2024-1 BONDS—Book-Entry-Only System” herein.

There is the Potential for Conflicts of Interest and Regulatory Scrutiny With Respect to the Rating Agency Rating the Series 2024-1 Bonds

It may be perceived that the Rating Agency has a conflict of interest that may have affected the ratings assigned to the Series 2024-1 Bonds where, as is the industry standard and the case with the ratings of the Series 2024-1 Bonds, the Authority pays the fees charged by the Rating Agency for its rating services.

Furthermore, the Rating Agency has been and may continue to be under scrutiny by federal and state legislative and regulatory bodies for its role in the financial crisis and such scrutiny and any actions such legislative and regulatory bodies may take as a result thereof may also have an adverse effect on the price that a subsequent purchaser would be willing to pay for the Series 2024-1 Bonds and a Registered Owner’s ability to resell its Series 2024-1 Bonds.

Ratings of the Series 2024-1 Bonds

It is a condition to the issuance of the Series 2024-1 Bonds that they be rated as indicated under the caption “RATINGS” herein. Ratings are based primarily on the creditworthiness of the underlying Financed Eligible Loans, the amount of credit enhancement and the legal structure of the transaction. The ratings are not a recommendation to investors to purchase, hold or sell the Series 2024-1 Bonds inasmuch as the ratings do not comment as to the market price or suitability for individual investors. An additional rating agency may rate the Series 2024-1 Bonds, and that rating may not be equivalent to the initial rating described in this Official Statement. Ratings may be increased, lowered or withdrawn by any Rating Agency at any time if in such Rating Agency’s judgment circumstances so warrant. A downgrade in the rating of the Series 2024-1 Bonds is likely to decrease the price a subsequent purchaser will be willing to pay for Series 2024-1 Bonds.

A rating is not a recommendation to buy or sell Series 2024-1 Bonds or a comment concerning suitability for any investor. A rating only addresses the likelihood of the ultimate payment of principal and stated interest and does not address the likelihood of redemption of the Series 2024-1 Bonds prior to maturity or the market liquidity of the Series 2024-1 Bonds. A rating may not remain in effect for the life of the Series 2024-1 Bonds. See the caption “RATINGS” herein.

Certain actions affecting the Financed Eligible Loans and the Trust Estate may be taken upon a Rating Agency Confirmation or a Rating Agency Notification. See the caption “Certain Actions May Be Permitted Without Registered Owner Approval” above and the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Rating Agency Confirmation and Rating Agency Notification” herein. The giving of a Rating Agency Notification would not limit the ability of the Rating Agency to downgrade its ratings on the Series 2024-1 Bonds on the basis of the related Proposed Action.

There can be no assurance that the ratings of the Series 2024-1 Bonds will not be downgraded or placed on negative watch by a Rating Agency in the future.

Ratings of Other Securities Issued by the Authority May Be Reviewed or Downgraded

Certain student loan-backed bonds have been downgraded in connection with rating agencies revising their rating methodologies among other factors. Adverse action by any rating agency regarding other securities issued by the Authority may adversely affect the market value of the Series 2024-1 Bonds or any secondary market for the Series 2024-1 Bonds that may develop.

THE AUTHORITY

General

The Authority is a nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and is not a private foundation under Section 509(a) of the Code. The Authority is located at 4381 West Green Oaks Boulevard, Suite 200, Arlington, Texas 76016, Telephone (817) 265-9158. Originally created under the Texas Non Profit Corporation Act in 1971 under the name of “Dallas Schools Foundation,” the Authority was dormant from its incorporation in 1971 until 1978 when it was reorganized at the request of the Cities of Arlington and Denton, Texas, for the purpose of acting on their behalf to acquire or refinance loans made under the Higher Education Act (“FFELP Loans”) to students or residents of Texas. At that time its articles of incorporation were amended to change its name and purpose to the present name and purpose.

From 1978 to 2012, the Authority issued revenue bonds to purchase FFELP Loans made to students or residents of the State of Texas on behalf of the Cities of Arlington, Texas and Denton, Texas. In 2015, the Authority requested that the City of Denton, Texas withdraw its sponsorship of the Authority so that it could simplify its operations. The City of Denton, Texas complied with the Authority’s request, leaving the City of Arlington, Texas (the “City”) as the remaining sponsor of the Authority.

The Authority amended and restated its certificate of formation with the approval of the City. The current purpose of the Authority is to make or purchase FFELP Loans and Eligible Loans and to otherwise provide educational opportunities in keeping with state and federal law.

Proceeds of the Authority’s previously issued notes were used to acquire or refinance FFELP Loans pledged by the Authority or affiliates of the Authority under four separate trust indentures and loans held by the Authority unencumbered on its balance sheet.

Proceeds of the Series 2024-1 Bonds will be used to acquire Eligible Loans. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. When issuing the Series 2024-1 Bonds, the Authority will act on behalf of the City. The Authority is issuing the Series 2024-1 Bonds pursuant to Section 53B.47(f) of the Texas Education Code, Chapters 20 and 22, Texas Business Organizations Code, and the provisions of Title 1, Texas Business Organizations Code, applicable to a nonprofit corporation (collectively, the “Authorizing Statutes”).

The Authority has no employees. Administration of the Authority’s activities is provided by HESC, in its capacity as Administrator, and Phillip Wambsganss, Executive Director of HESC, is the Executive Director of the Authority. See “SERVICING OF THE FINANCED LOANS—Higher Education Servicing Corporation.”

The Authority is governed by a Board of Directors consisting of six Directors. All Directors are appointed by the City Council of the City. The Authority submits nominations to the City. The City Council of the City may also remove those Directors appointed by it. Directors serve two-year staggered terms of office. The occupations and Board of Directors positions for each of the Directors of the Authority are set forth below. The members of the Board of Directors serve without compensation, except for the payment of expenses incurred in connection with the business of the Authority. The City appoints an ex officio member to the Board whose term is non-expiring and who has no powers or voting rights.

Upon its dissolution, the Authority’s funds will be paid to the City. See the caption “TEXAS EXTRA CREDIT LOAN PROGRAMS” herein and “APPENDIX B—THE TEXAS EXTRA CREDIT LOAN PROGRAMS” hereto for descriptions of the Texas Extra Credit Loan Programs.

Authority Board of Directors

As of the date hereof, the members of the Board of Directors of the Authority and their principal occupations are as follows.

Name and Position Held	Principal Occupation	Term Expires (September 30)
Mr. Governor E. Jackson President	Director of Student Financial Aid Texas Woman’s University ¹ Denton, Texas (retired)	2025
Mr. Jerry McCullough Vice President	Superintendent, Arlington ISD Arlington, Texas (retired)	2024
Ms. Amy Michie Secretary/Treasurer	Certified Public Accountant, Director of Grants Management & Government Compliance Big Brothers Big Sisters Lone Star Arlington, Texas	2025
Mr. David Petter	Attorney at Law Curnutt & Hafer LLP Arlington, Texas	2024
Mr. Tony Pompa	Pompa Industries Arlington, Texas	2025
Ms. Gracie Riddick	Certified Public Accountant PSK LLP Arlington, Texas	2024

¹ Approved School.

Outstanding Revenue Bonds of the Authority

The Authority has issued student loan revenue bonds and notes pursuant to other indentures, which bonds and notes are secured by separate and distinct trust estates. The assets of each trust estate are not cross-collateralized or cross-defaulted with the assets of any other trust estate. The total aggregate outstanding principal amount of all of the student loan revenue bonds and notes issued by the Authority as of August 31, 2023, was \$866,484,987.19. See Note 4 to the Financial Statements of the Authority in “APPENDIX F—FINANCIAL STATEMENTS OF THE AUTHORITY” attached hereto.

Financial Statements

The financial statements of the Authority at August 31, 2023 and 2022 and for the years then ended, included in Appendix F to this Official Statement, have been audited by FORVIS, LLP, Independent Auditors, as set forth in their report related thereto. The Authority’s financial statements include information with respect to its loan programs generally, including its FFELP Loan program and other information regarding the Authority. FORVIS, LLP, the Authority’s independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. FORVIS, LLP, also has not performed any procedures relating to this Official Statement. The Authority’s financial statements at August 31, 2023 and 2022 are available on the Authority’s website and on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board located at <http://emma.msrb.org>. Since the Bonds, including the Series 2024-1 Bonds, are limited obligations of the Authority, payable solely from the Financed Eligible Loans and other assets pledged to the Trustee under the Indenture, the overall financial status of the Authority, or that of its other programs, does not indicate and does not affect whether the Trust Estate will be sufficient to fund the timely and full payment of principal and interest on the Bonds, including the Series 2024-1 Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS” herein.

The Administrator, Servicer, Originator and Seller

HESC is a non-profit corporation organized under the Texas Non-Profit Corporation Act in September 1978 to provide Texas higher education authorities with student loan billing and servicing, and to provide headquarters and administrative support services to such authorities. HESC is located at 4381 West Green Oaks Boulevard, Suite 200, Arlington, Texas 76016, Telephone (817) 265-9158 and is governed by a self-perpetuating five-member Board of Directors.

HESC has provided management and administrative support to the Authority since 1978. In 2005, the Authority expressed its desire for HESC to gradually perform full servicing of the Authority’s FFELP Loans without the use of subservicers because it believed that HESC’s servicing activities were superior to those provided by the subservicers. Accordingly, HESC expanded its staff and facilities so that it could perform all servicing duties associated with the Authority’s Eligible Loans. HESC began full servicing of certain FFELP Loans for the Authority in May 2006 and is currently servicing and administering approximately \$771 million of FFELP Loans owned by the Authority and services approximately \$38 million of private loans owned by HESC. Currently, HESC services and administers over \$1 billion in FFELP and private education loans, which includes approximately \$266 million of FFELP and private education loans on behalf of third parties. HESC utilizes student loan servicing software that it developed known as HELIUM.

At the request of the Authority, in 2012, HESC began development of the Texas Extra Credit Education Loan Programs. It then began to make Texas Extra Credit Loans using its own funds and funds borrowed from the Authority. It also originated and serviced the loans, as well as similar loans for other owners.

HESC undergoes numerous annual and periodic examinations, audits and reviews from both external and internal sources pursuant to all applicable governing entities, contractual obligations and industry standards. These cover the entirety of HESC's operations, policies and procedures, controls, and systems (network, servicing and originations platforms). Externally, a licensed third-party conducts HESC's annual SOC1 Type 2 audit in compliance with the AICPA Statement on Standards for Attestation Engagements 18 guidelines. Internally, HESC's in-office auditor also provides objective assurance towards the goal of improving processes and controls by identifying areas of concern and importance, empirically conducting: Risk Assessments; Oversight of Vendors/Sub-Contractors; and in-house reviews on Access, Credit Reporting, Due Diligence, Complaints, and others as needed.

HESC Board of Directors

The present Board of Directors of HESC is as follows:

Name and Position Held	Principal Occupation	Term Expires (March 31)
Mr. Kenneth D. Woods Chairman	President CMW Management Corporation (retired)	2026
Mr. Stephen Vincent Vice Chairman	President and Founder Power from the Sun	2027
Mrs. Judy Schneider Director	Consultant Financial Aid Services (retired) and Director of Financial Aid University of Texas at Arlington (retired)	2027
Ms. Stephanie Buduhan Director	Certified Public Accountant and Owner Stephanie Buduhan CPA	2026
Mr. John Hibbs Director	Vice President – U.S. Sales Contamac US	2025

The current staff of HESC consists of approximately 55 permanent full-time employees, 8 permanent part-time employees, 2 full-time contractors and 4 temporary full-time employees, which may become permanent. The following is a brief description of the qualifications of the professional staff:

Phillip Wambsganss, Executive Director, 1998. Mr. Wambsganss has been with HESC for 26 years and has served in various management positions. He was named Executive Director of both HESC and the Authority in 2015. Prior to joining HESC, Mr. Wambsganss worked in the banking industry for 10 years. He has actively been involved in many service-oriented and education-related organizations, committees and boards including the Arlington Higher Education Finance Corporation, Education Finance Council, United Way of Tarrant County, Arlington Chamber of Commerce, Grace Preparatory Academy, Rush Creek Church and others. He holds a Bachelor of Science degree from the University of Texas at Arlington and an MBA from LeTourneau University, Longview, Texas.

Kevin Montgomery, Director of Operations, 2005. Mr. Montgomery has been with HESC for 18 years and is responsible for all creative, communications and project management. He is the primary design architect for HESC and is responsible for developing all customer interactions from letters, websites and borrower portals. He also acts as the lead project manager for the company. He graduated with a BBA in Management from the University of Texas at Tyler in 2001 and later earned his MEd in Higher Education Administration from the University of North Texas where he was also inducted into the Honor Society of

Phi Kappa Phi. Prior to joining HESC, Mr. Montgomery worked in higher education as a financial aid counselor at both large and small, private and public institutions.

Courtney Churchwell, Director of Accounting, 1997. Ms. Churchwell has been with HESC for 27 years. She has responsibility for oversight of all accounting functions, including accounting staff and student loan accounting, overseeing borrower payment applications, lender accounts, and account reconciliation activities. She received her BBA degree in Finance from the University of Texas at Arlington.

Denise Dunn-Trakshel, Controller, 2017. Ms. Dunn-Trakshel has been with HESC for 7 years and has responsibility for oversight of all general ledger accounting functions, cash management, loan portfolios, and investment activities. Prior to joining HESC she served as an accounting manager at AT&T in their International Controllers organization in Dallas, Texas, for five years and as a senior accountant in their domestic parent organization in Bedminster, New Jersey, for eleven years. She also previously worked as cash and financial reporting manager for Penguin Putnam in East Rutherford, New Jersey and as corporate controller for Medic One in Cincinnati, Ohio. She received a BS degree in Accounting and a BA degree in business psychology from Miami University, Oxford, Ohio and an MBA in Accounting from University of Phoenix. She is a certified public accountant as well as a chartered global management accountant.

Melissa Vaughan, General Counsel, 2024. Ms. Vaughan joined HESC in April of 2024 and serves as primary legal counsel. Prior to joining HESC, she served as General Counsel and Chief Compliance Officer for ALL Student Loan, a tax-exempt Federal Family Education Loan Program lender and servicer for 20 years. She was previously an associate with the international law firm of O'Melveny & Myers, LLP. Ms. Vaughan graduated with a BA in political science from the University of Michigan and graduated cum laude with a JD from the University of Wisconsin School of Law.

Phil Kinman, Director of Compliance, 2014. Mr. Kinman has been with HESC for 10 years and has responsibilities including internal audit and oversight of regulatory and statutory compliance. Prior to joining HESC in 2014, he spent 13 years working in the student loan industry. He was previously employed by two other student loan servicers, Brazos Loan Servicing and the Missouri Higher Education Loan Authority, providing compliance management and supervision for their Private, Federal Family Education Loan Program, and Direct Loan portfolios. Mr. Kinman has served on multiple industry committees for the National Council of Higher Education Resources, Student Loan Servicing Alliance ("SLSA"), Consumer Bankers Association, and the Education Finance Council. He has continuously served on the SLSA Board of Directors in multiple capacities since 2014.

Rob Lamberson, Director of IT and Systems Development, 2007. Mr. Lamberson has been with HESC for 17 years and is responsible for all software development. He graduated magna cum laude with a BS degree in Information Systems from the University of Texas at Arlington and has been developing software since 1999 in both the financial and manufacturing industries. He is the primary architect of the HESC-owned HELIUM loan servicing system. Prior to designing and building financial and manufacturing software Mr. Lamberson served in the United States Air Force.

Leslie Johnston Birdow, Director of Community Affairs, 2020. Ms. Leslie Johnston Birdow has been with HESC for four years and comes to HESC with over 20 years of education, communications and community engagement experience. In her role as Director of Community Affairs, she leads HESC's Outreach Division known as inspirED and serves as its principal ambassador in the community. She most recently served as the Director of Communications for Arlington ISD where she worked the past 11 years. Ms. Birdow holds a Bachelor of Science in Public Relations from the University of Texas in Austin and a Master's Degree in Educational Leadership and Policy Studies from the University of Texas in Arlington.

Bryndan Wright, Director of Government Affairs & Federal Contracting, 2022. Mr. Wright has been with HESC for two years. He previously worked in education, government and business. He has been a teacher in Arlington, Fort Worth and Dallas ISD's, spent five years as a campus principal and served as the chief operations officer for one Texas's largest charter schools. He has served in both state and federal government and was a small business owner for 10 years. He has a BS in education from Liberty University, a BA in political science from UT Arlington, and master's in public Administration from UT Arlington's School of Urban and Public Affairs. Mr. Wright is also a United States Marine Corps veteran.

Lindsey Sciortino, Director of Loan Services, 2004. Ms. Sciortino has been with HESC for 20 years and has worked in various departments throughout her time here. Starting in our FFELP Loan Originations department in 2004 and training new hires in Collections and Customer Service until 2015. She managed the merger of our Customer Service and Collection department into Customer Assistance and was promoted to Customer Assistance Manager in 2019. She was later promoted to Director of Loan Services in 2023 and she is currently responsible for Customer Assistance (including collections), Account Maintenance, Claims, Skip Tracing and Records and Vault Management.

The Administration Agreement

HESC will act as the Administrator under the Indenture pursuant to a Master Indenture Administration Agreement among the Authority, the Trustee and HESC (the "Administration Agreement"). The following summary of the material terms of the Administration Agreement does not cover every detail of the Administration Agreement, and reference should be made to the Administration Agreement for a full and complete statement of its provisions.

Pursuant to the Administration Agreement the Authority authorizes and appoints the Administrator to act as its agent for the purposes of performing certain administrative duties, among other things, under the Indenture. The Administrator agrees in the Administration Agreement to perform all of the duties of the Authority and the Administrator set forth in the Indenture, any Servicing Agreement (including the HESC Servicing Agreement), the Student Loan Purchase Agreement and the Custodian Agreement (as defined herein) (collectively, the "Basic Documents") with the exception of certain non-ministerial duties.

With respect to matters that in the reasonable judgment of the Administrator are non-ministerial, the Administrator will not be under any obligation to take any action, and in any event will not take any action, unless the Administrator received written instructions from the Board of Directors of the Authority or, if any Event of Default has occurred and is continuing, from the Trustee (who is not required to provide such instructions unless directed to do so by the requisite percentage of Registered Owners as specified in the Indenture) and, if deemed reasonably necessary by the Administrator, receipt of one or more additional powers of attorney, and the Administrator will not be under any obligation to take any action pursuant to the Administration Agreement unless the Administrator has received provision for reimbursement of its reasonable costs and expenses (including, as applicable, reasonable out-of-pocket expenses of its agents and subcontractors and fees and disbursements of independent accountants, attorneys and other third parties) reasonably satisfactory to it.

The Administrator will maintain appropriate books of account and records relating to services performed under the Administration Agreement, which books of account and records are to be accessible for inspection by the Authority, the Trustee, or any governmental agency having jurisdiction over any of the same, and their respective designated representatives, during normal business hours and at such reasonable times as the Administrator and the inspecting party may determine; provided, however, that such inspection is made in a manner which protects the Administrator's proprietary and confidential information (and, in this regard, the Administrator may require the execution of a confidentiality agreement) and that such inspection activities are not to unreasonably disrupt the Administrator's normal business operation.

Except during the continuance of an Administrator Default (as defined below), any such person shall be limited to a single such examination in any calendar year.

The Administrator will not limit its activities under the Administration Agreement to the specific duties set forth in the Basic Documents; instead, it shall take an active role in coordinating among all the parties involved in the Authority's student loan programs, including the Servicers, the Custodians, the Trustee, the Rating Agencies, borrowers, educational institutions, legal counsel, auditors, and regulatory agencies, on all matters arising in the ordinary course of Administrator's performance of its duties under the Administration Agreement or the Basic Documents.

As compensation for its services pursuant to the Administration Agreement, the Administrator will receive the Administration Fees payable pursuant to the Indenture. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Senior Transaction Fees" herein.

Each of the following constitutes an "Administrator Default" under the Administration Agreement:

(a) any failure by the Administrator to cause delivery of any payments received with respect to the Financed Eligible Loans to the Trustee as required by the Administration Agreement or the Indenture, which failure continues unremedied for two (2) business days after written notice of such failure is received by the Administrator from the Trustee or the Authority or after discovery of such failure by an officer of the Administrator; or

(b) any failure by the Administrator to pay servicing invoices from Servicers with respect to the Financed Eligible Loans on a monthly basis, and processing expenses with respect to the Financed Eligible Loans, which failure is to (i) materially and adversely affect the rights of Registered Owners, and (ii) continue unremedied for a period of sixty (60) days after the date of discovery of such failure by an officer of the Administrator or on which written notice of such failure, requiring the same to be remedied, shall have been given (A) to the Administrator, by the Trustee or the Authority, or (B) to the Administrator or the Trustee by Registered Owners representing not less than two-thirds (2/3) of the Bonds Outstanding; or

(c) any failure by the Administrator to administer or maintain Servicing Agreements with Servicers with respect to the servicing of Financed Eligible Loans pledged under the Indenture, which failure shall (i) materially and adversely affect the rights of Registered Owners and (ii) continue unremedied for a period of sixty (60) days after the date of discovery of such failure by an officer of the Administrator or on which written notice of such failure, requiring the same to be remedied, shall have been given (A) to the Administrator, by the Trustee or the Authority, or (B) to the Administrator or the Trustee by Registered Owners representing not less than two-thirds (2/3) of the Bonds Outstanding; provided, however, if the Administrator shall proceed to take curative action with respect to any such failure, which if begun and prosecuted with due diligence, can cure the failure but cannot be completed within sixty (60) days, then that period shall be extended to the extent necessary to enable the Administrator to diligently complete that curative action; or

(d) any breach of a representation or warranty of the Administrator contained in the Administration Agreement or failure by the Administrator duly to observe or to perform in any material respect any term, covenant or agreement set forth in the Administration Agreement or in any other Basic Document to which the Administrator is a party (other than any breach of a representation or warranty or failure to observe any term covenant or agreement which is specifically dealt with elsewhere in the Administration Agreement), which breach or failure shall (i) materially and adversely affect the rights of Registered Owners and (ii) continue unremedied for

a period of sixty (60) days after the date of discovery of such failure by an officer of the Administrator or on which written notice of such breach or failure, requiring the same to be remedied, shall have been given (A) to the Administrator, by the Trustee or the Authority, or (B) to the Administrator or the Trustee by Registered Owners representing not less than two thirds of the Bonds Outstanding; or

(e) the Administrator shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or shall have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or shall have failed generally to pay its debts as they become due, or shall have taken any action to authorize any of the foregoing, and such action would materially and adversely affect the ability of the Administrator to perform its obligations hereunder or materially and adversely affect the rights of Registered Owners.

(f) an involuntary case or other proceeding shall have been commenced against the Administrator seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, provided such action or proceeding is not dismissed within one hundred eighty (180) days, and such action would materially and adversely affect the ability of the Administrator to perform its obligations hereunder or materially and adversely affect the rights of Registered Owners.

If an Administrator Default shall have occurred and be continuing, the Authority and the Trustee acting together may or, at the written direction of Registered Owners representing two-thirds (2/3) of the principal amount of the Bonds Outstanding, the Authority and the Trustee shall, by notice then given in writing to the Administrator, terminate all the rights and obligations (except as set forth in the Administration Agreement) of the Administrator under the Administration Agreement. Upon any termination of the Administrator pursuant to the Administration Agreement, the Authority is to appoint a successor Administrator to perform such duties whose regular business includes similar administrative and servicing duties. As of the effective date of termination of the Administrator, all authority and power of the Administrator under the Administration Agreement, whether with respect to the Bonds or the Financed Eligible Loans or otherwise, shall, without further action, pass to and be vested in such successor Administrator as may be appointed by the Authority (a "Successor Administrator"), and all files shall be disposed of pursuant to the procedures prescribed by the Administration Agreement. The Successor Administrator will succeed to all the responsibilities and duties of the Administrator under the Administration Agreement. If the Authority is unable to appoint a Successor Administrator within four (4) months of any Administrator Default as provided in the Administration Agreement, the Trustee is to, at the expense of the Authority, petition a court for the appointment of a successor whose regular business includes similar administrative duties relating to Financed Eligible Loans and for which a Rating Agency Confirmation must first be satisfied and for which the Authority has consented to in writing which consent must not be unreasonably withheld. The Administrator will continue to act as the Administrator until a successor has been so appointed pursuant to the Administration Agreement.

The Administration Agreement may be amended, supplemented or modified only by written instrument duly executed by the Administrator, the Authority and the Trustee. So long as any Bonds remain Outstanding under the Indenture, a Rating Agency Notification is required to be satisfied with respect to any such amendment, supplement or modification; provided that, the Administration Agreement may be amended at any time upon the mutual written consent of the parties to cure any ambiguity, defect, or

omission in the Administration Agreement without a Rating Agency Notification upon receipt of an opinion of Bond Counsel that any such amendment or modification will not materially adversely affect the rights or security of the Registered Owners, is authorized and permitted by the Administration Agreement and all conditions precedent have been satisfied.

The Administrator will indemnify the Authority and its agents for, and hold them harmless against, any losses, liability, claim, action, suit, cost or expense, of any kind or nature whatsoever, including reasonable attorneys' fees and expenses, incurred without negligence, willful misconduct, or bad faith on their part, arising out of the willful misconduct, negligence or bad faith or other act of the Administrator in the performance of the Administrator's duties under the Administration Agreement.

The Authority is to indemnify the Administrator and its officers, directors, employees, agents and subcontractors for, and hold them harmless against, any and all losses, liability, claim, action, suit, damage, judgment, obligation, penalty, cost or expense, of any kind or nature whatsoever, including reasonable attorneys' fees and expenses, incurred without negligence, willful misconduct, or bad faith on their part, arising out of or imposed on the Administrator through the willful misconduct, negligence or bad faith or other act of the Authority in the performance of its duties under the Administration Agreement or the other Basic Documents to which it is a party. Amounts payable by the Authority to the Administrator as described in this paragraph are payable solely out of the general unrestricted funds of the Authority and shall never be payable from the Trust Estate.

The Administration Agreement will continue in force until the discharge of the Indenture, except in the following circumstances: (a) the Administrator may resign as Administrator upon providing 180 days' written notice to the Authority and the Trustee; (b) the Authority may terminate the Administrator upon the Administrator's breach of the Administration Agreement on not less than 90 days' written notice, unless the breach is cured within such notice period, or upon the occurrence of an Insolvency Event, defined as one of the following events: (i) the Administrator becomes insolvent, however, insolvency is evidenced, (ii) a petition under Title 11 of the U.S. Code (or any similar law) is filed by or against the Administrator, or (iii) a trustee, receiver, conservator or the like is appointed for the Administrator by a court or agency having authority to do so. After resignation or termination as Administrator, the Administrator will continue to be responsible for all of the Administrator's duties under the Administration Agreement until a successor Administrator is appointed by the Authority. The Trustee may terminate the Administration Agreement as to the Trustee upon appointment of a successor Trustee under the terms of the Indenture.

The provisions of the Administration Agreement are subject to the following limitation: If by reason of force majeure the Administrator is unable in whole or in part to carry out any agreement on its part therein contained, the Administrator will not be deemed in default during the continuance of such inability. The term force majeure, as used in the Administration Agreement means, without limitation, the following: acts of God, strikes, lockouts, or other industrial disturbances; acts of public enemies; order or restraint of any kind of the government of the United States of America or of the State of Texas or City of Arlington or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots, landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, equipment, transmission pipes or canals; or any other cause or event reasonably outside the control of the Administrator.

PLAN OF FINANCE

The Authority plans to use the proceeds of the Series 2024-1 Bonds, together with other available funds of the Authority, primarily to (a) provide moneys to finance the Eligible Loans, (b) make a deposit to the Debt Service Reserve Fund and (c) pay the costs related to the issuance of the Series 2024-1 Bonds. Upon the issuance of the Series 2024-1 Bonds, the Aggregate Value, which includes the Eligible Loans,

cash and investments pledged under the Indenture, will be at least \$60,524,768, the aggregate principal amount of Bonds will be \$41,750,000, net assets under the Indenture will be at least \$18,774,768, the initial Overall Parity Percentage will be approximately 144.9%.

ESTIMATED SOURCES AND USES OF PROCEEDS

The Authority estimates the sources and uses of funds relevant to the Series 2024-1 Bonds as follows:

SOURCES OF FUNDS:

Principal Amount of Series 2024-1 Bonds	\$41,750,000
Net original issue premium.....	286,465
Available Funds of the Authority	<u>19,225,303</u>
Total Sources:	<u>\$61,261,768</u>

USES OF FUNDS:

Deposit to Student Loan Fund	
To acquire Eligible Loans on the Closing Date.....	\$35,689,768
To finance additional Eligible Loans	24,000,000
Deposit to Debt Service Reserve Fund.....	835,000
Costs of Issuance	<u>737,000</u>
Total Uses:	<u>\$61,261,768</u>

Approximately \$35,689,768 of the funds deposited to the Student Loan Fund will be used on the Closing Date to acquire (i) the Initial Eligible Loans previously originated by the Seller and (ii) additional Eligible Loans originated by the Seller after the Statistical Cut-Off Date but prior to the Closing Date, and not included in the Initial Eligible Loans. The remaining approximately \$24,000,000 deposited to the Student Loan Fund will be used to acquire additional Eligible Loans from the Seller during the Acquisition Period relating to the Series 2024-1 Bonds. The acquisition of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

The actual amounts of: (a) moneys to be transferred to the Authority to acquire Eligible Loans on the Closing Date; and (b) principal and accrued interest on the Eligible Loans to be so credited to the Student Loan Fund, will not be determined until the Closing Date. To the extent the principal amount plus accrued interest of such Eligible Loans so credited to the Student Loan Fund on the Closing Date is less than the amounts set forth in the preceding paragraph, a corresponding amount of moneys described in such paragraph will be retained in the Student Loan Fund and will be used to finance additional Eligible Loans during the Acquisition Period relating to the Series 2024-1 Bonds.

The Initial Eligible Loans are the Financed Eligible Loans referred to and described under “THE FINANCED ELIGIBLE LOANS” herein.

THE TEXAS EXTRA CREDIT LOAN PROGRAMS

Since 2000, HESC has funded and managed four private loan programs with a variety of originators, servicers and loan terms. All loans made prior to 2012 had variable and/or fixed interest rates and the specific credit criteria for those loans varied over time. Of the Initial Eligible Loans to be financed

on the Closing Date, less than 18% were originated prior to 2021. See “THE FINANCED ELIGIBLE LOANS” herein. Eligible Loans to be financed during the Acquisition Period will all be Texas Extra Credit Program Loans originated with current underwriting guidelines. See also “APPENDIX B—THE TEXAS EXTRA CREDIT LOAN PROGRAMS” herein,

In 2012, HESC launched the Texas Extra Credit Loan Program. The Texas Extra Credit Program Loans were initially originated by a third party and serviced by American Education Services. In 2016, originations for the Texas Extra Credit Loan Program moved to Cology and new underwriting criteria was established. cuLearn purchased Cology’s origination system and its assets in 2017 and began originating the Texas Extra Credit Program Loans. In 2018, HESC began servicing all newly originated Texas Extra Credit Program Loans. The following year, CURevl purchased the Cology origination system and assets from cuLearn and began originating the Texas Extra Credit Program Loans on behalf of HESC. In 2019, HESC purchased the codebase of the Cology origination system. Certain historical features of the Texas Extra Credit Loan Program are as follows (note: not all credit criteria is described).

In 2016, student borrowers needed to have a FICO score greater than 660 to be eligible; student borrowers having no FICO score or having a FICO score of at least 660 but less than 680 must have applied with a valid cosigner and debt to income ratio must not have exceeded 42%. Cosigners must have had a minimum FICO score of 660 and a debt-to-income ratio not to exceed 42%. Student borrowers and cosigners must have had verified positive annual income.

In 2017, student borrowers must have had a FICO score greater than 625 to be eligible; student borrowers must have a cosigner if they had (1) no FICO score or a FICO score of at least 625 and (2) less than two years of credit history. If student borrowers had a FICO score of at least 660, two years of credit history and a debt-to-income ratio not exceeding 44%, they did not need a cosigner. Cosigners must have had a minimum FICO score of 660 and a debt-to-income ratio not to exceed 44%.

In 2018, spousal income was allowed in the debt-to-income calculation.

In 2019, the total and permanent disability discharge was added.

Since 2020, HESC has funded and administered loan originations, disbursement, servicing and collection activities for the Texas Extra Credit Program Loans on its proprietary loan origination and servicing system, HELIUM.

In May of 2021, a minimum income of at least \$30,000 was added for student borrowers and cosigners. In addition, if a cosigner is included on a student loan application, the student borrower’s credit information is not considered, other than terminal knockout requirements.

In June of 2021, the minimum FICO score was updated to 670.

Texas Extra Credit Loan volume has grown steadily since 2021. In each of the past three fiscal years (ending in August), HESC originated Texas Extra Credit Loans in the following amounts: (a) 2021, \$1.5 million, (b) 2022, \$4.9 million and (c) 2023, \$11.8 million.

As of June 30, 2024, HESC has disbursed \$14.3 million in the 2024 fiscal year. Current Texas Extra Credit Program Loans have been originated with scheduled repayment terms of 5, 10 and 15 years (note that the 5-year repayment term was added in 2022).

Texas Extra Credit Program Loans that are currently expected to be originated and financed during the Acquisition Period with proceeds of the Series 2024-1 Bonds and other moneys deposited to the Student

Loan Fund pursuant to the Texas Extra Credit Loan Program, as described in this Official Statement, incorporate certain changes described above from the previously existing private loans. Texas Extra Credit Program Loans will bear interest at fixed interest rates that are based on factors that include the repayment option selected by each approved borrower. Each Texas Extra Credit Program Loan that is made to a student borrower will require a student borrower or cosigner meeting minimum credit criteria and a minimum FICO score of 670. Commencing in December of 2021, Texas Extra Credit Program Loans were also made to parent borrowers meeting minimum credit criteria and a minimum FICO score of 680. Texas Extra Credit Program Loans made to parent borrowers do not allow cosigners. Each Texas Extra Credit Program Loan is available for paying the certified costs and expenses, net of other forms of financial aid, of attending eligible post-secondary institutions. Repayment options for the Texas Extra Credit Program Loans made to Student Borrowers include immediate repayment of principal and interest, interest only while the Student Borrower is in school or deferral of both principal and interest while the Student Borrower is in school. Repayment options for Texas Extra Credit Program Loans made to parent borrowers include immediate repayment of principal and interest, interest only while the Student Beneficiary is in school or deferral of principal and interest while the Student Beneficiary is in school. All Texas Extra Credit Program Loans reaching 180 days of delinquency on any payment are deemed to be in default. Once in default, the Servicer may place such defaulted Texas Extra Credit Program Loan with a third-party collection agent. For more information on the Texas Extra Credit Loan Program, see “APPENDIX B—THE TEXAS EXTRA CREDIT LOAN PROGRAMS” herein.

The Authority currently expects that Texas Extra Credit Program Loans financed with proceeds of the Series 2024-1 Bonds and other amount expected to be available in the Student Loan Fund during the Acquisition Period will contain terms and conditions substantially similar to those described above. Certain of such terms and conditions are specified under the Series 2024-1 Supplemental Indenture and may only be changed upon satisfaction of the Rating Agency Notification requirement. The Authority and the Seller regularly review the terms and conditions of the Texas Extra Credit Loan Program and the Authority reserves the right to apply available proceeds of the Series 2024-1 Bonds, available proceeds of any Additional Bonds and other amounts held in the Student Loan Fund to finance loans with terms and conditions that vary from those described herein, subject, in the case of terms and conditions specified under a Supplemental Indenture, to certain requirements under the Indenture, including satisfaction of the Rating Agency Notification requirement.

The description of the current Texas Extra Credit Loan Program included in this Official Statement, including in APPENDIX B, does not address every type of Texas Extra Credit Program Loan the Seller may be authorized to originate, but does describe the types of Texas Extra Credit Program Loans that the Authority currently expects to be financed with funds to be deposited to the Student Loan Fund from the sale proceeds of the Series 2024-1 Bonds and from other amounts on deposit or deposited in the Student Loan Fund on the Closing Date.

The Program Originator

Under the Texas Extra Credit Loan Programs, the Initial Eligible Loans and Eligible Loans that will be financed under the Indenture have been, and will be, originated by the Higher Education Servicing Corporation, as originator (the “Originator”) in its internal loan origination department. The Originator is a private Texas nonprofit corporation organized under the Texas Nonprofit Corporation Law. The Originator is exempt from payment of federal income taxation as a “501(c)(3)” non-profit corporation. The Originator’s address is in care of the Administrator at the address shown under the caption “THE AUTHORITY—The Administrator, Servicer, Originator and Seller” herein. The Originator conducts and operates the business affairs of its loan origination department. Pursuant to the Student Loan Purchase Agreement, Initial Eligible Loans and future Eligible Loans will be sold to the Authority and pledged under the Indenture as part of the financing. See the caption “THE FINANCED ELIGIBLE LOANS” herein.

Origination services include, but are not limited to, application processing, underwriting, application and loan documentation and disclosure, and loan disbursement processing. For all origination processing activities related to the applicable Texas Extra Credit Loan Program, the Originator will follow the applicable program's guidelines. For more information about HESC and its services, see the captions "Servicing of the Financed Eligible Loans—*HESC Servicing Agreement*" below and "THE AUTHORITY—The Administrator, Servicer, Originator and Seller" and "—The Administration Agreement" herein.

Servicing of the Financed Eligible Loans

The HESC Servicing Agreement. The HESC Servicing Agreement will be entered into as of August 1, 2024, by and between the Higher Education Servicing Corporation, as servicer (the "Servicer" or "HESC") and the Authority.

Pursuant to the HESC Servicing Agreement, the Servicer will be responsible for administering each Financed Eligible Loan in a manner consistent with the Indenture, the Program Guidelines, the HESC Servicing Agreement and Applicable Law (as defined in the HESC Servicing Agreement). The responsibilities of the Servicer include, but are not limited to, the following: borrower communication, record retention (including contacts, follow-ups and correspondence, and all documents received by the Servicer pertaining to each Financed Eligible Loan), electronically maintaining or imaging all credit agreements evidencing Financed Eligible Loans, accounting for all transactions related to individual Financed Eligible Loans (including, but not limited to, accounting for any payments of principal and interest upon such Financed Eligible Loans), processing all deferments and forbearances, if applicable, in accordance with the Servicer's standards and as outlined in the Texas Extra Credit Loan Servicing Guidelines, processing all address changes from a borrower or Co-Signer, if applicable, and updating address changes accordingly, preparing monthly reports on or before the 15th day of each month to be delivered to the Authority, providing the Authority with copies of any annual financial audit or SOC audit performed by an audit firm or any other audit performed by any governmental agency or regulatory body, answer inquiries from appropriate parties received by it pertaining to Financed Eligible Loans, school status or refunds, due diligence activities and default prevention procedures by the Texas Extra Credit Loan Servicing Guidelines with respect to delinquent Financed Eligible Loans, and certain disbursement services for any Eligible Loan upon written request from the Authority. In addition, in order to maintain and perfect the security interest of the Trustee in the Financed Eligible Loans, it is recognized that the Servicer will act as bailee and custodian for the Trustee, pursuant to the terms of the Custodian Agreement (defined below) and will maintain possession of the credit agreements, documents or other evidences of indebtedness on behalf of the Trustee.

In consideration for its services pursuant to the HESC Servicing Agreement, the Servicer is compensated in accordance with the fee schedule provided in the HESC Servicing Agreement, subject to adjustment as set forth in the HESC Servicing Agreement. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024-1 BONDS—Senior Transaction Fees" herein.

In the event the Servicer's action or inaction causes a loss on a Financed Eligible Loan, the Servicer shall have one hundred twenty (120) days to resolve such issue or such longer period as the Authority may permit. If such issue is not resolved within such amount of time, the Servicer is to repurchase such Financed Eligible Loans from the Authority at an amount equal to the outstanding principal balance on the affected loan plus all accrued but unpaid interest plus any unamortized premium. The payment to the Authority is to be full compensation for any and all damages attributable to Servicer, and the Authority is not to be entitled to any other damages of any kind whatsoever.

In no event will Servicer be liable under any theory of tort, contract, strict liability or other legal or equitable theory, for any lost profits or exemplary, punitive, special, incidental, indirect or consequential damages. Any action for breach of any provision of the HESC Servicing Agreement must be commenced within one year after the breach was discovered or should have been discovered.

The Authority shall reimburse the Servicer for all reasonable expenses and costs in connection with all claims, liabilities, losses, damages, costs and expenses (including reasonable attorney's fees) asserted against or incurred by the Servicer as a result of the Servicer's complying with any instruction or directive of the Authority in performing its obligations under the HESC Servicing Agreement.

Unless terminated pursuant to a Servicer Default (as defined below) or an Authority Default (as defined below), the HESC Servicing Agreement is to continue through the termination of the Indenture. Pursuant to the HESC Servicing Agreement, the following constitutes a "Servicer Default" as set forth in the HESC Servicing Agreement: (i) any failure by the Servicer to cause delivery of any payments received with respect to the Financed Eligible Loans to the Trustee as required by the HESC Servicing Agreement or the Indenture, which failure continues unremedied for two (2) business days after written notice of such failure is received by the Servicer from the Trustee or the Authority or after discovery of such failure by an officer of the Servicer; (ii) any breach of a representation or warranty of the Servicer contained in the HESC Servicing Agreement or failure by the Servicer duly to observe or to perform in any material respect any term, covenant or agreement set forth in the HESC Servicing Agreement or the Administration Agreement, the Student Loan Purchase Agreement, or the Custodian Agreement (other than any breach of a representation or warranty or failure to observe any term covenant or agreement which is specifically dealt with elsewhere in the HESC Servicing Agreement), which breach or failure will (A) materially and adversely affect the rights of the Authority or the Registered Owners and (B) continue unremedied for a period of sixty (60) days after the date of discovery of such failure by an officer of the Servicer or on which written notice of such breach or failure, requiring the same to be remedied, shall have been given to the Servicer by the Authority; (iii) the Servicer is to have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or is to have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or is to have failed generally to pay its debts as they become due, or is to have taken any action to authorize any of the foregoing, and such action would materially and adversely affect the ability of the Servicer to perform its obligations under the HESC Servicing Agreement or materially and adversely affect the rights of the Authority or the Registered Owners; and (iv) an involuntary case or other proceeding is to have been commenced against the Servicer seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or after the date of the HESC Servicing Agreement in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, provided such action or proceeding is not dismissed within one hundred eighty (180) days, and such action would materially and adversely affect the ability of the Servicer to perform its obligations under the HESC Servicing Agreement or materially and adversely affect the rights of the Authority or the Registered Owners. Following a Servicer Default, the Authority is to provide written notice to the Servicer that the HESC Servicing Agreement is to terminate after the Authority's appointment of a Successor Servicer ("Successor Servicer"), the Successor Servicer's execution and delivery of a servicing agreement and satisfaction of a Rating Agency Notification.

Additionally, pursuant to the HESC Servicing Agreement, if the Authority refuses or fails to perform any material obligation of this Agreement and the failure or refusal to correct or cure such performance or lack thereof subsists for one hundred twenty (120) days or more it is to be considered an "Authority Default." After an Authority Default, the Servicer will be entitled to terminate the HESC Servicing Agreement; however, the Servicer is required to continue performing all its obligations under the

HESC Servicing Agreement until (i) the Authority's appointment of a successor servicer; (ii) the successor servicer's execution and delivery of a servicing agreement, and (iii) satisfaction of the Rating Agency Notification by the Authority.

In addition, pursuant to the HESC Servicing Agreement the Servicer may resign as Servicer by providing the Authority with one hundred twenty 120 days' written notice. Such resignation is not to be effective and the Servicer is required to continue performing all its obligations under the HESC Servicing Agreement until (i) the Authority's appointment of a Successor Servicer; (ii) the Successor Servicer's execution and delivery of a Servicing Agreement, and (iii) satisfaction of the Rating Agency Notification by the Authority.

The HESC Servicing Agreement is subject to the following limitation: If by reason of force majeure the Servicer is unable in whole or in part to carry out any agreement on its part contained in the HESC Servicing Agreement, the Servicer will not be deemed in default during the continuance of such inability. The term force majeure, as used in the HESC Servicing Agreement means, without limitation, the following: acts of God, strikes, lockouts, or other industrial disturbances; acts of public enemies; order or restraint of any kind of the government of the United States of America or of the State of Texas or City of Arlington or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, equipment, transmission pipes or canals; or any other cause or event reasonably outside the control of the Servicer. The Servicer will use its best efforts to correct any such force majeure to prevent any interruptions of servicing activities required by the HESC Servicing Agreement.

Custody of Financed Eligible Loans

The promissory notes evidencing the Initial Eligible Loans, together with other materials included in student loan files pledged to the Trustee under the Indenture, are held by the Higher Education Servicing Corporation, as custodian (the "Custodian"), for the benefit of the Authority and the Trustee pursuant to the HESC Servicing Agreement and that certain Custodian Agreement dated as of August 1, 2024 (as supplemented and amended, the "Custodian Agreement"), among the Authority, the Trustee and the Custodian.

It is anticipated that any additional Eligible Loans which are acquired with proceeds of Series 2024-1 Bonds during the Acquisition Period relating to the Series 2024-1 Bonds will similarly be held by the Custodian, pursuant to the HESC Servicing Agreement and the Custodian Agreement.

Student Loan Purchase Agreement

The Eligible Loans will be acquired from the Seller pursuant to the terms and provisions of the Student Loan Purchase Agreement, between the Higher Education Servicing Corporation, as seller (the "Seller") and the Authority, as purchaser.

Subject to the terms and conditions of the Student Loan Purchase Agreement, on each sale date, the Seller will irrevocably sell, assign and otherwise convey to the Authority, and the Authority will accept and acquire from the Seller, identified Eligible Loans, together with all of the Seller's right, title and interest in, to and under the following: (a) all Revenue on or with respect to such Eligible Loans on or after the applicable sale date; (b) any promissory notes, credit agreements and other documents evidencing Eligible Loans, including any "Application and Credit Agreement" documents, and all extensions and renewals thereof; (c) all records (including computer tapes and disks) related to the foregoing; and (d) all collections or other proceeds of any and all of the foregoing.

The Seller will make the following representations and warranties to the Authority pursuant to the Student Loan Purchase Agreement as of each sale date for the Eligible Loans being sold to the Authority:

(a) Each Eligible Loan was made in compliance with the requirements of the Program set forth in the Program Guidelines, including all underwriting and eligibility requirements contained therein.

(b) Each Eligible Loan was originated and has been serviced in compliance with all applicable local, state and federal laws, rules and regulations, including, without limitation, all applicable nondiscrimination, truth-in-lending, consumer credit and usury laws, and the Program Guidelines.

(c) Each Eligible Loan is accruing interest (whether or not such interest is being paid currently by the borrower or is being capitalized). The amount of the unpaid principal balance of each Eligible Loan, and the amount of all future disbursements of each Eligible Loan, shown on the applicable purchase confirmation is correct, and no counterclaim, offset, defense or right to rescission exists with respect to any Eligible Loan that can be asserted and maintained or that, with notice, lapse of time, or the occurrence or failure to occur of any act or event, could be asserted and maintained by the borrower against the Seller or the Authority.

(d) The Seller is the sole owner and holder of each Eligible Loan and has full right and authority to transfer the same free and clear of all liens, pledges or encumbrances, except for any existing liens of the Authority which will be released on the date of issuance of the Series 2024-1 Bonds and upon the delivery of a fully executed Purchase Confirmation, Bill of Sale and Blanket Endorsement evidencing the transfer of the Eligible Loan to the Authority pursuant to the Student Loan Purchase Agreement, the Authority will acquire full right, title and interest in such Eligible Loan free and clear of all liens, pledges or encumbrances whatsoever.

(e) All material documentation relating to the Eligible Loans, including the Notes and Documents (and in particular the original Application and Credit Agreement) for each Eligible Loan, is in the possession of the Custodian. The Seller made an authoritative record of all electronic signatures on the Notes and Documents for each Eligible Loan (and in particular the original Application and Credit Agreement) consistent with industry standards and such record is in the possession of the Custodian.

(f) The information set forth in the applicable purchase confirmation and bill of sale accurately describes and identifies the Eligible Loans transferred on the date of purchase.

(g) The Seller, in its role as servicer prior to the date of the sale of each Eligible Loan under the Student Loan Purchase Agreement, exercised due diligence and reasonable care in originating, administering, servicing and collecting the Eligible Loans.

(h) Each Eligible Loan has been duly executed and delivered and constitutes the legal, valid and binding obligation of the maker (and the endorser or co-signer, if any) thereof, enforceable in accordance with its terms. Each Eligible Loan is evidenced by a single executed promissory note (which may be in electronic form), which note is a valid and binding obligation of the borrower, enforceable by or on behalf of the holder thereof in accordance with its terms, subject to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Each Eligible Loan is free of any and all liens, claims, encumbrances and security interests of any description, except for any liens of the Authority which will be released on the date of issuance of the Series 2024-1 Bonds.

(i) Each transfer of or contribution of the Eligible Loans (including all payments due or to become due thereunder) by the Seller pursuant to the Student Loan Purchase Agreement is not subject to and will not result in any tax, fee or governmental charge payable by the Authority or the Seller to any federal, state or local government (“Transfer Taxes”) except such Transfer Taxes as are paid by the Seller at the time of transfer and except UCC filing fees.

(j) No Eligible Loan is a Defaulted Loan.

(k) Other than pursuant to the Student Loan Purchase Agreement, the Seller has not pledged, assigned, sold, transferred, granted a security interest in (which has not been released on the date of issuance of the Series 2024-1 Bonds with respect to the Eligible Loans), or otherwise conveyed any of the Eligible Loans. The Seller has not authorized the filing of and is not aware of any financing statements against the Seller that include a description of collateral covering the Eligible Loans (and which has not been released with respect to the Eligible Loans) other than any financing statement relating to the transfer of the Eligible Loans pursuant to the Student Loan Purchase Agreement. The Seller is not aware of any judgment or tax lien filings against the Seller.

(l) The Seller has conducted a reasonable investigation of sufficient scope and content to enable it to make in good faith the representations and warranties contained in the Student Loan Purchase Agreement.

If any breach of a representation or warranty of the Seller contained in the Student Loan Purchase Agreement, which breach or failure directly results in such Eligible Loan becoming unenforceable or in nonconformance with the loan terms of the Program Guidelines resulting in harm to the value of such Eligible Loan, the Seller may cure the error within 5 (five) Business Days from when the Seller learns of the error. If the Authority becomes aware of the error prior to the Seller obtaining knowledge, the Authority will give the Seller written notice of the same. In the event the error cannot be cured, the Seller will purchase or arrange for purchase of the loan from the Authority at an amount equal to the outstanding principal balance, accrued but unpaid interest thereon and unamortized premium, if any. If the error is cured after the date of purchase by the Seller, the Authority, at its option, may repurchase such Eligible Loan from the Seller or its designee, at a price equal to the outstanding principal amount thereof, accrued but unpaid interest thereon and unamortized premium, if any.

The Student Loan Purchase Agreement may be terminated at any time: (a) by the mutual consent of the Seller and the Authority; (b) by either party to the Student Loan Purchase Agreement if there has been a material misrepresentation, breach of warranty or breach of covenant of the representations, warranties and covenants set forth in the Student Loan Purchase Agreement on the part of the other party; or (c) by the Authority if due to market conditions or changes in law it is no longer feasible to finance the Eligible Loans or the Authority otherwise determines it is not in the best interest of the Authority to continue with purchases. In such case, the Seller will immediately cease to accept applications for Eligible Loans to be sold to the Authority under the Student Loan Purchase Agreement. The termination will not become effective until the Authority purchases (i) all Eligible Loans the Seller has made for sale to the Authority under the Program prior to the date of the notice of termination and (ii) all Eligible Loans made by Seller from applications that were accepted prior to the date of the notice of termination. In the event of termination of the Student Loan Purchase Agreement by either the Seller or the Authority: (i) if such termination occurs prior to the initial sale date, the Student Loan Purchase Agreement shall become void and there shall be no liability on the part of the Seller or the Authority, or their respective employees, officers, directors, members or trustees and (ii) if such termination occurs subsequent to the initial sale date, the Student Loan Purchase Agreement shall become void and there shall be no liability on the part of the Seller or the Authority, or their respective employees, officers, directors, members or trustees, except that the representations and warranties and the related repurchase obligation with respect to loans purchased

prior to the time of such termination shall survive indefinitely, and except with respect to willful breaches of the Student Loan Purchase Agreement prior to the time of such termination.

THE FINANCED ELIGIBLE LOANS

The Seller has originated, and will originate, certain Eligible Loans with its own funds prior to the Closing Date. The Eligible Loans expected to be acquired or financed with amounts deposited to the Student Loan Fund include: (i) the Initial Eligible Loans previously originated by the Seller (ii) additional Eligible Loans originated by the Seller after the Statistical Cut-Off Date but prior to the Closing Date and (iii) additional Eligible Loans to be acquired during the Acquisition Period relating to the Series 2024-1 Bonds. See the captions “ESTIMATED SOURCES AND USES OF PROCEEDS” and “THE TEXAS EXTRA CREDIT LOAN PROGRAMS” herein.

Following the acquisition of the additional Eligible Loans with the amounts remaining in the Student Loan Fund, the aggregate characteristics of the entire pool of Eligible Loans will vary from those of the Initial Eligible Loans set forth in the tables below and described in this Official Statement. Furthermore, the issuance of Additional Bonds and the purchase of Eligible Loans with the proceeds thereof will cause the aggregate characteristics of the pool of Financed Eligible Loans to vary still further from those of the Initial Eligible Loans and the additional Eligible Loans financed during the Acquisition Period relating to the Series 2024-1 Bonds. The acquisition of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Financed Eligible Loans as to which any payment has been delinquent for 180 days or more will be deemed to have a value of \$0, but will continue to constitute Financed Eligible Loans.

The following tables describe certain characteristics of the Initial Eligible Loans as of the Statistical Cut-off Date. The Authority expects that the characteristics of the Initial Eligible Loans reflected in these tables will vary due to the continued amortization of the Initial Eligible Loans between the Statistical Cut-off Date and the Closing Date. Although the statistical distribution as of the Closing Date of the characteristics of the Initial Eligible Loans anticipated to be acquired or financed on the Closing Date will vary somewhat in other respects from the statistical distribution of those characteristics shown below, the Authority does not believe that those characteristics will differ materially. The sum of the characteristics may not add up to the total therefor in the following tables due to rounding.

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**Composition of the Initial Eligible Loans
As of the Statistical Cut-Off Date⁽¹⁾**

Aggregate Principal Balance ⁽²⁾	\$34,880,386
Total Number of Borrowers	1,706
Average Outstanding Principal Balance per Borrower	\$20,446
Total Accrued Interest to be Capitalized	\$809,382
Accrued Interest Due	\$211,702
Total Accrued Interest Due	\$1,021,084
Number of Loans	2,463
Average Outstanding Principal Balance Per Loan	\$14,162
Weighted Average Borrower Interest Rate before Borrower Benefits	5.44%
Weighted Average Borrower Interest Rate adjusted for Borrower Benefits	5.40%
Weighted Average FICO Credit Score ⁽³⁾	778
Weighted Average Original Term (Months)	128
Weighted Average Remaining Term (Months)	116
Percent Cosigned	90.98%

¹ All weighted averages are based on the aggregate principal balance (exclusive of accrued interest to be capitalized).

² Exclusive of accrued interest to be capitalized.

³ FICO Score at origination of loan.

**Distribution of the Initial Eligible Loans by Private Loan Program
As of the Statistical Cut-Off Date**

Private Loan Program	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Texas Extra Credit Parent Loan Program	146	\$ 2,751,004	7.89%
Texas Extra Credit Student Loan Program	<u>2,317</u>	<u>32,129,382</u>	<u>92.11</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans (Parent Loans Only) by Cosigner Status
As of the Statistical Cut-Off Date**

Cosigner Status	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Cosigned	-	--	-
Non-Cosigned	<u>146</u>	<u>\$2,751,004</u>	<u>100.00%</u>
Total	<u>146</u>	<u>\$2,751,004</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans (Student Loans Only) by Cosigner Status
As of the Statistical Cut-Off Date**

Cosigner Status	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Cosigned	2,119	\$29,230,564	90.98%
Non-Cosigned	<u>198</u>	<u>2,898,818</u>	<u>9.02</u>
Total	<u>2,317</u>	<u>\$32,129,382</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans by Borrower Repayment Option
As of the Statistical Cut-Off Date**

Borrower Repayment Option	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Deferred Repayment Student	1,453	\$19,689,551	56.45%
Immediate Repayment Student	431	6,255,318	17.93
Interest-Only Repayment Student	433	6,184,513	17.73
Immediate Repayment Parent	70	1,291,735	3.70
Deferred Repayment Parent	43	771,002	2.21
Interest-Only Repayment Parent	<u>33</u>	<u>688,268</u>	<u>1.97</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans by Borrower Repayment Status
As of the Statistical Cut-Off Date**

Borrower Repayment Status	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
In School Deferment	1,387	\$20,530,137	58.86%
Repayment Current	1,040	13,765,560	39.47
Forbearance	26	455,846	1.31
Repayment Delinquent	9	121,889	0.35
Armed Forces Deferment	<u>1</u>	<u>6,953</u>	<u>0.02</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

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**Distribution of the Initial Eligible Loans by FICO Score Range
As of the Statistical Cut-Off Date**

FICO Score Range⁽¹⁾	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
670-679	43	\$ 501,491	1.44%
680-689	59	752,434	2.16
690-699	74	982,821	2.82
700-709	87	1,197,837	3.43
710-719	111	1,519,894	4.36
720-729	123	1,445,064	4.14
730-739	106	1,373,424	3.94
740-749	148	2,214,806	6.35
750-759	162	2,345,455	6.72
760-769	149	2,025,276	5.81
770-779	171	2,492,548	7.15
780-789	163	2,360,744	6.77
790-799	166	2,366,586	6.78
800-809	191	2,678,481	7.68
810-819	178	2,715,026	7.78
820-829	183	2,490,703	7.14
830-839	178	2,546,982	7.30
840-850	<u>171</u>	<u>2,870,813</u>	<u>8.23</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

¹ FICO Score at origination of loan.

**Distribution of the Initial Eligible Loans by Grade Level
As of the Statistical Cut-Off Date**

Grade Level	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Undergrad Freshman	498	\$ 7,934,070	22.75%
Undergrad Sophomore	399	5,789,270	16.60
Undergrad Junior	364	4,659,001	13.36
Undergrad Senior	368	4,439,962	12.73
Undergrad Senior +	139	2,986,358	8.56
Graduate	131	2,887,569	8.28
Other	<u>564</u>	<u>6,184,156</u>	<u>17.73</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans in Repayment by Remaining Term to Scheduled
Maturity (Months)
As of the Statistical Cut-Off Date**

Remaining Months Until Scheduled Maturity (Months)	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Less than 61	640	\$ 7,637,877	21.90%
61-72	63	428,190	1.23
73-84	111	1,246,619	3.57
85-96	175	2,012,376	5.77
97-108	265	3,660,542	10.49
109-120	489	7,951,701	22.80
121-132	49	743,528	2.13
133-144	37	421,068	1.21
145-156	79	1,146,483	3.29
157-168	176	2,792,522	8.01
169-180	358	6,318,134	18.11
181-204	<u>21</u>	<u>521,346</u>	<u>1.49</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans by Current Borrower Interest Rate
(Adjusted for Benefits)
As of the Statistical Cut-Off Date**

Current Borrower Interest Rate (Adjusted for Benefits)	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
2.01% to 3.00%	46	\$ 894,174	2.56%
3.01% to 4.00%	122	2,131,684	6.11
4.01% to 5.00%	854	12,244,629	35.10
5.01% to 6.00%	796	11,416,361	32.73
6.01% to 7.00%	330	4,366,175	12.52
7.01% to 8.00%	121	1,590,160	4.56
8.01% to 9.00%	135	1,549,110	4.44
9.01% to 10.00%	45	490,129	1.41
10.01% to 11.00%	13	191,482	0.55
11.01% to 12.00%	<u>1</u>	<u>6,481</u>	<u>0.02</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

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**Distribution of the Initial Eligible Loans
by Days Delinquent (Loans in Repayment Only)
As of the Statistical Cut-Off Date**

Payment Delinquency	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Current	989	\$13,203,620	95.08%
Less than 30 Days	51	561,940	4.05
30 to 59 Days	8	113,889	0.82
60 to 89 Days	<u>1</u>	<u>8,000</u>	<u>0.06</u>
Total	<u>1,049</u>	<u>\$13,887,450</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans by Outstanding Principal Balance
As of the Statistical Cut-Off Date**

Outstanding Principal Balance	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
\$0 - \$4,999.99	408	\$ 1,290,405	3.70%
\$5,000 - \$9,999.99	693	5,092,939	14.60
\$10,000 - \$14,999.99	496	5,961,599	17.09
\$15,000 - \$19,999.99	263	4,466,171	12.80
\$20,000 - \$24,999.99	264	5,842,216	16.75
\$25,000 - \$29,999.99	142	3,828,334	10.98
\$30,000 - \$34,999.99	57	1,824,003	5.23
\$35,000 - \$39,999.99	34	1,248,701	3.58
\$40,000 - \$44,999.99	35	1,473,568	4.22
\$45,000 - \$49,999.99	20	949,235	2.72
\$50,000 - \$54,999.99	20	1,038,114	2.98
\$55,000 - \$59,999.99	14	789,388	2.26
\$60,000 - \$64,999.99	11	683,304	1.96
\$65,000 - \$69,999.99	<u>6</u>	<u>392,408</u>	<u>1.13</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans by School Type
As of the Statistical Cut-Off Date**

School Type	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
4-Year	2,452	\$34,807,320	99.79%
Proprietary Institution	<u>11</u>	<u>73,065</u>	<u>0.21</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

**Distribution of the Initial Eligible Loans
by School
As of the Statistical Cut-Off Date**

School¹	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Texas A&M University	644	\$ 8,228,001	23.59%
Baylor University	257	6,359,925	18.23
Texas Tech University	163	1,568,876	4.50
Texas State University-San Marcos	95	1,024,238	2.94
Texas Christian University	37	968,772	2.78
University of North Texas	103	892,296	2.56
Rice University	28	847,018	2.43
University of Arkansas	50	673,330	1.93
University of Texas at Arlington	82	637,387	1.83
University of Houston	67	635,745	1.82
Dallas Baptist University	45	631,600	1.81
Abilene Christian University	32	572,517	1.64
University of Saint Thomas	19	528,982	1.52
University of Mary Hardin-Baylor	40	462,493	1.33
University of Texas at Dallas	43	446,706	1.28
Tarleton State University	46	444,476	1.27
Concordia University Texas	22	427,551	1.23
University of Texas at Austin	24	398,208	1.14
University of Oklahoma	18	368,655	1.06
New York University	12	344,330	0.99
Other	<u>636</u>	<u>8,419,280</u>	<u>24.12</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

¹ Based upon the highest degree attained by the borrower.

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**Distribution of the Initial Eligible Loans by Outstanding Principal Balance
As of the Statistical Cut-Off Date**

Year of First Disbursement	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
2016	14	\$ 122,269	0.35%
2017	103	1,108,560	3.18
2018	131	1,417,614	4.06
2019	133	1,502,586	4.31
2020	173	1,964,936	5.63
2021	241	3,309,287	9.49
2022	420	6,495,893	18.62
2023	991	15,550,806	44.58
2024	<u>257</u>	<u>3,408,433</u>	<u>9.77</u>
Total	<u>2,463</u>	<u>\$34,880,386</u>	<u>100.00%</u>

Performance of the Initial Eligible Loans

The Initial Eligible Loans were all originated after January 1, 2016; therefore, there is only a limited amount of historical performance information. As of the Statistical Cut-Off Date, only nine (9) of the Initial Eligible Loans were delinquent, and only twenty-six (26) of the Initial Eligible Loans are currently in a forbearance status. See the caption “CERTAIN RISK FACTORS—Limited Performance History of the Financed Eligible Loans” herein.

TAX MATTERS

General Matters. In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2024-1 Bonds (including any original issue discount properly allocable to the owner of a Series 2024-1 Bond, as applicable) is excludable from gross income for federal income tax purposes. The opinion described above assumes the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2024-1 Bonds. Failure to comply with such requirements could cause interest on the Series 2024-1 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024-1 Bonds. The Authority has covenanted to comply with such requirements. In the opinion of Special Tax Counsel, interest on the Series 2024-1 Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series 2024-1 Bonds may affect the federal alternative minimum tax imposed on certain corporations. Special Tax Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2024-1 Bonds.

The accrual or receipt of interest on the Series 2024-1 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2024-1 Bonds. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Special Tax Counsel has expressed no opinion regarding any such consequences.

Purchasers of the Series 2024-1 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or

railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2024-1 Bonds.

Special Tax Counsel has expressed no opinion regarding legal matters concerning the Series 2024-1 Bonds under the laws of the State or Texas or any other state or jurisdiction, except with respect to federal income tax matters to the extent set forth in the preceding two paragraphs. With respect to legal matters concerning the Series 2024-1 Bonds under the laws of the State of Texas, Special Tax Counsel has relied on the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that the Series 2024-1 Bonds constitute valid and legally binding special obligations of the Authority. A copy of the form of opinion of Special Tax Counsel is attached as Appendix D hereto. Copies of the form of the opinions of Bond Counsel are attached as Appendix C hereto.

Original Issue Discount. The Series 2024-1 Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Discount Bonds”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Series 2024-1 Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a

Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2024-1 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2024-1 Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2024-1 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2024-1 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2024-1 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2024-1 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2024-1 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Tax Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2024-1 Bonds, and Special Tax Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2024-1 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2024-1 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2024-1 BONDS.

CERTAIN INVESTMENT COMPANY ACT CONSIDERATIONS

The Authority is not registered or required to be registered as an "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act"), pursuant to Section 2(b) of the Investment Company Act, although there may be additional exclusions or exemptions available to the Authority. The Authority does not rely upon the exclusions from the definition of "investment company" set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. The Authority does not constitute a "covered fund" for purposes of Section 619 of the Dodd-Frank Act, also known as the Volcker Rule. Since the Authority has not registered, and does not intend to register, as an investment

company under the Investment Company Act, Registered Owners will not be afforded protections of the provisions of the Investment Company Act designed to protect investment company investors.

ABSENCE OF CERTAIN LITIGATION

To the knowledge of the Authority, there is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2024-1 Bonds, or in any way contesting or affecting the validity of the Series 2024-1 Bonds, any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2024-1 Bonds or the due existence of powers of the Authority.

LEGALITY

The legality of the authorization, issuance and sale of the Series 2024-1 Bonds is subject to the approving opinions of the Attorney General of the State of Texas and the legal opinions of Norton Rose Fulbright US LLP, Bond Counsel. The opinions of Bond Counsel will be delivered substantially in the forms attached hereto as Appendix C. Certain additional legal matters will be passed upon for the Authority by Kutak Rock LLP, as Special Tax Counsel to the Authority. The opinion of Special Tax Counsel will be delivered substantially in the form attached hereto as Appendix D. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP.

UNDERWRITING

The Series 2024-1 Bonds are being purchased by BofA Securities, Inc., or any successor thereto, as the Underwriter. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2024-1 Bonds if any are purchased. The Authority has agreed to indemnify the Underwriter against certain liabilities in connection with the sale of the Series 2024-1 Bonds. In connection with the issuance of the Series 2024-1 Bonds, the Underwriter will purchase the Series 2024-1 Bonds at a price of \$41,681,055, which is equal to the aggregate face amount of the Series 2024-1 Bonds plus net original issue premium of \$286,465 and less an underwriter's discount of \$355,410.

The Underwriter may offer and sell the Series 2024-1 Bonds to certain dealers, including dealers depositing Series 2024-1 Bonds into unit investment trusts, and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering prices may be changed from time to time by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority and/or persons and entities with relationships with the Authority.

The Underwriter may from time to time perform investment banking services for, or solicit investment banking business from, any person named in this Official Statement. The Underwriter and/or its employees or customers may from time to time have a long or short position in the Series 2024-1 Bonds.

These long or short positions may be as a result of any market making activities with respect to the Series 2024-1 Bonds. The Underwriter and/or its employees or customers may from time to time enter into hedging positions with respect to the Series 2024-1 Bonds.

BofA Securities, Inc., as an underwriter of the Series 2024-1 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2024-1 Bonds.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATINGS

Prior to the issuance and delivery of the Series 2024-1 Bonds, S&P Global Ratings (“S&P”), is expected to assign a bond rating of “AA(sf)” to the Series 2024-1 Bonds.

Such rating reflects only the views of S&P at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. An explanation of the significance of such rating can only be obtained from S&P. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2024-1 Bonds. The rating is not a recommendation to buy or sell the Series 2024-1 Bonds and are not a comment as to the suitability of the Series 2024-1 Bonds for any investor. See the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

FINANCIAL ADVISOR

S L Capital Strategies LLC has served as financial advisor to the Authority in connection with the issuance of the Series 2024-1 Bonds. S L Capital Strategies LLC is not obligated to undertake, and has not undertaken, an independent verification of nor does S L Capital Strategies LLC assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE AND INVESTOR REPORTING

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority will enter into a continuing disclosure agreement with respect to the Series 2024-1 Bonds (a “Continuing Disclosure Agreement”) setting forth the undertaking of the Authority regarding continuing disclosure with respect to the Series 2024-1 Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix E attached hereto.

Monthly reports concerning the Bonds and the Financed Eligible Loans will be made available to Registered Owners as described in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Monthly Reports; Periodic Information on the Financed Eligible Loans” attached hereto. These monthly reports will contain information concerning the Bonds and the Financed Eligible Loans during the period

since the previous report. The Authority shall cause the Administrator to prepare and furnish to the Trustee and the Trustee shall make available a copy of such monthly reports on the Trustee's website, the address of which is currently www.debt.com. The Authority reserves the right (a) to alter the format in which such periodic information is presented, (b) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website, or (c) to make such periodic information available by including it as part of the Monthly Report that is delivered during that period.

Rule 15Ga-1 promulgated by the Securities and Exchange Commission requires "securitizers" of "asset-backed securities" as such terms are defined for purposes of the rule (including, with respect to the Series 2024-1 Bonds, the Authority), for which the underlying transaction documents contain a covenant to repurchase or replace underlying assets for breaches of representations or warranties, to periodically file specified information regarding securitized assets that were the subject of a demand for repurchase or replacement due to a breach of a representation or warranty. The Authority intends to file such reports on the EMMA website.

During the last five years, the Authority has, to the best of its knowledge, complied in all material respects with its previous contractual undertakings to provide annual financial information, operating data and notices of material events in accordance with the Rule except for the following matters: (i) the Authority did not link its audited financial statements for fiscal years 2018 through 2022 to certain CUSIP numbers for securities that are no longer outstanding; (ii) the Authority did not publish the required operating data for fiscal years 2018 through 2022 for securities that are no longer outstanding; (iii) the Authority omitted certain operating data from its filings for fiscal years 2018 through 2020 for securities that are no longer outstanding; (iv) the Authority published its fiscal year 2021 and 2022 operating data 410 days late and 45 days late, respectively, for certain outstanding securities; (v) the Authority published its fiscal year 2023 operating data late for certain outstanding securities; and (vi) the Authority published its audited financial statements for fiscal year 2023 late for certain outstanding securities. The Authority filed a late filing notice on the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board located at <http://emma.msrb.org> on October 25, 2023, with respect to the items listed in clause (iv) in the preceding sentence, the Authority filed a late filing notice on the EMMA website on March 1, 2024, with respect to the items listed in clause (v) in the preceding sentence, and the Authority filed a late filing notice on the EMMA website on July 15, 2024, with respect to the items listed in clause (vi) in the preceding sentence.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2024-1 Bonds.

The Indenture provides that all covenants, stipulations, promises, agreements and obligations of the Authority contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any officer, director or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Series 2024-1 Bonds or for any claim based thereon or on the Indenture against any officer or employee of the Authority or against any person executing the Series 2024-1 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

NORTH TEXAS HIGHER EDUCATION
AUTHORITY, INC.

By: /s/ Phillip Wambsganss
President

Dated: August 8, 2024

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Definitions

In the Indenture, the following words and terms, unless the context otherwise requires, have the following meanings:

“*Account*” means any of the accounts created and established within any Fund by the Indenture.

“*Acquisition Period*” means, with respect to the Series 2024-1 Bonds, the period commencing on the Date of Issuance and ending on October 1, 2025; except that such period may be extended as set forth in an Authority Order delivered to the Trustee if the Authority has satisfied the Rating Agency Notification.

“*Act*” means Chapter 53B of the Texas Education Code, as the same may be amended from time to time.

“*Administration Agreement*” means the Master Indenture Administration Agreement, dated as of August 1, 2024, among the Higher Education Servicing Corporation, the Trustee and the Authority, and any other administration agreement with any successor Administrator, each as amended from time to time.

“*Administration Fees*” means the fees of the Administrator under the Administration Agreement.

“*Administrator*” means Higher Education Service Corporation, and also means any other Person (a) with which the Authority has entered into an Administration Agreement, and (b) for which the Authority has satisfied a Rating Agency Notification.

“*Administrator Default*” means an event designated as such in the Administration Agreement.

“*Aggregate Value*” means, on any calculation date, the sum of the Values of all assets of the Trust Estate, and excluding purpose and non-purpose arbitrage liability amounts which, as of any date of calculation, have not been deposited into the Rebate Fund.

“*Approved Undisbursed Loans*” means those Eligible Loans for which the acquisition or funding of such Eligible Loans has been approved, but such Eligible Loans have not been fully disbursed prior to the end of the Recycling Period or Acquisition Period with respect to a Series of Bonds, as applicable, and for which amounts are available in the corresponding Account or Subaccount of the Student Loan Fund to acquire or fund such Eligible Loan.

“*Authority*” means North Texas Higher Education Authority, Inc., a nonprofit corporation created and established pursuant to, and existing under, the laws of the State of Texas, or any successor thereto.

“*Authority Order*” means a written order signed in the name of the Authority by an Authorized Representative.

“*Authorized Denominations*” means the Authorized Denominations specified for a Series of Bonds in the Supplemental Indenture relating to such Series of Bonds. The Authorized Denominations for the Series 2024-1 Bonds are \$5,000 and any integral multiple thereof.

“*Authorized Officer*” means, when used with reference to the Authority, the Administrator, the Authority’s President, Vice President, Secretary and Executive Director and, in the case of any act to be

performed or duty to be discharged, any other officer or employee of the Administrator or the Authority then authorized to perform such act or discharge such duty.

“Authorized Representative” means, when used with reference to the Authority, (a) an Authorized Officer, or (b) an individual designated in writing by an Authorized Officer of the Authority to act on the Authority’s behalf under the Indenture.

“Bond” or *“Bonds”* means any bonds, notes or other debt obligations issued pursuant to the Indenture and described under the caption “BOND DETAILS—Issuance of Bonds” in this Appendix A.

“Bond Counsel” means counsel of nationally recognized standing in the field of law relating to municipal, state and public agency financing selected by the Authority.

“Bond Payment Date” means, for any Bond, any Interest Payment Date, its Stated Maturity or the date of any debt service payment with respect thereto designated in a Supplemental Indenture.

“Bond Yield” means, with respect to any Bonds issued as Tax-Exempt Bonds, the yield on such Tax-Exempt Bonds computed in accordance with the Code.

“Business Day” means, with respect to any Series of Bonds, set forth in the Supplemental Indenture pursuant to which such Series of Bonds is issued. With respect to the Series 2024-1 Bonds, the term “Business Day” means any day on which banks located in the cities in which the principal corporate trust offices of the Trustee are located (presently, New York, New York) are generally open for business.

“Capitalized Interest Fund” means the Fund by that name created pursuant to the Indenture and further described under the caption “FUNDS—Capitalized Interest Fund” in this Appendix A, including any Accounts and Subaccounts created therein.

“City” means the City of Arlington, Texas.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in this Appendix A is deemed to include the United States Treasury Regulations, including applicable temporary and proposed regulations relating to such section which are applicable to the Tax-Exempt Bonds or the use of the proceeds thereof. A reference to any specific section of the Code is deemed also to be a reference to the comparable provisions of any enactment which supersedes or replaces the Code thereunder from time to time.

“Computation Date” means each date described as such in any Tax Document.

“Continuing Disclosure Agreement” means any Continuing Disclosure Agreement or Continuing Disclosure Certificate entered into or executed by the Authority pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as such rule may be amended from time to time. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix E attached to this Official Statement.

“Custodian Agreement” means any bailment agreement, custodian agreement or other custodial arrangement entered into or executed by the Authority and the Trustee for the custodianship of the Financed Eligible Loans and includes that certain Custodian Agreement dated as of August 1, 2024, among Higher Education Servicing Corporation, the Authority and the Trustee.

“Date of Issuance” means the date of original issuance and delivery of any Bonds to an Underwriter or other initial purchaser of Bonds from the Authority. The “Date of Issuance” for the Series 2024-1 Bonds is August 28, 2024.

“Debt Service Fund” means the Fund by that name created pursuant to the Indenture and further described under the caption “FUNDS—Debt Service Fund” in this Appendix A, including any Accounts and Subaccounts created therein.

“Debt Service Reserve Fund” means the Fund by that name created pursuant to the Indenture and further described under the caption “FUNDS—Debt Service Reserve Fund” in this Appendix A, including any Accounts and Subaccounts created therein.

“Debt Service Reserve Fund Requirement” has the meaning set forth in a Supplemental Indenture; provided, however, any such requirement may be reduced if the Authority is to have satisfied the Rating Agency Notification. Pursuant to the Series 2024-1 Supplemental Indenture, “Debt Service Reserve Fund Requirement” means an amount equal to 2.00% of the aggregate principal amount of the Bonds then Outstanding (calculated semi-annually on each June 1 and December 1), with a minimum balance of \$500,000.

“Defaulted Loan” means, except as otherwise provided in a Supplemental Indenture, an Eligible Loan which has reached 180 days of delinquency and has been classified in the Authority’s loan files as a Defaulted Loan.

“Deferred Loan” means an Eligible Loan of a borrower who has selected the full deferment repayment option.

“Eligible Account” means, at any time, a segregated account with an Eligible Institution, which will be a segregated account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the States or the District of Columbia (or any domestic branch of a foreign bank), having corporate trust powers and acting as trustee or paying agent for funds deposited in such account.

“Eligible Institution” means a depository institution organized under the laws of the United States of America or any one of the States or the District of Columbia (or any domestic branch of a foreign bank) (a) whose deposits are insured by the FDIC, and (b) which has (i) a long-term unsecured debt rating of at least “A” by S&P, so long as S&P maintains a rating on the Bonds, and (ii) carries a rating from each other Rating Agency at any time rating the Bonds in one of their generic rating categories which signifies investment grade. If so qualified, the Paying Agent, the Trustee and any other entity that holds funds or securities in connection with the Bonds may be considered an Eligible Institution.

“Eligible Loan” means any loan made to finance or refinance post-secondary education that is (a) authorized to be made under the Act and made or acquired by the Authority pursuant to the Program Guidelines, the Student Loan Purchase Agreement and any Supplemental Indenture or (b) if the Authority is to have satisfied the Rating Agency Notification, otherwise permitted to be acquired by the Authority pursuant to its Program as authorized under the Act.

“Event of Bankruptcy” means (a) the Authority has commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or has made a general assignment for the benefit of creditors, or has declared a moratorium with respect to

its debts or is to have failed generally to pay its debts as they become due, or has taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding has been commenced against the Authority seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property provided such action or proceeding is not dismissed within 60 days.

“*Event of Default*” has the meaning specified under the caption “DEFAULTS AND REMEDIES—Events of Default Defined” in this Appendix A.

“*Excess Earnings*” means, with respect to Financed Eligible Loans held in the Student Loan Fund and Financed with the proceeds of Tax-Exempt Bonds, the amount by which the earnings on such Financed Eligible Loans exceeds the applicable materially higher spread pursuant to § 1.148-2(d)(2) of the Treasury Regulations.

“*Excess Taxable Revenue*” means any funds remaining in the Taxable Account of the Revenue Fund after all prior transfers required or permitted by paragraphs (a) through (j) described under the caption “FUNDS—Revenue Fund—*Taxable Account*” in this Appendix A and all prior transfers, if any, required or permitted by paragraph (k) described under the caption “FUNDS—Revenue Fund—*Taxable Account*” in this Appendix A have been made.

“*Excess Tax-Exempt Revenue*” means any funds remaining in the Tax-Exempt Account of the Revenue Fund after all prior transfers required or permitted by paragraphs (a) through (j) described under the caption “FUNDS—Revenue Fund—*Tax-Exempt Account*” in this Appendix A and all prior transfers, if any, required or permitted by paragraph (k) described under the caption “FUNDS—Revenue Fund—*Tax-Exempt Account*” in this Appendix A have been made.

“*Extraordinary Expenses*” means (a) with respect to the Trustee, indemnification payments, legal fees and other expenses incurred with respect to the Trust Estate or in connection with the enforcement of remedies, and other amounts payable to the Trustee under the Indenture that are not included in the Trustee Fees; (b) with respect to the Administrator, any indemnification payments and other amounts payable to the Administrator under the Administration Agreement in excess of the Administration Fee; and (c) with respect to the Servicers, any amounts payable to a Servicer under the related Servicing Agreement in excess of the Standard Servicing Fees.

“*Favorable Opinion*” means an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds.

“*Financed*” or “*Financing*” when used with respect to Eligible Loans, means or refer to (a) Eligible Loans acquired, financed or refinanced by the Authority with balances in the Student Loan Fund or otherwise deposited in or accounted for in the Student Loan Fund or otherwise constituting a part of the Trust Estate and (b) Eligible Loans substituted or exchanged for Financed Eligible Loans; but does not include Eligible Loans released from the lien of the Indenture and sold or transferred, to the extent permitted by the Indenture.

“*Fiscal Year*” means the fiscal year of the Authority as established from time to time; currently, the Fiscal Year of the Authority commences each September 1 and ends on the following August 31.

“*Funds*” means each of the Funds created pursuant to the Indenture and described under the caption “FUNDS—Creation and Continuation of Funds and Accounts” in this Appendix A.

“*Highest Priority Bonds*” means, (a) at any time when Senior Bonds are Outstanding, the Senior Bonds; (b) at any time when no Senior Bonds are Outstanding, the Senior-Subordinate Bonds; and (c) at any time when no Senior Bonds or Senior-Subordinate Bonds are Outstanding, the Subordinate Bonds.

“*Indenture*” means the Indenture of Trust, dated as of August 1, 2024, between the Authority and the Trustee, including all supplements and amendments thereto.

“*Interest Payment Date*” means the Interest Payment Dates specified for a Series of Bonds in the Supplemental Indenture relating to such Series of Bonds. The Interest Payment Dates for the Series 2024-1 Bonds are each June 1 and December 1, commencing December 1, 2024.

“*Investment Securities*” means, to the extent permitted by the Public Funds Investment Act (Chapter 2256 of the Texas Government Code):

(a) U.S. Treasury obligations (all direct or fully guaranteed obligations); U.S. Department of Housing and Urban Development public housing agency bonds (previously known as local authority bonds); Federal Housing Administration debentures; Government National Mortgage Association (GNMA) guaranteed mortgage backed securities (MBS) or participation certificates; Resolution Funding Corporation (RefCorp) debt obligations; or Small Business Association guaranteed participation certificates and guaranteed pool certificates, each with a maturity of 12 months or less;

(b) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 12 months or less with banks, including the Trustee and any of its affiliates, which are members of the Federal Deposit Insurance Corporation; provided, that at all times such depository institution has commercial paper which is rated at least “AA” and “A-1+” by S&P;

(c) bonds, debentures, notes or other evidences of indebtedness with a maturity of 12 months or less issued or guaranteed by any of the following agencies: Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation; the Federal National Mortgage Association; Federal Home Loan Banks provided such obligation is rated “AAA” by S&P;

(d) repurchase agreements and reverse repurchase agreements, other than overnight repurchase agreements and overnight reverse repurchase agreements, with banks, including the Trustee and any of its affiliates, which are members of the Federal Deposit Insurance Corporation, in each case whose outstanding, short term debt obligations are rated no lower than “A 1+” by S&P; provided further that if there is a downgrade below a long term rating of “A-” by S&P, the Authority shall replace or cause to be replaced the provider within 90 days of such downgrade at no cost to the Trust Estate;

(e) investment agreements or guaranteed investment contracts providing for the investment of funds in an account or insuring a minimum rate of return on investments of such funds, which contract shall:

(i) be an obligation of or guaranteed by an insurance company or other corporation or financial institution with a long-term unsecured debt rating of at least “A-” by S&P, so long as S&P maintains a Rating on the Bonds, and the agreement provides if

during its term the provider's rating by S&P falls below "A-," the provider shall, within sixty (60) days of such occurrence, either (i) provide a written guarantee acceptable to the Authority from a guarantor meeting the S&P guarantor criteria with a long-term debt rating of "A-" or better, by S&P, (ii) assign the agreement to a domestic or foreign bank or corporation the long-term debt of which is rated at least "A-," and which is acceptable to the Authority, or (iii) repay the principal of and accrued but unpaid interest on the investment, in either case with no termination penalty or premium to the Authority or Trustee; and

(ii) provide that the Trustee may exercise all of the rights of the Authority under such contract without the necessity of the taking of any action by the Authority;

(f) investment agreements or guaranteed investment contracts that are entered into on the Date of Issuance for a Series of Bonds;

(g) commercial paper, including that of the Trustee and any of its affiliates, which is rated in the single highest classification, "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(h) investments in a money market fund with a maturity of 12 months or less rated "AAAm" or "AAAm-G" by S&P, including funds for which the Trustee or an affiliate thereof acts as an investment advisor or provides other similar services for a fee; and

(i) any other investment for which the Authority shall have satisfied the Rating Agency Notification.

"*Maturity*" when used with respect to any Bond, means the date on which the principal thereof becomes due and payable as provided therein or in the Indenture, whether at its Stated Maturity, by earlier redemption, by declaration of acceleration, or otherwise.

"*Monthly Report*" means a report prepared by the Administrator on behalf of the Authority setting forth collection activity with respect to the Financed Eligible Loans and investment earnings with respect to the pledged Funds and Accounts during such specified period and the application of Revenues on the last Business Day of each calendar month as described under the caption "FUNDS—Revenue Fund" in this Appendix A.

"*Net Asset Requirement*" means, and shall be satisfied when, the Value of assets constituting the Trust Estate exceeds the amount of Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by at least \$15,000,000; provided, any such requirement may be decreased if the Authority shall have satisfied the Rating Agency Notification.

"*Nexus Loan*" means an Eligible Loan made for or on behalf of a student who was at the time the Eligible Loan was made a resident of the State of Texas and/or who was, at the time the Eligible Loan was made, enrolled at an educational institution located in the State of Texas, as determined pursuant to the Code and related regulations.

"*Notes and Documents*" means any promissory notes, credit agreements and other documents evidencing a Financed Eligible Loan, including any "Application and Credit Agreement" documents, and all extensions and renewals thereof.

“*Operating Fund*” means the fund by that name described under the caption “FUNDS—Operating Fund” in this Appendix A.

“*Opinion of Counsel*” means (a) with respect to the Authority, one or more written opinions of counsel who may be counsel (including in-house counsel) to the Authority or the Administrator; (b) with respect to the Seller, the Administrator or a Servicer, one or more written opinions of counsel who may be counsel (including in-house counsel) to the Seller, the Administrator or a Servicer; and (c) with respect to the Trustee one or more written opinions of counsel who may be counsel (including in-house counsel) to the Trustee, the Authority or the Administrator and who is reasonably satisfactory to the Trustee.

“*Outstanding*” means, when used in connection with any Bond, a Bond which has been executed and delivered pursuant to the Indenture which at such time remains unpaid as to principal or interest, unless in all cases provision has been made for such payment as described under the caption “PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE” in this Appendix A, excluding Bonds which have been exchanged for or replaced pursuant to the Indenture.

“*Overall Parity Percentage*” means the ratio, expressed as a percentage, of (a) the Aggregate Value to (b) the aggregate principal amount of and accrued interest on all Bonds then Outstanding, plus any allocable accrued but unpaid Senior Transaction Fees, if any, as of the date of such calculation.

“*Participant*” means a broker-dealer, bank or other financial institution from time to time for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

“*Paying Agent*” means the Trustee, in its capacity as paying agent pursuant to the Indenture.

“*Person*” means an individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

“*Portfolio Yield*” means, with respect to Financed Eligible Loans allocable to particular Tax-Exempt Bonds, the composite yield on the date of calculation of the portfolio of such Financed Eligible Loans computed in accordance with the Code, assuming no additional Eligible Loans are financed and allocable to such Tax-Exempt Bonds.

“*Principal Administrative Office*” means the office of the party indicated in the Indenture.

“*Principal Reduction Payment Date*” means, for any Bond, any date described in a Supplemental Indenture for the payment of Principal Reduction Payments.

“*Principal Reduction Payments*” means principal payments on Bonds, other than mandatory sinking fund payments (with the exception of cumulative mandatory sinking fund installment payments due on cumulative sinking fund redemption dates other than the final maturity of the related term bond), made prior to a Stated Maturity, as set forth in a Supplemental Indenture.

“*Program*” means the Authority’s program for the acquisition and financing or refinancing of Eligible Loans pursuant to the Indenture, any Supplemental Indenture and the Program Guidelines, as the same may be modified from time to time.

“*Program Guidelines*” means the following documents relating to the Program: the Texas Extra Credit Loan Program Guidelines, the Texas Extra Credit Loan Servicing Guidelines, and the form of Application and Credit Agreement for student borrowers and parent borrowers, respectively, developed by

the Seller and all other documentation adopted or used in connection with the Program in effect on the date of the Indenture and as revised, amended, altered, or supplemented from time to time.

“Proposed Action” means any proposed action, failure to act or other event which, under the terms of the Indenture, is conditional upon a Rating Agency Notification or a Rating Agency Confirmation.

“Rating” means one of the rating categories of a Rating Agency.

“Rating Agency” means any one or more nationally recognized statistical rating organizations or other comparable Persons, designated by the Authority to assign Ratings to any of the Bonds. S&P is the Rating Agency designated by the Authority with respect to the Series 2024-1 Bonds.

“Rating Agency Confirmation” means a letter or press release or other written release from each Rating Agency rating any of the Bonds confirming that its Ratings on the Bonds will not be reduced, withdrawn, conditioned or placed under review with negative implications as a result of a Proposed Action to be taken by the Authority.

“Rating Agency Fees” means the surveillance fees payable to the Rating Agencies to maintain ratings on the Bonds, as set forth in the applicable fee letter.

“Rating Agency Notification” means, with respect to a Proposed Action, that the Authority shall have given written notice of such Proposed Action to each Rating Agency then rating any of the Bonds at least 20 Business Days prior to the proposed effective date thereof.

“Rebate Amount” means the amount computed as of a Computation Date in accordance with the Code.

“Rebate Fund” means the Fund by that name created pursuant to the Indenture and further described under the caption “FUNDS—Rebate Fund” in this Appendix A, including any Accounts and Subaccounts created therein.

“Record Date” means the Record Date established for any Bonds pursuant to the Supplemental Indenture relating to such Bonds. The Series 2024-1 Supplemental Indenture establishes the Business Day immediately preceding an Interest Payment Date as the “Record Date” with respect to the Series 2024-1 Bonds.

“Recoveries of Principal” means all amounts received by the Trustee from or on account of any Financed Eligible Loan as a recovery of the principal amount thereof, including scheduled, delinquent and advance payments; payouts or prepayments and proceeds from the sale, repurchase, assignment, transfer, reallocation or other disposition of a Financed Eligible Loan.

“Recycling Period” has the meaning ascribed to such term in any Supplemental Indenture.

“Redemption Date” means, when used with respect to any Bonds to be redeemed, the date fixed for such redemption by or pursuant to the Indenture (including the applicable Supplemental Indenture).

“Redemption Price” means the total of principal, premium (if any) and interest due on any Bond redeemed pursuant to any applicable redemption provision of the Indenture and any Supplemental Indenture. See the caption “THE SERIES 2024-1 BONDS—Redemption Provisions” in the body of this Official Statement.

“Registered Owner” means the Person in whose name a Bond is registered on the Bond registration records maintained by the Trustee, unless the context otherwise requires.

“Registrar” means the Trustee, in its capacity as registrar pursuant to the Indenture.

“Required Overall Parity Percentage” means 148.0%; provided, however, that the Required Overall Parity Percentage may be reduced if the Authority shall have satisfied the Rating Agency Notification.

“Required Senior Parity Percentage” means 148.0%; provided, however, that the Required Senior Parity Percentage may be reduced if the Authority shall have satisfied the Rating Agency Notification.

“Responsible Officer” means, with respect to the Trustee, any officer within the Principal Administrative Office of the Trustee including any vice president, assistant vice president, assistant treasurer, assistant secretary, trust officer, or any other officer of the Trustee, customarily performing functions similar to those performed by any of the above designated officers, in each case with direct responsibility for the administration of the Indenture on behalf of the Trustee.

“Revenue” or *“Revenues”* means all Recoveries of Principal, payments, proceeds, charges and other income received by the Trustee or the Authority from or on account of any Financed Eligible Loan (including scheduled, delinquent and advance payments of interest) and all interest earned or gain realized from the investment of amounts in any Fund or Account (other than the Rebate Fund and the Operating Fund).

“Revenue Fund” means the Fund by that name created pursuant to the Indenture and further described under the caption “FUNDS—Revenue Fund” in this Appendix A, including any Accounts and Subaccounts created therein.

“S&P” means S&P Global Ratings, and its successors and assigns, but only if S&P has been requested by the Authority to assign Ratings to any of the Bonds.

“Securities Depository” means The Depository Trust Company, New York, New York, and its successors and assigns, or any additional or other securities depository designated in a Supplemental Indenture; the then Securities Depository if The Depository Trust Company resigns from its functions as depository of the Bonds; or, if the Authority discontinues use of the Securities Depository, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority with the consent of the Trustee.

“Seller” means the Higher Education Servicing Corporation, a nonprofit corporation organized under the laws of the State of Texas, and its successors and assigns.

“Senior Bonds” means all Bonds secured on a priority senior to the Senior-Subordinate Bonds and the Subordinate Bonds.

“Senior Parity Percentage” means the ratio, expressed as a percentage, of (a) the Aggregate Value to (b) the aggregate principal amount of and accrued interest on all Senior Bonds then Outstanding, plus any allocable accrued but unpaid Senior Transaction Fees, if any, as of the date of such calculation.

“Senior Taxable Bonds” means Senior Bonds that are Taxable Bonds.

“Senior Tax-Exempt Bonds” means Senior Bonds that are Tax-Exempt Bonds.

“Senior Transaction Fees” means (a) the Trustee Fees, (b) the Administration Fees, (c) the Standard Servicing Fees (subject to the provisions described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Senior Transaction Fees” in this Appendix A), (d) the Rating Agency Fees and (e) Extraordinary Expenses (including any rebate analyst fees, counsel fees, audit and tax return fees and expenses of the Authority) (subject to any limitations set forth in any Supplemental Indenture, including the limitations set forth in the Series 2024-1 Supplemental Indenture that are described under the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Senior Transaction Fees” in the body of this Official Statement).

“Senior-Subordinate Bonds” means all Bonds secured on a priority subordinate to the Senior Bonds and on a priority senior to the Subordinate Bonds.

“Senior-Subordinate Parity Percentage” means the ratio, expressed as a percentage, of (a) the Aggregate Value to (b) the aggregate principal amount of and accrued interest on all Senior Bonds and Senior-Subordinate Bonds then Outstanding, plus any allocable accrued but unpaid Senior Transaction Fees, if any, as of the date of such calculation.

“Senior-Subordinate Taxable Bonds” means Senior-Subordinate Bonds that are Taxable Bonds.

“Senior-Subordinate Tax-Exempt Bonds” means Senior-Subordinate Bonds that are Tax-Exempt Bonds.

“Series” means all Bonds authenticated and delivered pursuant to a Supplemental Indenture and designated therein as a Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds pursuant the Indenture.

“Series 2024-1 Bonds” means the \$41,750,000 North Texas Higher Education Authority, Inc., Tax-Exempt Education Loan Revenue Bonds, Senior Series 2024-1A (AMT).

“Series 2024-1 Premium Bonds” means those Series 2024-1 Bonds which are initially sold at offering prices in excess of 100% of the principal amount thereof.

“Series 2024-1 Term Bonds” means those Series 2024-1 Bonds maturing on June 1, 2045.

“Series 2024-1 Supplemental Indenture” means the Series 2024-1 Supplemental Indenture of Trust, dated as of August 1, 2024, between the Authority and the Trustee, authorizing the Series 2024-1 Bonds, as supplemented and amended.

“Series 2024-1 Unamortized Premium” means the unamortized portion of the Redemption Price for the Series 2024-1 Premium Bonds for purposes of the Series 2024-1 Supplemental Indenture, which shall be a price equal to the excess amount over 100% using the applicable yield of the Series 2024-1 Premium Bonds, as applicable, the Redemption Date, semi-annual compounding and a 360-day year consisting of twelve 30-day months, as determined by the Authority.

“Servicer” means the Higher Education Servicing Corporation, and its successors and assigns, and shall also mean any additional Person with which the Authority or the Administrator has entered into a Servicing Agreement with respect to Financed Eligible Loans and for which the Authority shall have satisfied a Rating Agency Notification; provided, however, a collection agency hired by the Authority, the

Administrator or a Servicer to collect on Defaulted Loans shall not be deemed to be a Servicer under the Indenture.

“*Servicing Agreement*” means (a) the Loan Servicing Agreement, dated as of August 1, 2024, between the Higher Education Servicing Corporation and the Authority, and (b) any additional servicing agreements with any other Servicer, in each case relating to the Financed Eligible Loans, as amended from time to time.

“*Standard Servicing Fees*” means any fees and expenses payable to the Servicers with respect to the servicing and collection of the Financed Eligible Loans consisting of periodic unit fees, default related fees, delinquency fees, and annual privacy mailing fees, but shall not include fees due as a result of the termination of a Servicing Agreement (including any deconversion fees related to Financed Eligible Loans resulting from such termination), indemnification or other extraordinary expense items (all of which are Extraordinary Expenses).

“*Stated Maturity*” means, with respect to any Bonds, the date specified in the Supplemental Indenture relating to such Bonds as the fixed date on which principal of such Bonds is due and payable. “*Stated Maturity*” has the meaning, with respect to the Series 2024-1 Bonds, set forth in the Series 2024-1 Supplemental Indenture and as described in the maturity schedule on the inside cover of this Official Statement.

“*Student Loan Fund*” means the Fund by that name created pursuant to the Indenture and further described under the caption “FUNDS—Student Loan Fund” in this Appendix A, including any Accounts and Subaccounts created therein.

“*Student Loan Purchase Agreement*” means the Student Loan Purchase Agreement, dated as of August 1, 2024, between the Authority and the Seller, as amended and supplemented pursuant to the terms thereof and hereof.

“*Subaccount*” means any of the subaccounts which may be created and established within any Account by the Indenture.

“*Subordinate Bonds*” means any Bonds secured on a priority subordinate to the Senior Bonds and the Senior-Subordinate Bonds.

“*Subordinate Taxable Bonds*” means Subordinate Bonds that are Taxable Bonds.

“*Subordinate Tax-Exempt Bonds*” means Subordinate Bonds that are Tax-Exempt Bonds.

“*Subordinate Transaction Fees*” means Extraordinary Expenses that are in excess of the amounts that can be paid as Senior Transaction Fees as provided in the definition thereof.

“*Supplemental Indenture*” means an agreement supplemental to the Indenture executed pursuant to the provisions described under the caption “SUPPLEMENTAL INDENTURES” in this Appendix A.

“*Tax Documents*” means, collectively, the tax certificates and agreements of the Authority and instructions to the Authority and the Trustee, all dated the applicable Date of Issuance, relating to the use of proceeds of the Tax-Exempt Bonds and which set forth the grounds for the Authority’s belief that such Tax-Exempt Bonds are not “arbitrage bonds” within the meaning of the Code, including the exhibits and schedules attached thereto.

“*Taxable Bonds*” means any Bonds issued and delivered pursuant to the Indenture, the interest on which does not purport to be excluded from the federal gross income of the Registered Owners thereof.

“*Tax-Exempt Bonds*” means any Bonds issued and delivered pursuant to the Indenture, the interest on which purports to be excluded from the federal gross income of the Registered Owners thereof.

“*Texas Extra Credit Loan Programs*” means the Texas Extra Credit Student Loan Program and the Texas Extra Credit Parent Loan Program.

“*Transfer Agent*” means the Trustee, in its capacity as transfer agent pursuant to the Indenture.

“*Trust Estate*” means the property described under the caption “PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” in this Appendix A.

“*Trustee*” means UMB Bank, National Association, a national banking association, acting in its capacity as Trustee under the Indenture, or any successor Trustee designated pursuant to the Indenture.

“*Trustee Fees*” means the regular fees and expenses of the Trustee under the Indenture.

“*Underwriter*” means the underwriter or underwriters of any of the Bonds as may be specified in a Supplemental Indenture. The Underwriter for the Series 2024-1 Bonds is BofA Securities, Inc.

“*Value*” on any calculation date when required under the Indenture means the value of the Trust Estate calculated by the Authority as to paragraph (a) below and by the Trustee as to paragraphs (b) through (e), inclusive, below, as follows:

- (a) with respect to any Eligible Loan, the unpaid principal amount thereof plus any accrued but unpaid interest; provided, however, a Defaulted Loan shall have a Value of zero;
- (b) with respect to any funds of the Authority held under the Indenture and on deposit in any commercial bank or as to any banker’s acceptance or repurchase agreement or investment contract, the amount thereof plus accrued but unpaid interest;
- (c) with respect to any Investment Securities of an investment company, the bid price of the shares as reported by the investment company plus accrued but unpaid interest;
- (d) as to investment agreements, par plus accrued interest; and
- (e) as to other investments: (i) the lower of the bid prices at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Authority in its absolute discretion) at the time making a market in such investments, or (ii) the bid price published by a nationally recognized pricing service.

BOND DETAILS

Bond Details

The details of each Series of Bonds authorized pursuant to the Indenture and a Supplemental Indenture are required to be contained in the applicable Supplemental Indenture. Such details are required to include, but are not limited to, the principal amount, Series, Authorized Denomination, dated date, interest rate, Stated Maturity, redemption provisions and registration provisions.

Issuance of Bonds

The Authority has the authority, upon complying with the provisions described below, to authenticate and deliver from time to time Bonds secured by the Trust Estate on a parity with the Senior Bonds, the Senior-Subordinate Bonds or the Subordinate Bonds, if any, secured under the Indenture as determined by the Authority.

No Bonds may be authenticated and delivered pursuant to the Indenture until the following conditions have been satisfied:

(a) The Authority and the Trustee have entered into a Supplemental Indenture (which Supplemental Indenture does not require the approval of the Registered Owners of any of the Outstanding Bonds) providing the terms and forms of the proposed Series of Bonds as described under the caption “Bond Details” above, including the designation of such Series of Bonds as Senior Bonds, Senior-Subordinate Bonds or Subordinate Bonds, whether such Series of Bonds constitutes Taxable Bonds or Tax-Exempt Bonds (or a combination thereof), the redemption and selection for redemption provisions applicable to such Series of Bonds, and the application of the proceeds of the Bonds and any Authority contribution;

(b) The Authority is to have satisfied the Rating Agency Notification with respect to the issuance of such Series of Bonds;

(c) Upon the issuance of the proposed Series of Bonds, an amount equal to the Debt Service Reserve Fund Requirement with respect to such Series of Bonds, if any, must be deposited into the Debt Service Reserve Fund; and

(d) If then required under applicable State law, the written opinion of the Attorney General of the State of Texas with respect to the validity of the Bonds of such Series, together with the registration certificate issued by the Comptroller of Public Accounts.

The Trustee is authorized to set up any additional Funds or Accounts or Subaccounts under the Indenture which it deems necessary or convenient in connection with the issuance and delivery of any Series of Bonds.

Redemption of Bonds.

Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture with respect to a Series are redeemable at such times, at such Redemption Prices and upon such terms as may be specified in the Supplemental Indenture authorizing such Series. See the caption “THE SERIES 2024-1 BONDS—Redemption Provisions” in the body of this Official Statement.

PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS

Trust Estate

Pursuant to the Indenture, the Authority grants a security interest to the Trustee for the benefit and security of the Registered Owners of the Bonds in the following (the “Trust Estate”):

(a) The Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture);

- (b) All moneys and investments held in the Funds (other than the Operating Fund and the Rebate Fund);
- (c) The Financed Eligible Loans and any Notes and Documents;
- (d) The rights of the Authority in and to the Administration Agreement, the Student Loan Purchase Agreement, any Custodian Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and
- (e) Any and all other property, rights and interests of every kind or description from time to time hereafter granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture.

Parity and Priority of Lien

As they relate to the Bonds and the Registered Owners, the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Authority are for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, are of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in the Indenture with respect to certain payment and other priorities.

Other Obligations

The Authority reserves the right to issue other bonds or obligations which do not constitute or create a lien on the Trust Estate.

The Authority is not permitted to commingle the Funds established by the Indenture with funds, proceeds, or investment of funds relating to other issues or series of bonds heretofore or hereafter issued.

The Revenues and other moneys, Financed Eligible Loans, securities, evidences of indebtedness, interests, rights and properties pledged under the Indenture are and will be owned by the Authority free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, except as otherwise expressly provided in the Indenture, and all action on the part of the Authority to that end has been duly and validly taken. If any Financed Eligible Loan is found to have been subject to a lien at the time such Financed Eligible Loan was financed, the Authority is required to cause such lien to be released, purchase such Financed Eligible Loan from the Trust Estate for a purchase price equal to its principal amount plus any accrued unpaid interest thereon, or replace such Financed Eligible Loan with another Eligible Loan with substantially identical characteristics which replacement Eligible Loan is required to be free and clear of liens at the time of such replacement. Except as otherwise provided in the Indenture, the Authority is not permitted to create or voluntarily permit to be created any debt, lien, or charge on the Financed Eligible Loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture; can not do or omit to do or suffer to be done or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority of such lien for the Bonds might or could be lost or impaired; and is required to pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the Financed Eligible Loans; provided, however, that nothing described in this paragraph requires the Authority to pay, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof is contested in good faith, unless thereby, in the opinion of the Trustee, the same will endanger the security for the Bonds; and provided further that any lien on the Trust Estate subordinate to

the lien of the Indenture (i.e., subordinate to the lien securing the Senior Bonds, the Senior-Subordinate Bonds and the Subordinate Bonds) will be entitled to no payment from the Trust Estate, nor may any remedy be exercised with respect to such subordinate lien against the Trust Estate until all Bonds have been paid or deemed paid under the Indenture.

PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY

Payment of Bonds

The Authority covenants in the Indenture that it will promptly pay, but solely from the Trust Estate, the principal of and interest, if any, on each and every Bond issued under the provisions of the Indenture at the places, on the dates and in the manner specified in the Indenture and in said Bonds and any premium required for the retirement of said Bonds by purchase or redemption according to the true intent and meaning thereof.

The Authority is required at all times to maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon the Authority in respect of the Bonds or of the Indenture may be served. The Authority has appointed the Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds, and for the service of such notices, presentations and demands upon the Authority.

Covenant to Perform Obligations Under the Indenture

The Authority covenants in the Indenture that it will faithfully perform at all times and at all places all covenants, undertakings, stipulations, provisions and agreements contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings of the Authority pertaining thereto. The Authority covenants in the Indenture that it is duly authorized to issue the Bonds authorized thereunder and to enter into the Indenture and that all action on its part for the issuance of the Bonds issued under the Indenture and the execution and delivery of the Indenture has been duly and effectively taken; and that such Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable special, limited obligations of the Authority according to the tenor and import thereof.

In consideration of the purchase and acceptance of the Bonds by those who hold the same from time to time, the provisions of the Indenture will be a part of the contract of the Authority with the Registered Owners of the Bonds and is deemed to be and constitutes a contract among the Authority, the Trustee and the Registered Owners from time to time.

Further Instruments and Actions

The Authority covenants in the Indenture that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental to the Indenture and such further acts, instruments and transfers as the Trustee may reasonably require for the better pledging all and singular of the Trust Estate to the payment of the principal of, premium, if any, and the interest on the Bonds and other amounts owed under the Indenture to the Registered Owners.

Administration of the Program

The Authority is required to administer, operate and maintain the Program in such manner as to ensure that the Financed Eligible Loans will conform to the requirements of the Program Guidelines and any Supplemental Indenture.

Financing, Collection and Assignment of Eligible Loans

The Authority is required to acquire, finance and refinance only Eligible Loans with moneys in the Student Loan Fund and to diligently cause to be collected all principal and interest payments (subject to the provisions described under the caption “Enforcement of Financed Eligible Loans” below) on all the Financed Eligible Loans and all defaulted payments which relate to such Financed Eligible Loans. The Authority is required to, and will direct each Servicer to, transmit all principal and interest payments on all the Financed Eligible Loans to the Trustee for deposit to the Revenue Fund within two (2) Business Days of identification of the related Financed Eligible Loans. The Authority is required to comply with all United States and state statutes, rules and regulations which apply to the Program and to such Financed Eligible Loans.

Enforcement of Financed Eligible Loans

The Authority will, subject to the succeeding paragraph and the last sentence of this paragraph, cause to be diligently enforced, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all terms, covenants and conditions of all Financed Eligible Loans, the Program Guidelines, the Student Loan Purchase Agreement and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due the Authority thereunder. The Authority will not, except as permitted by the succeeding paragraph and the last sentence of this paragraph, permit the release of the obligations of any borrower under any Financed Eligible Loan and will, subject to the succeeding paragraph and the last sentence of this paragraph, at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Authority and the Trustee under the Indenture or with respect to each Financed Eligible Loan and agreement in connection therewith. The Authority will not, except as permitted by the succeeding paragraph and the last sentence of this paragraph, consent or agree to or permit any amendment or modification of any Financed Eligible Loan or agreement in connection therewith which will in any manner materially adversely affect the rights or security of the Registered Owners under the Indenture. Nothing in the Indenture is to be construed to prevent the Authority from (i) granting a reasonable forbearance to a borrower (unless such forbearance will, in the reasonable judgment of the Authority, have a material adverse impact on the Authority’s ability to meet its obligations under the Indenture); (ii) settling a default or curing a delinquency on any Financed Eligible Loan on such terms as permitted by law and as permitted by the Program Guidelines; (iii) forgiving the repayment of any Financed Eligible Loan upon the death or permanent disability of a borrower or benefiting student; (iv) offering borrower benefits that are permitted under the Program Guidelines; (v) settling or curing a delinquency on any Financed Eligible Loan or otherwise settling any dispute with a borrower on such terms as required by law or as the Authority may deem to be in the best interest of the Program; (vi) providing any deferral, forbearance or other similar benefits in accordance with the standards and requirements of the Program; (vii) with respect to any Defaulted Loan, rescheduling, revising, deferring, selling or otherwise compromising payments or taking other reasonable actions with respect to Defaulted Loans in connection with maximizing the recovery on such Defaulted Loans as further set forth below; (viii) ceasing collection and servicing efforts with respect to any small balance Financed Eligible Loan when and if the Authority determines that the probable costs of collection and servicing exceed the expected proceeds of collection (including having a write-off policy that is consistent with the standards and requirements of the applicable Servicer); (ix) if the Authority is to have satisfied the Rating Agency

Notification, charging interest at a lower rate than is required by the Program Guidelines or any Supplemental Indenture; or (x) if the Authority is to have satisfied the Rating Agency Notification, establishing discounts or granting forgiveness of principal of or interest on Financed Eligible Loans.

Notwithstanding the foregoing, the Authority may also forgive the principal of and/or interest and other fees and charges on all or a portion of the Financed Eligible Loans to prevent interest on any Tax-Exempt Bonds from being includable in the gross income of the owners thereof for federal income tax purposes, or take such other action as may be provided in the written opinion of Bond Counsel (including, but not limited to, the payment of “yield reduction payments” under § 1.148-5(c) of the Treasury Regulations), and may forgive the remaining indebtedness on any Financed Eligible Loan if, in the reasonable judgment of the Authority evidenced by a certificate delivered to the Trustee, the cost of collection of the remaining indebtedness of such Financed Eligible Loan would exceed such remaining indebtedness.

The Authority, or its designated agent (which designated agent may be the Administrator, a Servicer or any third-party collection agent), is required to undertake reasonable collection efforts with respect to any Defaulted Loans in accordance with customary industry standards and practices. All such collection efforts are required to be conducted in material compliance with all applicable federal, state and local laws, including any applicable consumer protection laws. Any such designated agent of the Authority that successfully collects amounts owed from borrowers on Defaulted Loans may be compensated for such collection efforts by deducting and retaining a customary percentage of amounts collected from borrowers, as well as any related collection expenses, on Defaulted Loans that is approved by the Authority with all remaining amounts collected from borrowers on Defaulted Loans being promptly deposited to the applicable Account of the Revenue Fund, regardless of whether any such borrower payments result in a reduction in the outstanding principal balance of any such Defaulted Loans. Notwithstanding anything set forth in the Indenture to the contrary, such designated agent of the Authority may directly collect amounts received from borrowers with respect to Defaulted Loans for deposit with the Trustee and any deductions from amounts collected on Defaulted Loans by designated agents of the Authority as compensation for performing collection efforts, as well as any related collection expenses, are not deemed to be Revenue or a Senior Transaction Fee or Subordinate Transaction Fee under the Indenture. To the extent that the Administrator pays or advances collection expenses on behalf of a collection agent for Defaulted Loans, the Administrator may be reimbursed from collections prior to the deposit of such amounts in the Revenue Fund to the same extent as if such collection expenses had been directly paid, and deducted from such collections, by the collection agent. The Authority, or its designated agent serving as collection agent, may act as custodian for any Defaulted Loans. The Authority, or its designated agent, is permitted to reschedule, revise, defer or otherwise compromise payments or take other reasonable actions with respect to Financed Eligible Loans that are Defaulted Loans in connection with maximizing the recovery on such Financed Eligible Loans. The Authority, or its designated agent, is also permitted to cease collection and servicing efforts with respect to any Financed Eligible Loans when and if the Authority determines that the probable costs of collection and servicing exceed the expected proceeds of collection or that the Financed Eligible Loan is unsuitable for continued collection efforts.

Administration and Servicing

The Authority covenants that it will keep in force and effect an Administration Agreement whereby the Administrator will be responsible for the performance of certain administrative functions in connection with the Indenture and pursuant to which the Administrator is required to cause there to be provided, loan servicing services for the Financed Eligible Loans in accordance with all applicable requirements of the Program and the Indenture. The Authority and/or the Administrator may enter into Servicing Agreements with Servicers; provided that, with respect to any Servicer appointed with respect to the Financed Eligible Loans after the initial Date of Issuance, the Rating Agency Notification must first be satisfied.

The Authority is required to cause to be diligently enforced, and to take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of the Administration Agreement, including the prompt payment of all principal and interest payments and all other amounts due the Authority or the Trustee thereunder, which relate to any Financed Eligible Loans, and maintaining Servicing Agreements with Servicers with respect to the servicing of the Financed Eligible Loans. The Authority is not permitted to release any of the obligations of the Administrator under the Administration Agreement and is required at all times, to the extent permitted by law, to cause to be defended, enforced, preserved and protected the rights and privileges of the Authority, the Trustee and the Registered Owners under or with respect to the Administration Agreement.

The Authority is required to cause each Servicer to duly and properly service all Financed Eligible Loans and to enforce the payment and collection of all payments of principal and interest payments which relate to any Financed Eligible Loans. The Authority is required to cause each Servicer to enter into a Servicing Agreement providing that the Servicer will administer and collect all Financed Eligible Loans in the manner consistent with the provisions described under the captions “Enforcement of Financed Eligible Loans” above and “Administration and Collection of Financed Eligible Loans” below and perform any duties, obligations and functions imposed upon the Servicer therein. The Authority is not permitted to remove, or to permit the Administrator to remove on its behalf, any Servicer under a Servicing Agreement unless (i) the Authority has appointed a successor Servicer, (ii) the successor Servicer has executed and delivered a Servicing Agreement, and (iii) the Authority has satisfied the Rating Agency Notification.

Upon the occurrence and continuation of an Administrator Default, the Administrator may be replaced to the extent provided in the Administration Agreement.

The Trustee, by the execution of the Indenture, covenants, represents and agrees in the Indenture that upon any termination of the Administrator pursuant to the Administration Agreement, the Trustee, pursuant to the Administration Agreement, (i) may perform the duties of the Administrator specified in the Administration Agreement, or (ii) will appoint a successor administrator to perform such duties as provided in the Administration Agreement, or (iii) will petition a court for the appointment of a successor administrator as provided in the Administration Agreement. The Trustee has no duty to assume any responsibilities or duties of the Administrator under the Administration Agreement, unless and until, the Trustee, in its sole discretion, appoints itself in writing as the successor Administrator as provided in the Administration Agreement.

Notwithstanding the foregoing, upon an Event of Default and an acceleration of the maturity of the Bonds as described under the caption “DEFAULTS AND REMEDIES—Accelerated Maturity” in this Appendix A, the Trustee (and not the Authority) will exercise the Authority’s rights and duties described above.

The Authority will not consent or agree to or permit any amendment, supplement or modification of the Administration Agreement or any Servicing Agreement unless the Rating Agency Notification has been satisfied with respect to any such amendment, supplement or modification; provided that, the Administration Agreement or any Servicing Agreement may be amended at any time upon the mutual written consent of the parties to cure any ambiguity, defect, or omission in the Administration Agreement or any Servicing Agreement without a Rating Agency Notification upon receipt of an Opinion of Counsel that any such amendment or modification will not materially adversely affect the rights or security of the Registered Owners, is authorized and permitted by such Administration Agreement or Servicing Agreement and all conditions precedent have been satisfied.

Administration and Collection of Financed Eligible Loans

All Financed Eligible Loans which are part of the Trust Estate are required to be administered and collected by a Servicer and/or Administrator selected by the Authority in a competent, diligent and orderly fashion and in accordance with all applicable requirements of the Indenture, any Supplemental Indenture and the Program Guidelines.

The Notes and Documents evidencing Financed Eligible Loans are required to be held or, with respect to electronically executed promissory notes, maintained by the Servicer pursuant to a Servicing Agreement or Custodian Agreement. Subject to the foregoing, the Authority covenants and agrees in the Indenture as follows with respect to all Financed Eligible Loans:

(a) The Servicer holds the Notes and Documents evidencing Financed Eligible Loans and related documentation as bailee for and on behalf of the Trustee for purposes of perfecting the security interests of the Trustee therein.

(b) All sums received by the Authority or the Servicer with respect to Financed Eligible Loans will be held on behalf of the Trustee including, but not limited to, all payments of principal and interest and proceeds of the sale thereof. All such amounts are required to be held in a segregated account and not commingled with any of the Authority's or Servicer's other funds.

Tax Covenants

The Authority is required at all times to do and perform all acts and things necessary or desirable in order to assure that interest paid on the Tax-Exempt Bonds will, for purposes of federal income taxation, be excludable from the gross income of the recipients thereof, including, but not limited to, such actions as are required to be taken pursuant to any Tax Documents and the Indenture.

The Authority will not permit at any time or times any of the proceeds of the Bonds or any other funds of the Authority to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Tax-Exempt Bond to be or become an "arbitrage bond" as defined in Section 148 of the Code.

The Authority is required to take such action as may be necessary to assure that the Portfolio Yield as of the date of final payment of related Tax-Exempt Bonds does not exceed the related Bond Yield by an amount greater than may be consistent with any Tax Documents, including paying any required amounts to the Internal Revenue Service and/or the forgiveness and discharge of borrower payment obligations with respect to the outstanding principal amounts of and any interest and other fees due upon any or all of such Financed Eligible Loans upon any such payment date.

The foregoing covenants remain in full force and effect notwithstanding the defeasance of the Bonds as described under the caption "PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE" in this Appendix A or any other provision of the Indenture, and notwithstanding any provision of the Indenture, the Authority is required to observe its covenants and agreements contained in the Tax Documents, to the extent that, and for so long as, such covenants and agreements are required by law.

No Waiver of Laws

The Authority is not to at any time insist upon or plead in any manner whatsoever, or claim to take the benefit or advantage of any stay or extension of law now or at any time hereafter in force which may affect the covenants and agreements contained in the Indenture or in the Bonds and all benefit or advantage of any such law or laws is expressly waived by the Authority.

Pledge of Trust Estate

The Authority is required to, at its own expense, execute and deliver such instruments and documents as may be required in order to maintain in favor of the Trustee a perfected, first-priority security interest in the Financed Eligible Loans and related Revenues and the pledged Funds pursuant to the Uniform Commercial Code of the State of Texas. Without limiting the generality of the foregoing, the Authority is required to execute, deliver and file all such financing and continuation statements and amendments thereto and such other instruments, endorsements and notices as may be necessary in order to perfect and preserve the lien and pledge of the Indenture.

The Authority is required to warrant and defend its title to the Financed Eligible Loans, the related Revenues and the pledged Funds against the claims and demands of all Persons other than the Trustee and the Registered Owners of the Bonds.

Except for the lien and pledge of the Indenture, and any other liens expressly authorized under the Indenture, the Authority will not cause or permit all or any part of the Trust Estate, including but not limited to the Financed Eligible Loans and related Revenues and the pledged Funds, to become subject to any consensual or non-consensual lien or encumbrance.

Except for the lien and pledge of the Indenture, (a) the Authority has no knowledge, and has not received any notice, that any party other than the Trustee, on behalf of the Registered Owners of the Bonds, has or claims to have any security interest or other lien on all or any part of the Trust Estate; and (b) no party, other than the Authority and the Trustee, on behalf of the Registered Owners of the Bonds, has or claims to have any interest whatsoever in all or any part of the Trust Estate.

The Authority represents and warrants in the Indenture for the benefit of the Trustee and the Registered Owners of the Bonds as follows:

(a) Notwithstanding any other provision of the Indenture, pursuant to the Act, a security interest in the Trust Estate granted by the Authority is attached and perfected at the time the security interest is executed and delivered by the Authority. The security interest grants to the Trustee a first prior perfected security interest in the Trust Estate for the benefit of the Trustee without regard to the location of the assets that constitute the Trust Estate.

(b) The Authority owns and has good and marketable title to the Financed Eligible Loans free and clear of any lien, charge, security interest or other encumbrance of any Person, other than those granted pursuant to the Indenture.

(c) Other than the pledge to the Trustee pursuant to the Indenture, the Authority has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Financed Eligible Loans. The Authority has not authorized the filing of and is not aware of any financing statements against the Authority that include a description of collateral covering the Financed Eligible Loans other than any financing statement relating to the pledge granted to the

Trustee under the Indenture and such financing statements that have been terminated. The Authority is not aware of any judgment or tax lien filings against the Authority.

The Authority is required to assure that its Program's electronic loan processes comply with applicable law.

The Authority is required to take all steps necessary to maintain the pledge and priority of the Trustee's interest in the Financed Eligible Loans.

Amendment of Student Loan Purchase Agreement

The Authority will not consent or agree to or permit any amendment, supplement or modification of the Student Loan Purchase Agreement unless the Rating Agency Notification has been satisfied with respect to any such amendment, supplement or modification; provided that, the Student Loan Purchase Agreement may be amended at any time upon the mutual written consent of the parties to cure any ambiguity, defect, or omission in the Student Loan Purchase Agreement without a Rating Agency Notification upon receipt of an Opinion Counsel that any such amendment or modification will not materially adversely affect the rights or security of the Registered Owners, is authorized and permitted by the Student Loan Purchase Agreement and all conditions precedent have been satisfied.

Senior Transaction Fees

The amount of the Senior Transaction Fees may be increased at any time upon satisfaction of the Rating Agency Notification. The Standard Servicing Fees payable to the Servicers servicing Financed Eligible Loans on the Date of Issuance that are payable as Senior Transaction Fees may not exceed the existing amounts of Standard Servicing Fees payable pursuant to the applicable Servicing Agreements in existence on the Date of Issuance (including any currently contemplated increases to those amounts pursuant to existing inflationary escalator clauses relating to such Standard Servicing Fees as set forth in the Servicing Agreements on the Date of Issuance). After the Date of Issuance, to the extent that any Financed Eligible Loans are serviced by any other Servicer, the amount of Standard Servicing Fees payable to such other Servicer as Senior Transaction Fees must not exceed the amounts payable pursuant to the initial Servicing Agreements (including any increases and contemplated increases to those amounts pursuant to existing inflationary escalator clauses relating to such Standard Servicing Fees as set forth in the Servicing Agreements on the Date of Issuance) in effect on the Date of Issuance unless the Rating Agency Notification has been satisfied. The Standard Servicing Fees payable to a Servicer may be increased at any time upon satisfaction of the Rating Agency Notification. Additional limitations relating to the payment of Senior Transaction Fees are described under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Senior Transaction Fees" in the body of this Official Statement.

Monthly Reports; Periodic Information on the Financed Eligible Loans

Except as provided below, the Authority will cause the Administrator to prepare and furnish to the Trustee a Monthly Report at least two (2) Business Days prior to the last Business Day of each calendar month. The Trustee is required to make available a copy of each Monthly Report or portion thereof (as provided in the last paragraph of this caption) promptly after receipt thereof via its website at www.debttx.com, or such other internet address as the Trustee may specify from time to time.

The Trustee may cease making such Monthly Reports available on its website; provided that it provides an alternate means of delivery.

In addition, the Authority is required to make periodic information on the Financed Eligible Loans publicly available at least semi-annually. The Authority reserves the right, however, (a) to alter the format in which such periodic information is presented, (b) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website, or (c) to make such periodic information available by including it as part of the Monthly Report that is delivered during that period.

General Terms of the Program

The Program Guidelines with respect to the Eligible Loans to be acquired with the amounts deposited to the Taxable Account or the Tax-Exempt Account, as applicable, of the Student Loan Fund are described under the caption “THE TEXAS EXTRA CREDIT LOAN PROGRAMS” in the body of this Official Statement. The Authority is permitted to make changes to such Program Guidelines that do not adversely affect the security for the Registered Owners of the Bonds.

Restrictions on the Financing of Eligible Loans During the Acquisition Period

The following restrictions apply to the aggregate portfolio of Eligible Loans Financed during the Acquisition Period relating to the Series 2024-1 Bonds (and do not apply to the portion of the portfolio of Eligible Loans Financed on the Date of Issuance of the Series 2024-1 Bonds that were included in the cash flow modeling presented to the Rating Agency):

- (a) For such Financed Eligible Loans that have been originated pursuant to the Program Guidelines:
 - (i) At least 80% of the principal balance of such Eligible Loans made pursuant to the Program shall be cosigned;
 - (ii) No greater than 70% of the principal balance of such Eligible Loans made pursuant to the Program shall be Deferred Loans;
 - (iii) At least 70% of the principal balance of such Eligible Loans made pursuant to the Program shall have FICO scores equal to or greater than 740;
 - (iv) No Eligible Loans shall be made to borrowers attending proprietary schools; and
 - (v) No greater than 10% of the principal balance of such Eligible Loans made pursuant to the Program shall have FICO scores equal to less than 700.

The foregoing restrictions may be changed upon satisfaction of the Rating Agency Notification.

FUNDS

Creation and Continuation of Funds and Accounts

The Indenture creates and establishes the following Funds to be held and maintained by the Paying Agent on behalf of the Trustee for the benefit of the Registered Owners:

- (a) Student Loan Fund, including a Tax-Exempt Account and a Taxable Account therein;
- (b) Revenue Fund, including a Tax-Exempt Account and a Taxable Account therein;
- (c) Capitalized Interest Fund, including a Tax-Exempt Account and a Taxable Account therein;
- (d) Debt Service Fund, including a Tax-Exempt Interest Account, a Tax-Exempt Principal Account, a Tax-Exempt Retirement Account, a Taxable Interest Account, a Taxable Principal Account and a Taxable Retirement Account; and
- (e) Debt Service Reserve Fund, including a Tax-Exempt Account and a Taxable Account therein.

The Indenture also creates and establishes the Rebate Fund, to be held and maintained by the Paying Agent on behalf of the Trustee, in which neither the Authority nor the Registered Owners have any right, title or interest.

The Operating Fund does not constitute a Fund within the meaning of the Indenture, and is held by the Authority. The Registered Owners will have no right, title or interest in the Operating Fund.

The Paying Agent on behalf of the Trustee is authorized for the purpose of facilitating the administration of the Trust Estate and for the administration of any Bonds issued under the Indenture to create further Accounts or Subaccounts in any of the various Funds and Accounts established under the Indenture which are deemed necessary or desirable.

Student Loan Fund

There will be deposited into the Taxable Account or the Tax-Exempt Account, as applicable, of the Student Loan Fund moneys from proceeds of any Bonds and any other amounts to be deposited therein pursuant to a Supplemental Indenture and moneys transferred thereto from the Revenue Fund and the Capitalized Interest Fund pursuant to the Indenture. Financed Eligible Loans pledged to the Trust Estate are accounted for as a part of the Student Loan Fund.

Moneys on deposit in the Student Loan Fund are required to be used solely to pay costs of issuance of the Bonds and, during any Acquisition Period and any Recycling Period, as set forth in a Supplemental Indenture, to acquire and finance or refinance Eligible Loans. If the Authority determines that all or any portion of such moneys cannot be so used, then an Authorized Representative of the Authority may by Authority Order direct the Trustee that such moneys be transferred to the Tax-Exempt Retirement Account or the Taxable Retirement Account, as applicable, of the Debt Service Fund and used to redeem Bonds in accordance with any Supplemental Indenture. See the caption “THE SERIES 2024-1 BONDS—

Redemption Provisions—*Mandatory Redemption from Unexpended Proceeds*” in the body of this Official Statement.

No Eligible Loan will be acquired by the Authority with amounts on deposit in the Student Loan Fund unless (a) a promissory note is to have been executed by the borrower and any required co-signer to evidence the Eligible Loan, (b) the Eligible Loan is a legal, valid and binding obligation of the borrower and any required co-signor, enforceable in accordance with its terms and conditions and free from any right of set-off, counter claim or other claim, defense or security interest, (c) the Authority or originator has complied with the requirements of applicable federal and state law in originating the Eligible Loan, (d) the payment to be made is a proper charge against the Account of the Student Loan Fund from which such payment is made, (e) the Eligible Loan constitutes an Eligible Loan within the meaning of the Indenture and the Program Guidelines, (f) such Eligible Loan is or was made to a borrower or a required co-signer who meets, if applicable, the credit requirements established by the Authority as specified in the Program Guidelines and (g) no Event of Default has occurred and is continuing under the Indenture. Amounts transferred out of the Student Loan Fund may only be used for the acquisition of Eligible Loans and to pay costs of issuance of the Bonds. If the Authority is obligated to acquire an Eligible Loan that requires a future disbursement by the Seller, the Authority is required to reserve an amount equal to the acquisition price of such Eligible Loan in the Account or Accounts of the Student Loan Fund from which such Eligible Loan is to be acquired. The amount reserved to pay a future disbursement on an Eligible Loan shall be released by the Trustee only upon receipt of an Authority Order identifying the Eligible Loan, specifying the amount to be transferred to the Seller to pay the disbursement and certifying that on or before the transfer of funds, the Seller will convey all rights in the fully disbursed Eligible Loan, as modified to take into account the final disbursement, to the Authority. All Eligible Loans, or portions thereof, acquired with amounts on deposit in an Account of the Student Loan Fund from proceeds of Taxable Bonds or Tax-Exempt Bonds are required to be held in that same Account of the Student Loan Fund unless otherwise directed by Authority Order. An Eligible Loan which is financed both with amounts on deposit in the Taxable Account and the Tax-Exempt Account of the Student Loan Fund will be allocated between the Taxable Account and the Tax-Exempt Account of the Student Loan Fund based upon the percentage of such Eligible Loan funded from each such Account unless otherwise directed by Authority Order. All Eligible Loans, or portions thereof, acquired with amounts on deposit in an Account of the Student Loan Fund that are not from or derived from proceeds of Taxable Bonds or Tax-Exempt Bonds will be held in the Account of the Student Loan Fund as directed by an Authority Order.

The Authority covenants in the Indenture that no amount credited to the Tax-Exempt Account of the Student Loan Fund will be used to finance and refinance any Eligible Loans which (a) are not Nexus Loans unless the percentage of the proceeds of the applicable Series of Tax-Exempt Bonds used to finance and refinance Nexus Loans equals or exceeds the percentage required by the Tax Documents related to such Series of Tax-Exempt Bonds, without regard to amounts related to such Series of Tax-Exempt Bonds deposited in the Tax-Exempt Account of the Debt Service Reserve Fund or (b) are not permitted to be financed under the requirements set forth in the Tax Documents.

If (a) on the last Business Day of any calendar month, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund) to make the transfers required by paragraphs (a) through (d) under the caption “Revenue Fund—*Tax-Exempt Account*” below (or through paragraph (g) if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or through paragraph (i) if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) or paragraphs (a) through (d) under the caption “Revenue Fund—*Taxable Account*” below (or through paragraph (g) if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or through paragraph (i) if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) or (b) on a Bond Payment Date, there

are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund) to make the payments due on Senior Tax-Exempt Bonds or Senior Taxable Bonds (or Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or Subordinate Tax-Exempt Bonds or Subordinate Taxable Bonds if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) on such Bond Payment Date, an amount equal to any such deficiency is required be transferred directly from the Student Loan Fund (but only from cash or Investment Securities and not from Financed Eligible Loans or from amounts necessary for the acquisition of Approved Undisbursed Loans, which aggregate principal amount, if any, of such Approved Undisbursed Loans has been certified by the Authority to the Trustee on or prior to the last day of an Acquisition Period or Recycling Period, as applicable, with respect to a Series of Bonds) to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but only from amounts on deposit in the Student Loan Fund not constituting the proceeds of a Series of Tax-Exempt Bonds unless a Favorable Opinion has been received by the Authority and the Trustee) as directed by and in accordance with the applicable Monthly Report or Authority Order. To the extent that amounts are available within an Account of the Student Loan Fund, (i) amounts on deposit in the Tax-Exempt Account of the Student Loan Fund are required to be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Student Loan Fund and (ii) amounts on deposit in the Taxable Account of the Student Loan Fund are required to be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Student Loan Fund.

Original proceeds of a Series of Bonds and funds of the Authority remaining in an Account or Subaccount of the Student Loan Fund at any interim date specified in a Supplemental Indenture to the extent required thereby or remaining in the Account or Subaccount of the Student Loan Fund at the end of its related Acquisition Period and required to redeem Bonds of such Series pursuant to the corresponding Supplemental Indenture are required to be transferred to the Tax-Exempt Account or Taxable Account of the Revenue Fund or the Tax-Exempt Retirement Account or the Taxable Retirement Account of the Debt Service Fund, as appropriate, and used to redeem the Bonds of such Series pursuant to the corresponding Supplemental Indenture as directed by and in accordance with the applicable Monthly Report or Authority Order. All remaining amounts on deposit in an Account or Subaccount of the Student Loan Fund corresponding to a Series of Bonds upon the termination of the Recycling Period for such Series will be transferred to the Tax-Exempt Account or Taxable Account of the Revenue Fund from which such amounts originated.

To the extent not needed during any Recycling Period, the Authority may by Authority Order transfer any recycling amounts transferred from the Taxable Account of the Revenue Fund under paragraph (j) under the caption “Revenue Fund—*Taxable Account*” below or from the Tax-Exempt Account of the Revenue Fund under paragraph (j) under the caption “Revenue Fund—*Tax-Exempt Account*” below back to the applicable Account of the Revenue Fund from which it was originally transferred.

Financed Eligible Loans will be sold, transferred or otherwise disposed of (including transfers or sales to other trust estates) by the Trustee free from the lien of the Indenture at any time pursuant to an Authority Order and if the Trustee is provided with the following:

- (a) an Authority Order stating the sale price and directing that Financed Eligible Loans be sold, transferred or otherwise disposed of and delivered:
 - (i) to any Person, whose name is required to be specified; or

(ii) to the trustee under another indenture securing bonds issued by the Authority or another nonprofit corporation managed by the Administrator whose name is required to be specified in such Authority Order; and

(b) a certificate, which may be incorporated in the Authority Order referred to in paragraph (a) above, signed by an Authorized Representative of the Authority to the effect that:

(i) (A) the disposition price is equal to or in excess of the principal amount thereof (plus accrued interest); or

(B) the disposition price is lower than the principal amount thereof (plus accrued interest), (1) the Authority reasonably believes that the Revenues expected to be received (after giving effect to such disposition) would be at least equal to the Revenues expected to be received assuming no such sale, transfer or other disposition occurred and the Authority has satisfied the Rating Agency Notification; or (2) the Authority is required to remain able to pay debt service on the Bonds on a timely basis (after giving effect to such sale, transfer or other disposition) whereas it would not have been able to do so on a timely basis if it had not sold, transferred or disposed of the Financed Eligible Loans at such discounted amount and the Authority has satisfied the Rating Agency Notification; and

(ii) the Authority has determined that adequate provision has been made assuring that such sale, transfer or other disposition does not impair the Authority's capacity to comply with its obligation relative to the restriction upon Portfolio Yield as such obligation would be calculated upon the date of such sale, transfer or other disposition in accordance with any Tax Documents.

The provisions of paragraphs (a) and (b) above are also subject to the limitation that the Authority may not sell or transfer Financed Eligible Loans at any one time or in a series of transactions in an aggregate principal amount (giving effect to all such sales or transfers from the most recent Date of Issuance) in excess of 10% of the highest principal amount of Financed Eligible Loans, as of the end of any calendar month, held under the Indenture following the most recent Date of Issuance at the time of any such sale or transfer unless the Authority has satisfied the Rating Agency Notification.

Further, Financed Eligible Loans will also be sold, transferred or otherwise disposed of by the Trustee (w) for transfers to the Seller pursuant to its repurchase obligation under the Student Loan Purchase Agreement, (x) the sale to a Servicer of any Financed Eligible Loans which it is required to purchase pursuant to a Servicing Agreement as a result of servicing errors, (y) a sale of all Financed Eligible Loans as described in the third paragraph under the caption "PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Other Obligations" in this Appendix A and (z) pursuant to an Authority Order in which the Authority determines that such disposition of Financed Eligible Loans from the Trust Estate is necessary in order to avoid the occurrence of an Event of Default under the Indenture, in such amount and at such times and prices as may be specified in such Authority Order.

Notwithstanding the forgoing, where the Authority is obligated to acquire an Eligible Loan that is subject to a future disbursement, in lieu of retaining an amount sufficient to acquire such Eligible Loan upon its final disbursement, the Authority may acquire such Eligible Loan for an acquisition price based upon its then current outstanding principal balance and assume the obligation to make any future disbursement(s) on such Eligible Loan (which Eligible Loan will be deemed to be an Approved Undisbursed Loan for purposes of the Indenture with respect to the future disbursements), and any reference to "acquire" or "acquisition" of an Eligible Loan will be deemed to include the funding by the Authority of

any future disbursement on such Eligible Loan (including the representations in any Authority Order requesting the funding of such future disbursement with moneys on deposit in the Student Loan Fund and the requirement to reserve amounts sufficient to fund any such future disbursements in the Student Loan Fund).

Revenue Fund

There will be deposited into the Tax-Exempt Account of the Revenue Fund all Revenues derived from Financed Eligible Loans, or portions thereof, on deposit in the Tax-Exempt Account of the Student Loan Fund, Revenues derived from proceeds of Tax-Exempt Bonds on deposit in the Student Loan Fund and all other Revenue derived from moneys or assets on deposit in the Tax-Exempt Accounts of the Debt Service Reserve Fund, the Capitalized Interest Fund and the Revenue Fund and any other amounts deposited thereto upon receipt of an Authority Order or otherwise required pursuant to a Supplemental Indenture. There will be deposited into the Taxable Account of the Revenue Fund all Revenues derived from Financed Eligible Loans, or portions thereof, on deposit in the Taxable Account of the Student Loan Fund, Revenues derived from proceeds of Taxable Bonds on deposit in the Student Loan Fund, and all other Revenue derived from moneys or assets on deposit in the Taxable Accounts of the Debt Service Reserve Fund, the Capitalized Interest Fund and the Revenue Fund and any other amounts deposited thereto upon receipt of an Authority Order or otherwise required pursuant to a Supplemental Indenture.

Tax-Exempt Account. On the last Business Day of each calendar month pursuant to the corresponding Monthly Report, or more frequently or on other dates if required by a Supplemental Indenture or if directed by the Authority pursuant to an Authority Order, Revenues in the Tax-Exempt Account of the Revenue Fund are required to be used and transferred to other Funds, Accounts, Subaccounts or Persons in the following order of priority (any money not so transferred or paid to remain in the Tax-Exempt Account of Revenue Fund until subsequently applied as described under this caption):

(a) to the Rebate Fund, upon receipt of an Authority Order and if necessary to comply with any Tax Document with respect to rebate or Excess Earnings;

(b) on a pro rata basis, if necessary, to the Operating Fund for the payment of Senior Transaction Fees allocable to the Tax-Exempt Bonds to the extent and in the manner described under the caption “Operating Fund” below upon receipt of an Authority Order directing the same and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (b) under the caption “*Taxable Account*” below;

(c) on a pro rata basis, if necessary, to the credit of the Tax-Exempt Interest Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Tax-Exempt Interest Account*” below, to provide for the payment of interest on Senior Tax-Exempt Bonds and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (c) under the caption “*Taxable Account*” below;

(d) (i) first, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Tax-Exempt Principal Account*” below, to provide for the payment of principal of Senior Tax-Exempt Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund

for such purpose, to make the transfers required pursuant to paragraph (d)(i) under the caption “*Taxable Account*” below and (ii) second, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Tax-Exempt Principal Account*” below, to provide for the payment of cumulative mandatory sinking fund installments of Senior Tax-Exempt Bonds not funded under paragraph (i) of this paragraph (d) on a sinking fund payment date and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (d)(ii) under the caption “*Taxable Account*” below;

(e) on a pro rata basis, if necessary, to the Tax-Exempt Account of the Debt Service Reserve Fund the amount, if any, required to restore the Tax-Exempt Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto, with any separate Account established therein receiving its pro rata share of such replenishment, if necessary, based upon the amount disbursed from such Account and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (e) under the caption “*Taxable Account*” below;

(f) on a pro rata basis, if necessary, to the credit of the Tax-Exempt Interest Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Tax-Exempt Interest Account*” below, to provide for the payment of interest on Senior-Subordinate Tax-Exempt Bonds and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (f) under the caption “*Taxable Account*” below;

(g) (i) first, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Tax-Exempt Principal Account*” below, to provide for the payment of principal of Senior-Subordinate Tax-Exempt Bonds at their Stated Maturity or on a sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (g)(i) under the caption “*Taxable Account*” below and (ii) second, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Tax-Exempt Principal Account*” below, to provide for the payment of cumulative mandatory sinking fund installments of Senior-Subordinate Tax-Exempt Bonds not funded under clause (i) of this paragraph (g) on a sinking fund payment date and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (g)(ii) under the caption “*Taxable Account*” below;

(h) on a pro rata basis, if necessary, to the credit of the Tax-Exempt Interest Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Tax-Exempt Interest Account*” below, to provide for the payment of interest on Subordinate Tax-Exempt Bonds and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (h) under the caption “*Taxable Account*” below;

(i) (i) *first*, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Tax-Exempt Principal Account*” below, to provide for the payment of principal of Subordinate Tax-Exempt Bonds at their Stated Maturity or on a sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(i) under the caption “*Taxable Account*” below and (ii) *second*, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Tax-Exempt Principal Account*” below, to provide for the payment of cumulative mandatory sinking fund installments of Subordinate Tax-Exempt Bonds not funded under clause (i) of this paragraph (i) on a sinking fund payment date and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(ii) under the caption “*Taxable Account*” below;

(j) during any applicable Recycling Period, at the option of the Authority and upon receipt by the Trustee of an Authority Order, to the Tax-Exempt Account of the Student Loan Fund;

(k) (i) at the option of the Authority and upon receipt by the Trustee of an Authority Order or (ii) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of April and October), to the Tax-Exempt Retirement Account of the Debt Service Fund for the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Authority by Authority Order). See the caption “THE SERIES 2024-1 BONDS—Redemption Provisions” in the body of this Official Statement;

(l) to the Operating Fund for the payment of Subordinate Transaction Fees allocable to the Tax-Exempt Bonds to the extent permitted and in the manner described under the caption “Operating Fund” below upon receipt of an Authority Order directing the same; and

(m) at the option of the Authority and upon receipt by the Trustee of an Authority Order (but only on the last Business Day of the calendar months of May and November), release any remaining amounts from the Indenture to the extent described under the caption “Releases From the Indenture” below.

Taxable Account. On the last Business Day of each calendar month pursuant to the corresponding Monthly Report, or more frequently or on other dates if required by a Supplemental Indenture or if directed by the Authority pursuant to an Authority Order, Revenues in the Taxable Account of the Revenue Fund will be used and transferred to other Funds, Accounts, Subaccounts or Persons in the following order of priority (any money not so transferred or paid to remain in the Taxable Account of Revenue Fund until subsequently applied as described under this caption):

(a) to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund to make the transfers required pursuant to paragraph (a) described under the caption “*Tax-Exempt Account*” above, to the Rebate Fund, upon receipt of an Authority Order and if necessary to comply with any Tax Document with respect to rebate or Excess Earnings;

(b) on a pro rata basis, if necessary, to the Operating Fund for the payment of Senior Transaction Fees allocable to the Taxable Bonds to the extent and in the manner described under the caption “Operating Fund” below upon receipt of an Authority Order directing the same and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (b) described under the caption “*Tax-Exempt Account*” above;

(c) on a pro rata basis, if necessary, to the credit of the Taxable Interest Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Taxable Interest Account*” below, to provide for the payment of interest on Senior Taxable Bonds and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (c) described under the caption “*Tax-Exempt Account*” above;

(d) (i) first, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Taxable Principal Account*” below, to provide for the payment of principal of Senior Taxable Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (d)(i) described under the caption “*Tax-Exempt Account*” above and (ii) second, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Taxable Principal Account*” below, to provide for the payment of cumulative mandatory sinking fund installments of Senior Taxable Bonds not funded under clause (i) of this paragraph (d) on a sinking fund payment date and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (d)(ii) described under the caption “*Tax-Exempt Account*” above;

(e) on a pro rata basis, if necessary, to the Taxable Account of the Debt Service Reserve Fund the amount, if any, required to restore the Taxable Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto, with any separate Account established therein receiving its pro rata share of such replenishment, if necessary, based upon the amount disbursed from such Account and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (e) described under the caption “*Tax-Exempt Account*” above;

(f) on a pro rata basis, if necessary, to the credit of the Taxable Interest Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Taxable Interest Account*” below, to provide for the payment of interest on Senior-Subordinate Taxable Bonds and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (f) described under the caption “*Tax-Exempt Account*” above;

(g) (i) first, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Taxable Principal Account*” below, to provide for the payment of principal of Senior-Subordinate Taxable Bonds at their Stated Maturity or on a sinking fund payment date

(other than a cumulative mandatory sinking fund redemption date on which failure to make a sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (g)(i) described under the caption “*Tax-Exempt Account*” above and (ii) second, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Taxable Principal Account*” below, to provide for the payment of cumulative mandatory sinking fund installments of Senior-Subordinate Taxable Bonds not funded under clause (i) of this paragraph (g) on a sinking fund payment date and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (g)(ii) described under the caption “*Tax-Exempt Account*” above;

(h) on a pro rata basis, if necessary, to the credit of the Taxable Interest Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Taxable Interest Account*” below, to provide for the payment of interest on Subordinate Taxable Bonds and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (h) described under the caption “*Tax-Exempt Account*” above;

(i) (i) *first*, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Taxable Principal Account*” below, to provide for the payment of principal of Subordinate Taxable Bonds at their Stated Maturity or on a sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(i) described under the caption “*Tax-Exempt Account*” above and (ii) *second*, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “*Debt Service Fund—Taxable Principal Account*” below, to provide for the payment of cumulative mandatory sinking fund installments of Subordinate Taxable Bonds not funded under clause (i) of this paragraph (i) on a sinking fund payment date and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(ii) described under the caption “*Tax-Exempt Account*” above;

(j) during any applicable Recycling Period, at the option of the Authority and upon receipt by the Trustee of an Authority Order, to the Taxable Account of the Student Loan Fund;

(k) (i) at the option of the Authority and upon receipt by the Trustee of an Authority Order or (ii) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of April and October), to the Taxable Retirement Account or the Tax-Exempt Retirement of the Debt Service Fund, as directed by an Authority Order, for the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Authority by Authority Order). See the caption “*THE SERIES 2024-1 BONDS—Redemption Provisions*” in the body of this Official Statement;

(l) to the Operating Fund for the payment of Subordinate Transaction Fees allocable to the Taxable Bonds to the extent permitted and in the manner described under the caption “Operating Fund” below upon receipt of an Authority Order directing the same; and

(m) at the option of the Authority and upon receipt by the Trustee of an Authority Order (but only on the last Business Day of the calendar months of May and November), release any remaining amounts from the Indenture to the extent described under the caption “Releases From the Indenture” below.

Capitalized Interest Fund

There will be deposited to the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund the amount, if any, specified in each Supplemental Indenture, and any other moneys of the Authority designated by the Authority for deposit therein pursuant to an Authority Order. If (a) on the last Business Day of any calendar month, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund to make the transfers required by paragraphs (a) through (d) under the caption “Revenue Fund—*Tax-Exempt Account*” above (or through paragraph (g) if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or through paragraph (i) if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) or paragraphs (a) through (d) under the caption “Revenue Fund—*Taxable Account*” above (or through paragraph (g) if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or through paragraph (i) if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) or (b) on a Bond Payment Date, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund to make the payments due on Senior Tax-Exempt Bonds or Senior Taxable Bonds (or Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or Subordinate Tax-Exempt Bonds or Subordinate Taxable Bonds if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) on such Bond Payment Date, an amount equal to any such deficiency will be transferred directly from the Capitalized Interest Fund to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but only from amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund not constituting the proceeds of a Series of Tax-Exempt Bonds unless a Favorable Opinion is received by the Authority and the Trustee). To the extent that amounts are available within an Account of the Capitalized Interest Fund, (a) amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund are required to be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Capitalized Interest Fund and (b) amounts on deposit in the Taxable Account of the Capitalized Interest Fund are required to be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund.

If a Supplemental Indenture specifies an amount to be deposited into an Account of the Capitalized Interest Fund, such Supplemental Indenture may also (i) specify a time period for such amount to be used as described above; (ii) specify other uses for such amount (including, without limitation, making deposits to the Student Loan Fund, the Operating Fund or Revenue Fund or transfers to the Authority); and (iii) establish Subaccounts within the Capitalized Interest Fund in which such amount will be deposited.

Debt Service Fund

The Debt Service Fund will only be used for the payment of principal, premium, if any, and interest on the Bonds. The Paying Agent on behalf of the Trustee may establish separate Subaccounts within the

Tax-Exempt Interest Account, the Tax-Exempt Principal Account, the Tax-Exempt Retirement Account, the Taxable Interest Account, the Taxable Principal Account or the Taxable Retirement Account of the Debt Service Fund, as applicable, for each Series of Bonds or source of deposit (including any investment income thereon) made therein as directed by an Authority Order so that the Administrator can at all times ascertain the date of deposit, the amounts and the source of the funds therein. All references under this caption to mandatory sinking fund redemption dates or to principal installments due on such dates are deemed to include all cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund installments.

Tax-Exempt Interest Account. The Trustee will credit to the Tax-Exempt Interest Account the amount, if any, specified in a Supplemental Indenture. The Trustee will also deposit in the Tax-Exempt Interest Account (a) that portion of the proceeds from the sale of the Authority's refunding bonds, if any, to be used to pay interest on Tax-Exempt Bonds if so directed by the Authority in writing; and (b) all amounts required to be transferred thereto from the Funds and Accounts described under this caption "*Tax-Exempt Interest Account.*"

With respect to each Series of Tax-Exempt Bonds on which interest is paid at least monthly, the Trustee in accordance with the applicable Monthly Report is required to deposit to the credit of the Tax-Exempt Interest Account on the last Business Day of each calendar month an amount equal to the interest that will become payable on such Tax-Exempt Bonds during the following calendar month. With respect to each Series of Tax-Exempt Bonds on which interest is paid at intervals less frequently than monthly, the Trustee is required to make monthly deposits to the credit of the Interest Account on the last Business Day of each calendar month preceding each Interest Payment Date for such Series of Tax-Exempt Bonds equal to one hundred and twenty percent of the interest to accrue (or, with respect to Tax-Exempt Bonds bearing interest at a variable rate, anticipated to accrue) on such Tax-Exempt Bonds during the succeeding calendar month plus, to the extent any previous monthly deposit was less than the provided amount for such month in accordance with the applicable Monthly Report, the amount of such deficiency, in each case, until the full amount due on the next Interest Payment Date is deposited to the Tax-Exempt Interest Account for such Series of Tax-Exempt Bonds (except that if there are fewer than six calendar months between the delivery of the Tax-Exempt Bonds of a Series to the initial purchasers thereof and the first Interest Payment Date with respect to such Series of Tax-Exempt Bonds, then the Trustee is required to make equal monthly deposits to the credit of the Tax-Exempt Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report beginning with the calendar month following the month in which such Series of Tax-Exempt Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Tax-Exempt Interest Account for the next succeeding Interest Payment Date is on deposit by the last Business Day of the next April and October). With respect to a Series of Tax-Exempt Bonds bearing interest at a variable rate for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee is required to make such deposit based upon assumptions set forth in the applicable Monthly Report and based upon the Supplemental Indenture authorizing such Series of Tax-Exempt Bonds.

In making the deposits required to be deposited and credited to the Tax-Exempt Interest Account, all other deposits and credits otherwise made or required to be made to the Tax-Exempt Interest Account will, to the extent available for such purpose, be taken into consideration and allowed for, provided however that the Trustee is not responsible for such considerations and will rely solely upon the Monthly Report in making deposits under the Indenture. If on any Bond Payment Date relating to Tax-Exempt Bonds there are insufficient amounts on deposit in the Tax-Exempt Interest Account to make the payment of interest due on the Tax-Exempt Bonds due on such date, the Trustee will transfer the deficiency from the applicable account of the following Funds, in the following order of priority: the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund, the Tax-Exempt Account or the Taxable Account of the Student Loan Fund and the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund, subject

to the limitations and conditions with respect thereto described under the captions “Capitalized Interest Fund” and “Student Loan Fund” above and “Debt Service Reserve Fund” below, respectively.

Except as described under the caption “Reallocation of Amounts on Deposit in the Debt Service Fund” below, amounts transferred to the Interest Account pursuant to paragraph (c) under the caption “Revenue Fund—*Tax-Exempt Account*” above are required to be used solely for the payment of interest on Senior Tax-Exempt Bonds, amounts transferred to the Tax-Exempt Interest Account pursuant to paragraph (f) under the caption “Revenue Fund—*Tax-Exempt Account*” above are required to be used solely for the payment of interest on Senior-Subordinate Tax-Exempt Bonds, and amounts transferred to the Tax-Exempt Interest Account pursuant to paragraph (h) under the caption “Revenue Fund—*Tax-Exempt Account*” above are required to be used solely for the payment of interest on Subordinate Tax-Exempt Bonds.

Tax-Exempt Principal Account. The Trustee will deposit to the credit of the Tax-Exempt Principal Account: (a) that portion of the proceeds from the sale of the Authority’s bonds, if any, to be used to pay principal of Tax-Exempt Bonds if so directed by the Authority in writing; and (b) all amounts required to be transferred from the Funds and Accounts under this caption “*Tax-Exempt Principal Account.*”

To provide for the payment of each installment of principal on a Series of Tax-Exempt Bonds due at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor, the Trustee in accordance with the applicable Monthly Report is required to make substantially equal monthly deposits to the credit of the Tax-Exempt Principal Account on the last Business Day of the first 10 of the 12 calendar months preceding such Stated Maturity or mandatory sinking fund redemption date, to aggregate the full amount of such installment within such 10 calendar month period (except that if there are fewer than 12 calendar months between the delivery of such Series of Tax-Exempt Bonds to the initial purchasers thereof and the first Stated Maturity or mandatory sinking fund redemption date with respect to such Series of Tax-Exempt Bonds, then the Trustee in accordance with the applicable Monthly Report is required to make equal monthly deposits to the credit of the Tax-Exempt Principal Account on the last Business Day of each calendar month beginning with the calendar month following the month in which such Series of Tax-Exempt Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Tax-Exempt Principal Account for the next succeeding Stated Maturity or mandatory sinking fund redemption date is on deposit by the last Business Day of the next April or October, as applicable). In making the deposits required to be deposited and credited to the Tax-Exempt Principal Account, all other deposits and credits otherwise made or required to be made to the Tax-Exempt Principal Account will, to the extent available for such purpose, be taken into consideration and allowed for, provided however that the Trustee will not be responsible for such considerations and will rely solely upon the Monthly Report in making deposits under the Indenture.

If on any Stated Maturity or mandatory sinking fund redemption date there are insufficient amounts on deposit in the Tax-Exempt Principal Account to make payments of principal due on the Tax-Exempt Bonds on such date, the Trustee is required to transfer the deficiency from the applicable account of the following Funds, in the following order of priority (after transfers from any such Funds to the Tax-Exempt Interest Account required on such date): the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund, the Tax-Exempt Account or the Taxable Account of the Student Loan Fund and the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund, subject to the limitations and conditions with respect thereto described under the captions “Capitalized Interest Fund” and “Student Loan Fund” above and “Debt Service Reserve Fund” below, respectively.

The moneys in the Tax-Exempt Principal Account required for the payment of the principal on a Series of Tax-Exempt Bonds at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor is required to be applied by the Trustee to such payment when due without further authorization or direction.

Except as described under the caption “*Reallocation of Amounts on Deposit in the Debt Service Fund*” below, amounts transferred to the Tax-Exempt Principal Account pursuant to paragraph (d) under the caption “Revenue Fund—*Tax-Exempt Account*” above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Tax-Exempt Bonds, amounts transferred to the Tax-Exempt Principal Account pursuant to paragraph (g) under the caption “Revenue Fund—*Tax-Exempt Account*” above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior-Subordinate Tax-Exempt Bonds, and amounts transferred to the Tax-Exempt Principal Account paragraph (i) under the caption “Revenue Fund—*Tax-Exempt Account*” above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Subordinate Tax-Exempt Bonds, as set forth in the Authority Order or Monthly Report.

Tax-Exempt Retirement Account. The Trustee is required to deposit to the credit of the Tax-Exempt Retirement Account any amounts transferred thereto or deposited therein to provide for the redemption of, or the distribution of principal with respect to, the Tax-Exempt Bonds. All redemptions of and distributions of principal with respect to Tax-Exempt Bonds (other than at a Stated Maturity or on a mandatory sinking fund redemption date) are required to be made with moneys deposited to the credit of the Tax-Exempt Retirement Account in accordance with the applicable Monthly Report. In the event that Tax-Exempt Bonds are to be prepaid from the Tax-Exempt Retirement Account on a date other than a regularly scheduled Interest Payment Date, accrued interest on such Tax-Exempt Bonds will be paid from the Tax-Exempt Interest Account. The moneys in the Tax-Exempt Retirement Account required for the redemption of, or the distribution of principal with respect to, Tax-Exempt Bonds are required to be applied by the Trustee to such payment as set forth in any Supplemental Indenture providing for such redemption or distribution of principal without further authorization or direction.

Taxable Interest Account. The Trustee is required to credit to the Taxable Interest Account the amount, if any, specified in a Supplemental Indenture. The Trustee is also required to deposit in the Taxable Interest Account (a) that portion of the proceeds from the sale of the Authority’s refunding bonds, if any, to be used to pay interest on the Taxable Bonds if so directed by the Authority in writing; and (b) all amounts required to be transferred thereto from the Funds and Accounts described under this caption “Taxable Interest Account.”

With respect to each Series of Taxable Bonds on which interest is paid at least monthly, the Trustee is required in accordance with the applicable Monthly Report to deposit to the credit of the Taxable Interest Account on the last Business Day of each calendar month an amount equal to the interest that will become payable on such Taxable Bonds during the following calendar month. With respect to each Series of Taxable Bonds on which interest is paid at intervals less frequently than monthly, the Trustee is required to make monthly deposits to the credit of the Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report preceding each Interest Payment Date for such Series of Taxable Bonds equal to one hundred and twenty percent of the interest to accrue (or, with respect to Taxable Bonds bearing interest at a variable rate, anticipated to accrue) on such Taxable Bonds during the succeeding calendar month plus, to the extent any previous monthly deposit was less than the provided amount for such month, the amount of such deficiency, in each case, until the full amount due on the next Interest Payment Date is deposited to the Taxable Interest Account for such Series of Taxable Bonds (except that if there are fewer than six calendar months between the delivery of the Taxable Bonds of a Series to the initial purchasers thereof and the first Interest Payment Date with respect to such Series of Taxable Bonds, then the Trustee is required to make equal monthly deposits to the credit of the Taxable Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report beginning with the calendar month following the month in which such Series of Taxable Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Taxable Interest Account for the next succeeding Interest Payment Date is on deposit by the last Business Day of the next April or

October). With respect to a Series of Taxable Bonds bearing interest at a variable rate for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon assumptions set forth in accordance with the applicable Monthly Report and based on the Supplemental Indenture authorizing such Series of Taxable Bonds.

In making the deposits required to be deposited and credited to the Taxable Interest Account, all other deposits and credits otherwise made or required to be made to the Taxable Interest Account will, to the extent available for such purpose, be taken into consideration and allowed for, provided however that the Trustee is not responsible for such considerations and will rely solely upon the Monthly Report in making deposits under the Indenture. If on any Bond Payment Date relating to Taxable Bonds there are insufficient amounts on deposit in the Taxable Interest Account to make the payment of interest due on the Taxable Bonds due on such date, the Trustee will transfer the deficiency from the applicable account of the following Funds, in the following order of priority: the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund, the Tax-Exempt Account or the Taxable Account of the Student Loan Fund and the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund, subject to the limitations and conditions with respect thereto described under the captions “Capitalized Interest Fund” and “Student Loan Fund” above and “Debt Service Reserve Fund” below, respectively.

Except as described under the caption “Reallocation of Amounts on Deposit in the Debt Service Fund” below, amounts transferred to the Interest Account pursuant to paragraph (c) under the caption “Revenue Fund—*Taxable Account*” above are required to be used solely for the payment of interest on Senior Taxable Bonds, and amounts transferred to the Taxable Interest Account pursuant to paragraph (f) under the caption “Revenue Fund—*Taxable Account*” above are required to be used solely for the payment of interest on Senior-Subordinate Taxable Bonds, and amounts transferred to the Taxable Interest Account pursuant to paragraph (h) under the caption “Revenue Fund—*Taxable Account*” above are required to be used solely for the payment of interest on Subordinate Taxable Bonds.

Taxable Principal Account. The Trustee is required to deposit to the credit of the Taxable Principal Account: (a) that portion of the proceeds from the sale of the Authority’s bonds, if any, to be used to pay principal of Taxable Bonds if so directed by the Authority in writing, and (b) all amounts required to be transferred from the Funds and Accounts described under this caption “*Taxable Principal Account.*”

To provide for the payment of each installment of principal on a Series of Taxable Bonds due at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor, the Trustee in accordance with the applicable Monthly Report is required to make substantially equal monthly deposits to the credit of the Taxable Principal Account on the last Business Day of the first 10 of the 12 calendar months preceding such Stated Maturity or mandatory sinking fund redemption date, to aggregate the full amount of such installment within such 10 calendar month period (except that if there are fewer than 12 calendar months between the delivery of such Series of Taxable Bonds to the initial purchasers thereof and the first Stated Maturity or mandatory sinking fund redemption date with respect to such Series of Taxable Bonds, then the Trustee is required in accordance with the applicable Monthly Report to make equal monthly deposits to the credit of the Taxable Principal Account on the last Business Day of each calendar month beginning with the calendar month following the month in which such Series of Taxable Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Taxable Principal Account for the next succeeding Stated Maturity or mandatory sinking fund redemption date is on deposit by the last Business Day of the next April or October, as applicable). In making the deposits required to be deposited and credited to the Taxable Principal Account, all other deposits and credits otherwise made or required to be made to the Taxable Principal Account are required, to the extent available for such purpose, to be taken into consideration and allowed for, provided however that the Trustee is not responsible for such considerations and will rely solely upon the Monthly Report in making deposits under the Indenture.

If on any Stated Maturity or mandatory sinking fund redemption date there are insufficient amounts on deposit in the Taxable Principal Account to make payments of principal due on the Taxable Bonds on such date, the Trustee is required to transfer the deficiency from the applicable account of the following Funds, in the following order of priority (after transfers from any such Funds to the Taxable Interest Account required on such date): the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund, the Tax-Exempt Account or the Taxable Account of the Student Loan Fund and the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund, subject to the limitations and conditions with respect thereto described under the captions “Capitalized Interest Fund” and “Student Loan Fund” above and “Debt Service Reserve Fund” below, respectively.

The moneys in the Taxable Principal Account required for the payment of the principal on a Series of Taxable Bonds at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor are required to be applied by the Trustee to such payment when due without further authorization or direction.

Except as described under the caption “*Reallocation of Amounts on Deposit in the Debt Service Fund*” below, amounts transferred to the Taxable Principal Account paragraph (d) under the caption “Revenue Fund—*Taxable Account*” above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Taxable Bonds, amounts transferred to the Taxable Principal Account pursuant to paragraph (g) under the caption “Revenue Fund—*Taxable Account*” above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior-Subordinate Taxable Bonds, and amounts transferred to the Taxable Principal Account pursuant to paragraph (i) under the caption “Revenue Fund—*Taxable Account*” above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Subordinate Taxable Bonds, as set forth in the Authority Order or Monthly Report.

Taxable Retirement Account. The Trustee is required to deposit to the credit of the Taxable Retirement Account any amounts transferred thereto or deposited therein to provide for the redemption of, or the distribution of principal with respect to, the Taxable Bonds. All redemptions of and distribution of principal with respect to Taxable Bonds (other than at a Stated Maturity or on a mandatory sinking fund redemption date) are required to be made with moneys deposited to the credit of the Taxable Retirement Account in accordance with the applicable Monthly Report. In the event that Taxable Bonds are to be prepaid from the Taxable Retirement Account on a date other than a regularly scheduled Interest Payment Date, accrued interest on such Taxable Bonds are required to be paid from the Taxable Interest Account. The moneys in the Taxable Retirement Account required for the redemption of, or the distribution of principal with respect to, Taxable Bonds are required to be applied by the Trustee to such payment as set forth in any Supplemental Indenture providing for such redemption or distribution of principal without further authorization or direction.

Reallocation of Amounts on Deposit in the Debt Service Fund. If, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the Reserve Fund, there are insufficient amounts on deposit in any Account or Subaccount of the Debt Service Fund to pay principal or interest on a Senior Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount (first, from any Accounts or Subaccount established for Subordinate Bonds, second, from any Accounts or Subaccount established for Senior-Subordinate Bonds and, third, from any Accounts or Subaccount established for Senior Bonds), not required to make a payment on any other Senior Bonds on such Bond Payment Date to make the payment due on such Senior Bond on such Bond Payment Date. If there are no Senior Bonds Outstanding and, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the

Reserve Fund, there are insufficient amounts on deposit in the any Account or Subaccount of the Debt Service Fund to pay principal or interest on a Senior-Subordinate Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount (first, from any Accounts or Subaccount established for Subordinate Bonds and, second, from any Accounts or Subaccount established for Senior-Subordinate Bonds), not required to make a payment on any other Senior-Subordinate Bonds on such Bond Payment Date to make the payment due on such Senior-Subordinate Bond on such Bond Payment Date. If there are no Senior Bonds or Senior-Subordinate Bonds Outstanding and, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the Reserve Fund, there are insufficient amounts on deposit in the any Account or Subaccount of the Debt Service Fund to pay principal or interest on a Subordinate Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount, not required to make a payment on any other Subordinate Bonds on such Bond Payment Date to make the payment due on such Subordinate Bond on such Bond Payment Date. To the extent there are still insufficient amounts in the Debt Service Fund to make the full payments of principal and interest due on the Senior Bonds (or, if there are no Senior Bonds Outstanding, on the Senior-Subordinate Bonds or, if there are no Senior Bonds or Senior-Subordinate Bonds Outstanding, on the Subordinate Bonds) on such Bond Payment Date, the Bonds to be paid will be allocated a pro rata share of the amounts on deposit in the Debt Service Fund based upon the amounts due and owing on such Bonds on such Bond Payment Date. Any amounts within the Debt Service Fund that were reallocated from one Series of Bonds to be used to pay another Series of Bonds as described under this caption “Reallocation of Amounts on Deposit in the Debt Service Fund” are required to be added to the amounts required to be deposited with respect to such Series of Bonds for which previously set aside amounts were used to pay another Series of Bonds as described under this caption “Debt Service Fund” and the caption “Revenue Fund” above on the next monthly distribution date. Notwithstanding anything to the contrary in the Indenture as described in this caption “—*Reallocation of Amounts on Deposit in the Debt Service Fund*,” any reallocation as provided in the Indenture shall be in accordance with an Authority Order.

Debt Service Reserve Fund

There will be deposited into the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund the amount, if any, specified in each Supplemental Indenture and any other moneys of the Authority designated by the Authority for deposit therein pursuant to an Authority Order. If (a) on the last Business Day of any calendar month, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund and the Student Loan Fund) to make the transfers required by paragraphs (a) through (d) under the caption “Revenue Fund—*Tax-Exempt Account*” above (or through paragraph (g) if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or through paragraph (i) if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) or paragraphs (a) through (d) under the caption “Revenue Fund—*Taxable Account*” above (or through paragraph (g) if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or through paragraph (i) if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) or (b) on a Bond Payment Date, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund and the Student Loan Fund) to make the payments due on Senior Tax-Exempt Bonds or Senior Taxable Bonds (or Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds if no Senior Tax-Exempt Bonds or Senior Taxable Bonds are then Outstanding, or Subordinate Tax-Exempt Bonds or Subordinate Taxable Bonds if no Senior Tax-Exempt Bonds, Senior Taxable Bonds, Senior-Subordinate Tax-Exempt Bonds or Senior-Subordinate Taxable Bonds are then Outstanding) on such Bond Payment Date, an amount equal to any such deficiency will be

transferred directly from the Debt Service Reserve Fund to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but only from amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund not constituting the proceeds of a Series of Tax-Exempt Bonds unless a Favorable Opinion is received by the Authority and the Trustee) and in accordance with the applicable Monthly Report. To the extent that amounts are available within an Account of the Debt Service Reserve Fund, (i) amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund are required to be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Debt Service Reserve Fund and (ii) amounts on deposit in the Taxable Account of the Debt Service Reserve Fund are required to be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund.

If an Account of the Debt Service Reserve Fund is used for the purposes described in the preceding paragraph, the Trustee in accordance with the applicable Monthly Report or an Authority Order is required to restore such Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto by transfers from the Tax-Exempt Account of the Revenue Fund as described under paragraphs (e) under the captions “Revenue Fund—*Tax-Exempt Account*” and “—*Taxable Account*” above, as applicable. If the full amount required to restore such Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement is not available in the Tax-Exempt Account of the Revenue Fund on the day of any required transfer or in the Taxable Account of the Revenue Fund on the day of any required transfer, as applicable, the Trustee in accordance with the applicable Monthly Report or an Authority Order will continue to transfer funds from the Tax-Exempt Account of the Revenue Fund as they become available and in accordance with as described under paragraphs (e) under the captions “Revenue Fund—*Tax-Exempt Account*” and “—*Taxable Account*” above, as applicable, until the deficiency in such Account of the Debt Service Reserve Fund has been eliminated.

On any day that the amount in an Account of the Debt Service Reserve Fund, if any, exceeds its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto for any reason, the Trustee, pursuant to an Authority Order, is required to transfer the excess to the corresponding Account of the Revenue Fund.

Rebate Fund

The Trustee is required to, upon receipt of an Authority Order and as described in paragraphs (a) under the captions “Revenue Fund—*Tax-Exempt Account*” and “—*Taxable Account*” above, as applicable, withdraw from the applicable Account of the Revenue Fund and deposit to the Rebate Fund an amount such that the balance held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the Computation Date. Computation of the amounts on deposit in each Fund and of the Rebate Amount are required to be furnished to the Trustee by or on behalf of the Authority in accordance with any Tax Document, as the same may be amended or supplemented in accordance with their terms.

The Trustee, upon receipt of an Authority Order in accordance with any Tax Document, is required to pay to the United States of America from the Rebate Fund the Rebate Amount as of the end of any applicable Computation Date.

The Trustee is required, upon receipt of an Authority Order and as described in paragraphs (a) under the captions “Revenue Fund—*Tax-Exempt Account*” and “—*Taxable Account*” above, as applicable, to withdraw from the appropriate Account of the Revenue Fund and deposit to the Rebate Fund such amount as is required to be paid to the federal government as Excess Earnings. The Trustee is required, upon receipt of an Authority Order, to pay such Excess Earnings to the United States of America. Alternatively, the

Authority may from time to time forgive Financed Eligible Loans to satisfy such requirement, in accordance with any Tax Document.

In the event that on any Computation Date the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee is required to withdraw such excess amount and deposit it in the Account of the Revenue Fund designated by an Authority Order.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report. The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture and any other agreement relating to the Bonds regarding calculation and payment of rebate if it follows the directions of the Authority contained in the Authority Order, and it shall have no independent duty to review or enforce compliance with such rebate requirements. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Authority Order, Authority's opinion, calculations, determinations, directions, and certifications required in the Indenture as described under this caption "Rebate Fund."

Notwithstanding anything in the Indenture to the contrary, in the event the Authority and the Trustee receives a Favorable Opinion to the effect that it is not necessary under either existing statutes and court decisions or under any then federal legislation to pay any portion of earnings on Funds held under the Indenture or Excess Earnings to the United States of America in order to assure the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds, then the provisions described under this caption "Rebate Fund" need not be complied with and will no longer be effective and all or a portion of such amounts on deposit in the Rebate Fund will be transferred to the Account of the Revenue Fund designated by an Authority Order.

Operating Fund

There will be transferred to the Authority for deposit to the Operating Fund the amount, if any, specified in each Supplemental Indenture. The Trustee is also required to transfer to the Authority for deposit to the Operating Fund, subject to any limitations set forth in any Supplemental Indenture, the amounts transferred from the Revenue Fund pursuant to as described in paragraphs (b) and (l) under the captions "Revenue Fund—*Tax-Exempt Account*" and "*—Taxable Account*" above, as applicable, and any Supplemental Indenture in accordance with the applicable Monthly Report or Authority Order. The Operating Fund is held by the Authority, and no Registered Owner has any right, title or interest in the Operating Fund. Unless such Senior Transaction Fees and Subordinate Transaction Fees are related solely to the Taxable Bonds or the Tax-Exempt Bonds or as otherwise provided in an Authority Order, Senior Transaction Fees and Subordinate Transaction Fees will be allocated to the Taxable Bonds and the Tax-Exempt Bonds based upon the outstanding principal amounts of the Taxable Bonds and the Tax-Exempt Bonds. Amounts deposited in the Operating Fund are required to be used to pay Senior Transaction Fees and Subordinate Transaction Fees.

The Authority covenants in the Indenture that the amount so transferred in any one Fiscal Year will not exceed the amounts described under the caption "PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Senior Transaction Fees" in this Appendix A and under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Senior Transaction Fees" in the body of this Official Statement and as may be further limited by a Supplemental Indenture, unless the Authority has satisfied the Rating Agency Notification with respect to such greater amounts. See also the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Senior Transaction Fees" in the body of this Official Statement.

Releases From the Indenture

No transfers from the Revenue Fund to the Authority or any subsequent holder of the residual interest in the Trust Estate may be made pursuant to paragraphs (m) under the captions “Revenue Fund—*Tax-Exempt Account*” and “—*Taxable Account*” above, as applicable, if there is not on deposit in the Debt Service Reserve Fund an amount equal to at least the Debt Service Reserve Fund Requirement, and unless all conditions contained in any Supplemental Indenture are complied with and the Trustee has received (a) a certificate of an Authorized Representative of the Authority to the effect that all rebate liability as calculated pursuant to any Tax Document through the date of such transfer has been paid or deposited in the Rebate Fund and (b) a certificate of an Authorized Officer of the Authority stating that, immediately following such release, (i) the Overall Parity Percentage (assuming that amounts in the Tax-Exempt Retirement Account or the Taxable Retirement Account of the Debt Service Fund have been used to redeem a principal amount of Bonds equal to amounts on deposit therein) will equal or exceed 148% (provided, however, that such Overall Parity Percentage may be lowered by the Authority if the Authority shall have satisfied the Rating Agency Notification); (ii) the Net Asset Requirement shall be satisfied and (iii) the aggregate principal amount of all Bonds Outstanding will be greater than 10.0% of the aggregate principal amount of all Bonds Outstanding as of the last Date of Issuance of a Series of Bonds.

Subject to compliance with the provisions described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” in this Appendix A, any amounts transferred from the Revenue Fund to the Authority or any subsequent holder of the residual interest in the Trust Estate in accordance with the Indenture shall be released from the lien of the Indenture, shall no longer be part of the Trust Estate and shall be the property of the Authority or any subsequent holder of such residual interest in the Trust Estate.

Investment of Funds Held by Trustee

The Paying Agent on behalf of the Trustee is required to invest money held for the credit of any Fund, Account or Subaccount held by the Trustee under the Indenture as directed in writing by an Authorized Representative of the Authority, in Eligible Accounts the funds of which Eligible Accounts shall, to the fullest extent practicable and reasonable, be invested in Investment Securities which shall mature or be redeemed at the option of the holder prior to the respective dates when the money held for the credit of such Fund, Account or Subaccount will be required for the purposes intended. If a Fund or Account or Subaccount no longer constitutes an Eligible Account, the Trustee shall promptly (and, in any case, within not more than 30 calendar days) move such Fund or Account or Subaccount to another Eligible Institution such that the Fund or Account or Subaccount shall again constitute an Eligible Account. The Trustee shall notify the Authority in writing of the change in account and that, in the absence of any written direction from the Authority, amounts held in such accounts shall be held uninvested in cash. The Paying Agent on behalf of the Trustee and the Authority agrees pursuant to the Indenture that unless an Event of Default shall have occurred and is continuing thereunder, the Authority acting by and through an Authorized Representative shall be entitled to, and shall, provide written direction with respect to any discretionary acts required or permitted of the Trustee under any Investment Securities, and the Trustee shall not take such discretionary acts without such written direction.

The Investment Securities purchased are required to be held by the Paying Agent on behalf of the Trustee and will be deemed at all times to be part of such Fund or Account or Subaccounts or combination thereof, and the Paying Agent on behalf of the Trustee is required to inform the Authority of the details of all such investments. Earnings with respect to, and any net gain on the disposition of, any such investments, except on investments contained in the Rebate Fund and the Operating Fund, are required to be deposited into the Revenue Fund. Earnings on amounts contained in the Rebate Fund remain in the Rebate Fund. Earnings on amounts contained in the Operating Fund remain in the Operating Fund. Upon direction in

writing from an Authorized Representative of the Authority, the Paying Agent on behalf of the Trustee is required to use its best efforts to sell at the best price obtainable, or present for redemption, any Investment Securities purchased by it as an investment whenever it is necessary to provide money to meet any payment from the applicable Fund. The Paying Agent on behalf of the Trustee is required to advise the Authority in writing, on or before the fifteenth day of each calendar month (or such later date as reasonably consented to by the Authority), of all investments held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month and the value thereof, and will list any investments which were sold or liquidated for less than their value at the time thereof.

Subject to any limitations in the Tax Documents, money in any Fund constituting a part of the Trust Estate may be pooled for the purpose of making investments and may be used to pay accrued interest on Investment Securities purchased. Subject to any limitations in the Tax Documents, the Paying Agent on behalf of the Trustee and its affiliates may act as principal or agent in the acquisition or disposition of any Investment Securities.

Notwithstanding the foregoing, neither the Paying Agent nor the Trustee shall be responsible or liable for any losses, fees, taxes, or other charges incurred in connection with any investments, reinvestments, or liquidation of an investment made by it under the Indenture or for keeping all Funds held by it fully invested at all times, its only responsibility being to comply with the investment instructions of the Authority or its designee in compliance with the Trustee's standard of care described under the caption "THE TRUSTEE" in this Appendix A. The Paying Agent and the Trustee and their affiliates are permitted to receive additional compensation that could be deemed to be in the Paying Agent's or the Trustee's economic self-interest for (i) servicing as administrator, servicing agent, custodian or sub-custodian with respect to certain investments, (ii) using affiliates to effect transactions in certain investments and (iii) effecting transactions in certain investments.

Purchase of Bonds

Pursuant to the Indenture and upon Authority Order, any amounts held under the Indenture which are available to redeem Bonds of a particular Stated Maturity (and interest rate, if applicable) may instead be used to purchase Bonds of such Stated Maturity (and interest rate, if applicable) at the same times and subject to the same conditions (except as to price) as apply to the Bonds of such Stated Maturity (and interest rate, if applicable) in lieu of such redemption, except that such purchases made with amounts held under the Indenture will be made only if the purchase price is less than the required Redemption Price. All Bonds so purchased will be canceled and not reissued.

DEFAULTS AND REMEDIES

Events of Default Defined

For the purpose of the Indenture, the following events are defined as, and are declared to be, "Events of Default":

- (a) default in the due and punctual payment of the principal of or interest on any of the Senior Bonds when due (other than the failure to make Principal Reduction Payments);
- (b) if no Senior Bonds are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Senior-Subordinate Bonds when due (other than the failure to make Principal Reduction Payments);

(c) if no Senior Bonds or Senior-Subordinate Bonds are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Subordinate Bonds when due (other than the failure to make Principal Reduction Payments);

(d) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Authority, other than an Administrator Default with respect to the Authority, to be kept, observed, and performed contained in the Indenture or in the Bonds, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the Trustee to the Authority; and

(e) the occurrence of an Event of Bankruptcy with respect to the Authority.

Except as described under the caption “THE TRUSTEE—Indemnification of Trustee” in this Appendix A, the Trustee is not required to take notice, or be deemed to have knowledge, constructive or otherwise, of any default or Event of Default.

Any notice provided in the Indenture to be given to the Authority with respect to any default is deemed sufficiently given if sent by first-class mail with postage prepaid to the Person to be notified, addressed to such Person at the post office address as shown at the end of the Indenture or such other address as may hereafter be given as the principal office of the Authority in writing to a Responsible Officer of the Trustee by an Authorized Officer of the Authority. The Trustee may give any such notice in its discretion and shall give such notice if requested to do so in writing by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds at the time Outstanding.

Remedy on Default; Possession of Trust Estate

Upon the happening and continuance of any Event of Default, the Trustee, personally or by its attorneys or agents, may (but in the case of an Event of Default described in paragraph (d) under the caption “Events of Default Defined” above only upon the written direction of 100% of the Registered Owners of the Highest Priority Bonds then Outstanding and the written consent of the Registered Owners of a majority of the collective aggregate principal amount of each of the Senior-Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds) enter into and upon and take possession of such portion of the Trust Estate as is in the custody of others, and all property comprising the Trust Estate, and each and every part thereof, and exclude the Authority and its agents, servants, and employees wholly therefrom, and have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Authority or otherwise, as they shall deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and powers of the Authority and use all of the then existing Trust Estate for that purpose, and collect and receive all charges, income and Revenue of the same and of every part thereof, and after deducting therefrom all expenses incurred under the Indenture (including any Extraordinary Expenses) and all other proper outlays authorized in the Indenture, and all payments which may be made as just and reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants (without regard to any limitations on the payment of fees, expenses, and indemnities that may otherwise be set forth in the Indenture or in any supplement thereto), the Trustee is required to apply the rest and residue of the money received by the Trustee as follows:

(a) if the principal of none of the Bonds has become due: first, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the interest in default on the Senior Bonds,

in order of the maturity of the installments thereof, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and fourth, to the payment of the interest in default on the Senior-Subordinate Bonds, in order of the maturity of the installments of such interest, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior-Subordinate Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and fifth, to the payment of the interest in default on the Subordinate Bonds, in order of the maturity of the installments of such interest, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference.

(b) if the principal of any of the Bonds has become due, other than by declaration of acceleration: first, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the interest in default on the Senior Bonds, in the order of the maturity of the installments thereof, with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds on which such interest is in default; fourth, to the payment of the principal of all Senior Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest in default on the Senior-Subordinate Bonds, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior-Subordinate Bonds on which such interest is in default, as the case may be; sixth, to the payment of the principal of all Senior-Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; seventh, to the payment of the interest in default on the Subordinate Bonds, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds on which such interest is in default, as the case may be; and eighth, to the payment of the principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference.

(c) subject to the provisions described under the caption “Accelerated Maturity” below, if the principal of all the Bonds has become due by declaration of acceleration or otherwise: first, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the interest and principal of all Senior Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fourth, to the payment of the interest and principal of all Senior-Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest and principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and, sixth, any remainder to the Authority or any subsequent holder of the residual interest in the Trust Estate.

Remedies on Default; Advice of Counsel

Upon the happening of any Event of Default, the Trustee may proceed to protect and enforce the rights of the Trustee and the Registered Owners in such manner as counsel for the Trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of such other appropriate legal or equitable remedies as, in the opinion of such counsel, may be more effectual to protect and enforce the rights aforesaid.

Remedies on Default; Sale of Trust Estate

Upon the happening and continuation of any Event of Default and if the principal of all of the Outstanding Bonds has been declared due and payable pursuant to the provisions described under the caption “Accelerated Maturity” below, then and in every such case, and irrespective of whether other remedies authorized have been pursued in whole or in part, the Trustee may, but shall not be obligated to, sell, with or without entry, to the highest bidder the Trust Estate, and all right, title, interest, claim and demand thereto and the right of redemption thereof, at any such place or places, and at such time or times and upon such notice and terms as may be required by law; provided, however, that no such sale shall be made unless the Trustee has received an opinion of Bond Counsel stating that adequate provision has been made to assure that such transfer shall not impair the Authority’s capacity to comply with its obligations relative to the restrictions upon Portfolio Yield and to the rebate of certain amounts to the federal government as such obligations would be calculated upon the date of such opinion in accordance with any Tax Document and that such transfer will not affect adversely the exclusion from federal income taxation of interest on the Bonds afforded by Section 103 of the Code. Upon such sale the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale will be a perpetual bar both at law and in equity against the Authority and all Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money or to inquire as to the authorization, necessity, expediency or regularity of any such sale. The Trustee is irrevocably appointed the true and lawful attorney-in-fact of the Authority, in its name and stead, to make and execute all bills of sale, instruments of assignment and transfer and such other documents of transfer as may be necessary or advisable in connection with a sale of all or part of the Trust Estate, but the Authority, if so requested by the Trustee, shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary, or in the judgment of the Trustee, proper for the purpose which may be designated in such request. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee and the Registered Owners of the Bonds in such manner as counsel for the Trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of such other appropriate legal or equitable remedies as may in the opinion of such counsel, be more effectual to protect and enforce the rights aforesaid. The Trustee is required to take any such action or actions if requested to do so in writing by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds at the time Outstanding. Such a sale following an Event of Default, other than a default in the payment of any principal or interest on any Bond, also requires the written consent of all the Registered Owners of the Senior-Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds unless the proceeds of such a sale would be sufficient to discharge the Senior Subordinate Bonds and the Subordinate Bonds at the date of such a sale.

Appointment of Receiver

In case an Event of Default occurs, and if all of the Outstanding Bonds have been declared due and payable and in case any judicial proceedings are commenced to enforce any right of the Trustee or of the

Registered Owners under the Indenture or otherwise, then as a matter of right, the Trustee is entitled to the appointment of a receiver of the Trust Estate and of the earnings, income or Revenue, rents, issues and profits thereof with such powers as the court making such appointments may confer.

Restoration of Position

In case the Trustee has proceeded to enforce any rights under the Indenture by sale or otherwise, and such proceedings have been discontinued, or have been determined adversely to the Trustee, then and in every such case to the extent not inconsistent with such adverse decree, the Authority, the Trustee and the Registered Owners will be restored to their former respective positions and the rights under the Indenture in respect to the Trust Estate, and all rights, remedies, and powers of the Authority, the Trustee and the Registered Owners will continue as though no such proceeding had been taken.

Purchase of Properties by Trustee or Registered Owners

In case of any such sale of the Trust Estate, any Registered Owner, Registered Owners, committee of Registered Owners, the Administrator (or any nonprofit corporation managed by the Administrator) or the Trustee, may bid for and purchase such property and upon compliance with the terms of sale may hold, retain possession, and dispose of such property as the absolute right of the purchaser or purchasers without further accountability and will be entitled, for the purpose of making any settlement or payment for the property purchased, to use and apply any Bonds owned by such purchasers that are secured by the Indenture and any interest thereon due and unpaid, by presenting such Bonds in order that there may be credited thereon the sum apportionable and applicable thereto out of the net proceeds of such sale, and thereupon such purchaser or purchasers will be credited on account of such purchase price payable to him or them with the sum apportionable and applicable out of such net proceeds to the payment of or as a credit on the Bonds so presented.

Application of Sale Proceeds

The proceeds of any sale of the Trust Estate, together with any funds at the time held by the Trustee and not otherwise designated in the Indenture for another use, are required to be applied by the Trustee as set described under the caption “Remedy on Default; Possession of Trust Estate” above, and then to the Authority or whomsoever shall be lawfully entitled thereto.

Accelerated Maturity

If an Event of Default shall have occurred and be continuing under Section 6.01(a), Section 6.01(b) or Section 6.01(c) of the Indenture or an Event of Default under Section 6.01(d) or Section 6.01(e) of the Indenture of which a Responsible Officer of the Trustee has received written notice thereof, or has actual knowledge thereof, as applicable, the Trustee may declare, or upon the written direction by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding, or due to the occurrence of an Event of Default described in paragraph (e) under the caption “Events of Default Defined” above, is required to declare, by notice in writing delivered to the Authority not later than the next Business Day succeeding such direction, the principal of all Bonds then Outstanding and the interest thereon immediately due and payable, anything in the Bonds or the Indenture to the contrary notwithstanding, subject, however, to the provisions described under the caption “Waivers of Events of Default” below; provided, however, that a declaration of acceleration upon a default described in paragraph (d) under the caption “Events of Default Defined” above requires the consent of 100% of the Registered Owners of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding.

The Trustee is required to give notice thereof by first class mail, postage prepaid, to all Registered Owners of Outstanding Bonds; provided, however, that the giving of such notice is not considered a precondition to the Trustee declaring the entire principal amount of the Bonds then Outstanding and the interest accrued thereon immediately due and payable. The Bonds will cease to accrue interest on the date of declaration of acceleration whether or not they are paid on such date.

Remedies Not Exclusive

The remedies conferred in the Indenture upon or reserved to the Trustee or the Registered Owners of Bonds are not intended to be exclusive of any other remedy, but each such remedy is cumulative and is in addition to every other remedy given under the Indenture or now or hereafter existing, and every power and remedy given to the Trustee or the Registered Owners of Bonds under the Indenture or any supplement thereto, may be exercised from time to time as often as may be deemed expedient. No delay or omission of the Trustee or any Registered Owner of Bonds to exercise any power or right arising from any default under the Indenture will impair any such right or power or will be construed to be a waiver of any such default or to be acquiescence therein.

Direction of Trustee

Upon the happening of any Event of Default, the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding, have the right by an instrument or instruments in writing delivered to the Trustee to direct and control the Trustee as to the method of taking any and all proceedings for any sale of any or all of the Trust Estate, or for the appointment of a receiver, if permitted by law, and may at any time cause any proceedings authorized by the terms of the Indenture to be so taken or to be discontinued or delayed; provided, however, that such Registered Owners will not be entitled to cause the Trustee to take any proceedings which in the Trustee's opinion would be unjustly prejudicial to non-assenting Registered Owners of Bonds, but the Trustee is entitled to assume that the action requested by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding will not be prejudicial to any non-assenting Registered Owners unless the Registered Owners of at least two-thirds of the collective aggregate principal amount of the non-assenting Registered Owners of such Highest Priority Bonds, in writing, show the Trustee how they will be prejudiced. The provisions described above are expressly subject to the provisions described under paragraph (c) under the caption "THE TRUSTEE—Acceptance of Trust" and described under the caption "THE TRUSTEE—Indemnification of Trustee" in this Appendix A.

Right to Enforce in Trustee

No Registered Owner of any Bond has any right as such Registered Owner to institute any suit, action, or proceedings for the enforcement of the provisions of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or for any other remedy under the Indenture, all rights of action under the Indenture being vested exclusively in the Trustee, unless and until such Registered Owner has previously given to the Trustee written notice of a default under the Indenture, and of the continuance thereof, and also unless the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding have made written request upon the Trustee and the Trustee has been afforded reasonable opportunity to institute such action, suit or proceeding in its own name, and unless the Trustee has been offered indemnity and security satisfactory to it against the fees, costs, expenses, and liabilities (including those of its agents and counsel) to be incurred therein or thereby, which offer of indemnity will be an express condition precedent under the Indenture to any obligation of the Trustee to take any such action under the Indenture, and the Trustee for 45 days after receipt of such notification, request, and offer of indemnity, has failed to institute any such action, suit or proceeding. It is understood and intended that no one or more Registered Owners of the Bonds have the

right in any manner whatever by his or their action to affect, disturb, or prejudice the lien of the Indenture or to enforce any right under the Indenture except in the manner provided in the Indenture and for the equal benefit of the Registered Owners of the Bonds then Outstanding (except as provided in the Indenture with respect to certain payment and other priorities).

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of Bonds, and is required to do so upon the written request of the Registered Owners of a majority of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Bonds at the date of maturity or redemption thereof, or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal and premium, if any, and all fees and expenses of the Trustee, in connection with such default or otherwise incurred under the Indenture have been paid or provided for; or (b) any default in the payment of amounts described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” in this Appendix A. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default has been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Registered Owners of Bonds will be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission will extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

THE TRUSTEE

Acceptance of Trust

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following terms and conditions:

(a) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(ii) in the absence of negligence or willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming on their face to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provisions of the Indenture are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture, without any duty to inquire to the matters stated in the Indenture.

(b) In case an Event of Default as described under subsections (a), (b) or (c) under the caption “DEFAULTS AND REMEDIES—Events of Default Defined” in this Appendix A or of which a Responsible Officer of the Trustee has been notified in writing, has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, is required

to use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph (c) shall not be construed to limit the effect of paragraph (a) above;

(ii) the Trustee will not be liable for any error of judgment made in good faith, unless it is conclusively determined, in a final and non-appealable decision, by a court of competent jurisdiction that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the requisite percentage of Registered Owners permitted to direct the Trustee pursuant to the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture; and

(iv) no provision of the Indenture (including but not limited to any time that the Trustee is acting as a prudent person following an Event of Default described in paragraph (d) under the caption “DEFAULTS AND REMEDIES—Events of Default Defined” in this Appendix A) requires the Trustee to expend or risk its own funds or otherwise incur any liability (financial or otherwise) in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, unless directed in writing by the Registered Owners of at least two-thirds in aggregate of the Highest Priority Bonds Outstanding and the Trustee is furnished an indemnity bond or other indemnity and security satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which results from the negligence or willful misconduct of the Trustee.

Recitals of Others

The Trustee is not responsible for any recital in the Indenture or in the Bonds (except with respect to the certificate of the Trustee endorsed on the Bonds), or for the filing or re-filing of the Indenture, or for the validity of the execution by the Authority of the Indenture or of any Supplemental Indenture or instrument of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured thereby. The Trustee makes no representations as to the title of the Authority in the Trust Estate or as to the security afforded thereby and by the Indenture, or as to the validity, perfection, priority, or continuation of any security interest granted in the Indenture, or as to the validity or sufficiency of the Indenture or of the Bonds issued under the Indenture, and the Trustee will not incur any responsibility in respect of such matters.

As to Filing of Indenture

The Trustee is under no duty (a) to file or record, or cause to be filed or recorded, the Indenture or any instrument supplemental thereto; (b) to procure any further order or additional instruments of further assurance; (c) to see to the delivery to it of any personal property intended to be mortgaged or pledged under the Indenture or thereunder; (d) to do any act which may be suitable to be done for the better

maintenance of the lien or security of the Indenture; or (e) for giving notice of the existence of such lien, or for extending or supplementing the same or to see that any rights to Revenue and Funds intended now or hereafter to be transferred in trust under the Indenture are subject to the lien thereof. The Trustee will not be liable for failure of the Authority to pay any tax or taxes in respect of such property, or any part thereof, or the income therefrom or otherwise, nor will the Trustee be under any duty in respect of any tax which may be assessed against it or the Registered Owners in respect of such property or pledged Revenue and Funds. The Trustee has no responsibility for the sufficiency, adequacy or priority of any initial filing and in the absence of written notice to the contrary by the Authority or other Authorized Representative, may conclusively rely and will be protected in relying on all information and exhibits in such initial filings for the purposes of any continuation statements.

Trustee May Act Through Agents

The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties by or through attorneys or agents and will not be responsible for any act or omission on the part of, or for the supervision of, any such attorney or agent selected by it in the exercise of reasonable care. Upon any use by the Trustee of an agent to perform any vital function under the Indenture on behalf of the Trustee, the Trustee is required to promptly give written notice to the Rating Agencies and the Authority of the appointment of any such agent. The Trustee may act upon the opinion or advice of any counsel, accountant, or other expert selected by it in the exercise of reasonable care, which shall be full and complete authorization and protection in respect of any action or inaction based on its good faith reliance upon such opinion or advice.

Indemnification of Trustee

Other than with respect to its duties to make payment on the Bonds when due and its duty to pursue the remedy of acceleration as described under the caption “DEFAULTS AND REMEDIES—Accelerated Maturity” in this Appendix A for each of which no additional security, indemnity or consent may be required, the Trustee will be under no obligation or duty to take any action or refrain from taking any action under the Indenture or to perform any act at the request of Registered Owners or to institute or defend any suit in respect thereof unless properly indemnified and provided with security to its satisfaction as described under paragraph (c) under the caption “Acceptance of Trust” above. The Trustee is not required to take notice, or be deemed to have knowledge, constructive or otherwise, of any default or Event of Default of the Authority or any Administrator Default under the Indenture and may conclusively assume that there has been no such default or Event of Default (other than an Event of Default described in paragraphs (a), (b) or (c) under the caption “DEFAULTS AND REMEDIES—Events of Default Defined” in this Appendix A of which it is to be deemed to have knowledge) unless and until a Responsible Officer of the Trustee has been specifically notified in writing at the address set forth in the Indenture of such default or Event of Default by (a) the Registered Owners of the required percentages in principal amount of the Bonds then Outstanding hereinabove specified or (b) an Authorized Representative of the Authority. However, the Trustee may begin suit, or appear in and defend suit, execute any of the trusts created by the Indenture, enforce any of its rights or powers under the Indenture, or do anything else in its judgment proper to be done by it as Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee is required to be reimbursed or indemnified by the Registered Owners requesting such action, if any, for all fees, costs and expenses (including extraordinary out-of-pocket expenses), liabilities, outlays and counsel and agent fees and other reasonable disbursements properly incurred in connection therewith (including, but not limited to, the costs of defending any claim of bringing any claim to enforce any indemnification obligation), unless such costs and expenses, liabilities, outlays and attorneys’ fees and other reasonable disbursements properly incurred in connection therewith are adjudicated to have resulted from the negligence or willful misconduct of the Trustee, in each case, as conclusively determined in a final and non-appealable decision, by a court of competent jurisdiction. In furtherance and not in limitation of the provisions described above, the Trustee

will not be liable for, and will be held harmless by the Authority from, following any Authority Orders, instructions or other directions (including electronic communications) upon which the Trustee is authorized to rely pursuant to the Indenture or any other agreement to which it is a party. If the Authority or the Registered Owners, as appropriate, fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, (i) except during the continuance of an Event of Default, subject only to the prior lien of the Bonds for the payment of the principal thereof, premium, if any, and interest thereon from the Revenue Fund; and (ii) during the continuance of an Event of Default in accordance with the provisions described under the caption “DEFAULTS AND REMEDIES—Remedy on Default; Possession of Trust Estate” in this Appendix A. None of the provisions contained in the Indenture or any other agreement to which it is a party require the Trustee to act or to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the Registered Owners have not offered security and indemnity acceptable to it or if it has reasonable grounds for believing that prompt repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Before taking any action under the Indenture requested by the Registered Owners, the Trustee may require that it be furnished an indemnity bond or other indemnity satisfactory to it for the reimbursement of all expenses (including, without limitation, legal fees and expenses) to which it may be put and to protect it against all liability, except liability which results from the negligence or willful misconduct of the Trustee, by reason of any action so taken by the Trustee.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control including, without limitation, strikes, work stoppages, acts of war or terrorism, civil or military disturbances, pandemics, epidemics, recognized public emergencies, quarantine restrictions, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities or communication services, or computer (software and hardware) services, and hacking, cyber attacks, or other use or infiltration of the technological infrastructure exceeding authorized access (including, but not limited to, the technological infrastructure of the DTC and wire transfer systems) or any other similar events outside the control of the Trustee.

Trustee’s Right to Reliance

The Trustee is permitted to conclusively rely on and is protected in acting upon any notice, resolution, request, consent, order, certificate, report, electronic communication, appraisal, opinion, report or document of the Authority or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and the Trustee is under no duty to make any investigation as to any statement contained in any such instrument, paper or document, but may accept the same as conclusive evidence of the truth and accuracy of such statement. Before acting or refraining from acting in the administration of the Indenture, the Trustee may consult with accountants, experts and counsel, and the opinion of such counsel, accountants and experts will be full and complete authorization and protection in respect of any action taken or suffered, and in respect of any determination made by it under the Indenture in good faith and in accordance with the opinion of such counsel, accountants and experts. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Registered Owner of any Bond will be conclusive and binding upon all future Registered Owners of the same Bond and Bonds issued in exchange therefor or in place thereof.

Whenever in the administration of the Indenture the Trustee reasonably deems it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Indenture, the

Trustee (unless other evidence is specifically prescribed in the Indenture) may require and, in the absence of negligence or willful misconduct on its part, may conclusively rely upon a certificate signed by an Authorized Representative of the Authority. Whenever in the administration of the Indenture the Trustee is directed to comply with an Authority Order, the Trustee is to be entitled to act in conclusive reliance on such Authority Order.

The Trustee is not bound to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the Authority but the Trustee may require of the Authority full information and advice as to the performance of any covenants, conditions or agreements pertaining to Financed Eligible Loans.

The Trustee will not be liable for any action taken, suffered, or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture or error of judgment made in good faith; provided, however, that the Trustee will be liable for its own negligence or willful misconduct.

The permissive right of the Trustee to take action under or otherwise do things enumerated in the Indenture are not construed as a duty.

The Trustee is authorized, under the Indenture, subject to the provisions described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” in this Appendix A and other applicable provisions of the Indenture, to sell, assign, transfer or convey Financed Eligible Loans in accordance with an Authority Order. The Trustee is further authorized to enter into agreements with other Persons, in its capacity as Trustee, in order to carry out or implement the terms and provisions of the Indenture.

The Trustee will not be liable for any action taken or omitted by it in good faith on the direction of the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding as to the time, method, and place of conducting any proceedings for any remedy available to the Trustee or the exercising of any power conferred by the Indenture or any other transaction document.

In no event will the Trustee be liable for punitive, special, indirect or consequential damages (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee has the right to not take any action if it determines such action will result in liability to the Trustee, not be in the best interests of the Registered Owners, or is contrary to law.

The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

In no event will the Trustee be liable for failure to perform its obligations under the Indenture if such failure is a direct or proximate result of another party's failure to so perform.

Before acting or refraining from acting under the Indenture the Trustee is entitled to request and rely upon an Authority Order or Opinion of Counsel.

UMB Bank, National Association shall be afforded the same rights, protections and indemnities in each of its capacities as the Paying Agent, the Registrar, and the Transfer Agent that it is afforded as Trustee.

Compensation of Trustee

Except as otherwise expressly provided in the Indenture, all advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution and administration of the trust created by the Indenture and reasonable compensation to the Trustee for its services in the premises shall be paid by the Authority in a prompt and timely manner. The compensation of the Trustee is not to be limited to or by any provision of law in regard to the compensation of Trustees of an express trust. Except during the continuance of an Event of Default, the fees of the Trustee are to be limited to those set forth in the most recent engagement letter executed by the Trustee and an Authorized Officer of the Authority. If not paid by the Authority, the Trustee will have a lien against all money held pursuant to the Indenture (other than the moneys and investments held in the Rebate Fund), (a) except during the continuance of an Event of Default, subject only to the prior lien of the Bonds against the money and investments in the Revenue Fund for the payment of the principal thereof, premium, if any, and interest thereon, for such reasonable compensation, expenses, advances and counsel fees and expenses incurred in and about the execution of the trusts created by the Indenture and the exercise and performance of the powers and duties of the Trustee under the Indenture and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is conclusively determined, in a final and non-appealable decision by a court of competent jurisdiction to have resulted from the negligence or willful misconduct of the Trustee); and (b) during the continuance of an Event of Default in accordance with the provisions described under the caption “DEFAULTS AND REMEDIES—Remedy on Default; Possession of Trust Estate” in this Appendix A.

The Authority is required to indemnify and hold harmless UMB Bank, National Association, in each of its capacities under the Indenture as the Trustee, Paying Agent, Transfer Agent and Registrar and any director, officer, employee, or agent of the Trustee, Paying Agent, Transfer Agent and Registrar against any loss, liability or reasonable expense (including, without limitation, reasonable: legal fees and expenses; extraordinary expenses; fees of agents and experts; and the reasonable costs of defending any claim or bringing any claim to enforce the indemnification obligations of the Authority) incurred in connection with its actions or inactions under the Indenture, the Administration Agreement or the Bonds, other than any loss, liability, or expense incurred by reason of negligence or willful misconduct in the performance of any of the Trustee, Paying Agent, Transfer Agent, or Registrar or their agents or attorneys of the duties of the Trustee, Paying Agent, Transfer Agent, or Registrar under the Indenture, in each case, as conclusively determined, in a final and non-appealable decision, by a court of competent jurisdiction.

Trustee May Own Bonds

The Trustee under the Indenture, or any successor Trustee, in its individual or other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Authority, with the same rights it would have if it were not the Trustee. The Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or act in any other capacity in respect to, any committee formed to protect the rights of the Registered Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or of the Indenture, whether or not any such committee is to represent the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Outstanding Bonds.

Resignation of Trustee

The Trustee and any successor to the Trustee may resign and be discharged from the trust created by the Indenture by giving to the Authority 30 days prior written notice, which notice is required to specify the date on which such resignation is to take effect; provided, however, that such resignation will only take effect on the day specified in such notice if a successor Trustee has been appointed as described under the caption “Successor Trustee” below (and is qualified to be the Trustee under the requirements described

under the caption “Successor Trustee” below) and said successor Trustee has accepted such appointment in writing. If no successor Trustee has been appointed by the later of the date specified or 60 days after the receipt of the notice by the Authority, the Trustee may (a) appoint a temporary successor Trustee having the qualifications described under the caption “Successor Trustee” below; or (b) request a court of competent jurisdiction to (i) require the Authority to appoint a successor, as provided under the caption “Successor Trustee” below, within three days of the receipt of citation or notice by the court; or (ii) appoint a Trustee having the qualifications described under the caption “Successor Trustee” below. In no event may the resignation of the Trustee be effective until a qualified successor Trustee has been selected and appointed and said successor Trustee has accepted such appointment in writing. In the event a temporary successor Trustee is appointed pursuant to clause (a) above, the Authority may remove such temporary successor Trustee and appoint a successor thereto pursuant to the provisions described under the caption “Successor Trustee” below.

Removal of Trustee

The Trustee or any successor Trustee may be removed upon 30 days prior written notice (a) if an Event of Default has occurred and is continuing, by the Registered Owners of 100% of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding; (b) by the Authority for cause or upon the sale or other disposition of the Trustee or its trust functions; or (c) by the Authority without cause so long as no Event of Default exists or has existed within the last 30 days, upon payment to the Trustee so removed of all money then due to it under the Indenture and appointment of a successor thereto by the Authority and acceptance thereof by said successor. One copy of any such order of removal is to be filed with the Authority and the other with the Trustee so removed. The Authority is to provide a copy of such order to each applicable Rating Agency.

In the event a Trustee (or successor Trustee) is removed, by any Person or for any reason permitted under the Indenture, such removal will not become effective until (a) in the case of removal by the Registered Owners, such Registered Owners by instrument or concurrent instruments in writing (signed and acknowledged by such Registered Owners or their attorneys-in-fact) filed with the Trustee removed have appointed a successor Trustee or otherwise the Authority has appointed a successor; and (b) the successor Trustee has accepted appointment as such.

Successor Trustee

In case at any time the Trustee or any successor Trustee resigns, is dissolved or otherwise is disqualified to act or be incapable of acting, or in case control of the Trustee or of any successor Trustee or of its officers is taken over by any public officer or officers, a successor Trustee may be appointed by the Authority by an instrument in writing duly authorized by resolution. In the case of any such appointment by the Authority of a successor to the Trustee, the Authority is required to forthwith cause notice thereof to be mailed to the Registered Owners of the Bonds at the address of each Registered Owner appearing on the bond registration books maintained by the Registrar.

Every successor Trustee appointed by the Registered Owners, by a court of competent jurisdiction, or by the Authority is required to be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein, which has a reported capital and surplus of not less than \$50,000,000, be authorized under the law to exercise corporate trust powers and be subject to supervision or examination by a federal or state authority.

Manner of Vesting Title in Trustee

Any successor Trustee appointed under the Indenture is required to execute, acknowledge, and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment under the Indenture, and thereupon such successor Trustee, without any further act, deed, or conveyance will become fully vested with all the estate, properties, rights, powers, trusts, duties, and obligations of its predecessors in trust under the Indenture, including all the right, title and interest in and to the Trust Estate pledged under the Indenture (except that the predecessor Trustee will continue to have the benefits to indemnification under the Indenture together with the successor Trustee), with like effect as if originally named as Trustee under the Indenture; but the Trustee ceasing to act is required to nevertheless, on the written request of an Authorized Representative of the Authority, or an authorized officer of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title, and interest of the Trustee which it succeeds, in and to pledged Revenue and Funds and such rights, powers, trusts, duties, and obligations, and the Trustee ceasing to act also, upon like request, must pay over, assign, and deliver to the successor Trustee any money or other property or rights subject to the lien of the Indenture, including any pledged securities which may then be in its possession. Should any deed or instrument in writing from the Authority be required by the successor Trustee for more fully and certainly vesting in and confirming to such new Trustee such estate, properties, rights, powers, and duties, any and all such deeds and instruments in writing must on request be executed, acknowledged and delivered by the Authority.

Right of Inspection

A beneficial owner will be permitted at reasonable times during regular business hours and in accordance with reasonable regulations prescribed by the Trustee to examine at an office of the Trustee a copy of any documents authorizing and securing a Series of Bonds or any report or instrument theretofore filed with the Trustee relating to the condition of the Trust Estate. Any cost incurred by the Trustee in connection with such investigation is to be treated as an Extraordinary Expense.

Limitation With Respect to Examination

Except as expressly provided in the Indenture, the Trustee will be under no duty to examine, investigate, verify or validate any report or statement or other document required or permitted to be filed with it by or on behalf of the Authority, and the Trustee may accept the same as conclusive evidence of the truth and accuracy of any statement contained therein or as to the existence or nonexistence of any fact stated therein.

Servicing Agreements

The Trustee shall upon request acknowledge the receipt of a copy of each Servicing Agreement delivered to it by the Authority; provided, however, that the Trustee shall have no obligation or duty whatsoever to review such Servicing Agreements or content thereof, including but not limited to, any definitions therein or related documents thereto. The Trustee is not responsible for servicing the Eligible Loans held or financed or refinanced under the terms hereof or for the custody, safekeeping, or preservation of the Eligible Loans held or financed or refinanced under the terms of the Indenture. The Trustee has no duty to monitor or supervise the Administrator, any Servicer, or any custodian of the Eligible Loans held or financed or refinanced under the terms of the Indenture and is not responsible for any of their acts or omissions in servicing or maintaining custody of the Eligible Loans held or financed or refinanced under the terms of the Indenture.

Additional Covenants of Trustee

The Trustee, by the execution of the Indenture, covenants, represents and agrees that:

(a) it will not exercise any of the rights, duties, or privileges under the Indenture in such manner as would cause the Eligible Loans held or financed or refinanced under the terms of the Indenture to be transferred, assigned, or pledged as security to any person or entity other than as permitted by the Indenture; and

(b) it will, upon written notice from an Authorized Representative of the Authority, use its reasonable efforts to cause the Indenture to be amended (in accordance with the provisions described under the caption “SUPPLEMENTAL INDENTURES—Supplemental Indentures Not Requiring Consent of Registered Owners” in this Appendix A) if the Program Guidelines are hereafter amended so as to be contrary to the terms of the Indenture.

Merger of the Trustee, Etc.

Any entity into which the Trustee may be merged or with which it may be consolidated, or any entity resulting from any merger or consolidation to which the Trustee is a party, or any entity succeeding to all or substantially all of the corporate trust business of the Trustee or any corporate affiliate of the Trustee succeeding to all or a portion of the corporate trust business of the Trustee, is the successor of the Trustee under the Indenture, provided such entity must be otherwise qualified and eligible under the Indenture, without the execution or filing of any paper or any further act on the part of any other parties to the Indenture.

Survival of Trustee’s Rights to Receive Compensation, Reimbursement and Indemnification

The Trustee’s rights to receive compensation, reimbursement and indemnification of money due and owing under the Indenture at the time of the Trustee’s resignation or removal will survive the Trustee’s resignation or removal.

Provisions Controlling as to Trustee Conduct and Liability

Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of the Trustee is subject to the provisions described under this caption “TRUSTEE”.

Statement by Trustee of Funds and Accounts and Other Matters

Not more than thirty (30) days after the close of each Fiscal Year the Trustee is required to furnish the Authority, the Administrator and any Registered Owner filing with the Trustee a written request for a copy, a bank statement setting forth (to the extent applicable) in respect to such Fiscal Year, (a) all transactions relating to the receipt, disbursement and application of all moneys received by the Trustee pursuant to all terms of the Indenture, (b) the balances held by the Trustee at the end of such Fiscal Year to the credit of each Fund and Account, (c) a brief description of all moneys and Investment Securities held by the Trustee as part of the balance of each Fund and Account as of the end of such Fiscal Year, (d) the

principal amount of Bonds repaid during such Fiscal Year, and (e) any other information which the Authority or the Administrator may reasonably request.

In addition, the Trustee is required to furnish the Authority and the Administrator on or before the fifth day of each calendar month a bank statement of all moneys and Investment Securities to the credit of each Fund and Account as of the last day of the preceding month.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Registered Owners

The Authority and the Trustee, at the request of the Authority, may, without the consent of or notice to any of the Registered Owners, enter into any indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Registered Owners or the Trustee;
- (c) to subject to the Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- (e) to evidence the appointment of a separate or co-Trustee or a co-registrar or Transfer Agent or the succession of a new Trustee under the Indenture;
- (f) to add such provisions to or to amend such provisions of the Indenture as may be necessary or desirable to assure implementation of the Program if, together with such Supplemental Indenture there is filed an Opinion of Counsel (which may be counsel to the Authority) addressed to the Authority and the Trustee to the effect that the addition or amendment of such provisions will not materially impair the existing security of the Registered Owners of any Outstanding Bonds;
- (g) to make any change as is to be necessary in order to obtain and maintain for any of the Bonds an investment grade Rating from a nationally recognized rating service, if along with such Supplemental Indenture there is filed a Bond Counsel's opinion addressed to the Trustee to the effect that such changes will in no way impair the existing security of the Registered Owners of any Outstanding Bonds;
- (h) to make any changes necessary to comply with the Code and the regulations promulgated thereunder;

(i) to provide for the issuance of Bonds pursuant to the provisions described under the caption “BOND DETAILS—Issuance of Bonds” in this Appendix A, including the creation of appropriate Funds, Accounts and Subaccounts with respect to such Bonds;

(j) with a Rating Agency Notification, in connection with the issuance of Senior Bonds, Senior-Subordinate Bonds or Subordinate Bonds, to create any additional Funds or Accounts or Subaccounts under the Indenture, including without limitation in the nature of debt service reserve or capitalized interest Funds, Accounts or Subaccounts for such Senior Bonds, Senior-Subordinate Bonds or Subordinate Bonds, and to modify or amend the provisions described under the captions “FUNDS—Revenue Fund—*Tax-Exempt Account*” and “—*Taxable Account*” in this Appendix A in connection with the foregoing; provided, that no such modification or amendment is permitted to change the amount or timing of application of Revenues or of amounts transferred to the Revenue Fund from other funds and accounts to pay principal of or interest or redemption premium, if any, on Senior Bonds;

(k) to create any other additional Funds or Accounts or Subaccounts under the Indenture deemed by the Trustee to be necessary or desirable;

(l) to amend the Indenture to provide for use of a surety bond or other financial guaranty instrument in lieu of cash and/or Investment Securities in all or any portion of the Debt Service Reserve Fund upon satisfaction of a Rating Agency Notification;

(m) with a Rating Agency Notification, to the extent required by a Supplemental Indenture, to evidence the extension of any Acquisition Period or Recycling Period;

(n) to modify any of the provisions of the Indenture in any respect whatever; provided, however, that (i) such modification must be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution by the Authority of such Supplemental Indenture cease to be Outstanding; and (ii) such Supplemental Indenture is specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution by the Authority of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(o) to conform the terms of the Indenture to the description of such terms in an offering memorandum used in connection with the sale of any Bonds; or

(p) to make any other change (other than changes with respect to any matter requiring satisfaction of the Rating Agency Notification or the Rating Agency Confirmation unless the Bonds are not rated at the time) which, in the judgment of the Authority and the Trustee, is not materially adverse to the Registered Owners of any Bonds; provided, however, that nothing described under this caption “Supplemental Indentures Not Requiring Consent of Registered Owners” permits, or is to be construed as permitting, any modification of the trusts, powers, rights, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

Supplemental Indentures Requiring Consent of Registered Owners

Exclusive of Supplemental Indentures described under the caption “Supplemental Indentures Not Requiring Consent of Registered Owners” above and subject to the terms and provisions contained described under this caption “Supplemental Indentures Requiring Consent of Registered Owners,” and not otherwise, the Registered Owners of not less than a majority of the collective aggregate principal amount

of the then Outstanding Bonds affected thereby will have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental to the Indenture as are to be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing described under this caption "Supplemental Indentures Requiring Consent of Registered Owners" permit, or be construed as permitting (a) without the consent of the Registered Owners of all then Outstanding Bonds affected thereby, (i) an extension of the maturity date of the principal of or the interest on any Bond; (ii) a reduction in the principal amount of any Bond or the rate of interest thereon; (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided in the Indenture; (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture; or (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture except as otherwise provided in the Indenture; or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

If at any time the Authority requests the Trustee to enter into any such Supplemental Indenture for any of the purposes described under this caption "Supplemental Indentures Requiring Consent of Registered Owners," the Trustee is required, upon being satisfactorily indemnified with respect to fees and expenses, including but not limited to fees and expenses of counsel and agents, to cause notice of the proposed execution of such Supplemental Indenture to be mailed, at the expense of the Authority, by registered or certified mail to each Registered Owner of a Bond at the address shown on the registration records. Such notice is required to briefly set forth the nature of the proposed Supplemental Indenture and to state that copies thereof are on file at the Principal Administrative Office of the Trustee for inspection by all Registered Owners. If, within 60 days, or such longer period as is prescribed by the Authority, following the mailing of such notice, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture have consented in writing to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as described under this caption "Supplemental Indentures Requiring Consent of Registered Owners," the Indenture will be and be deemed to be modified and amended in accordance therewith. The Trustee is not obligated to enter into any Supplemental Indenture which affects the Trustee's own rights, duties or indemnities or otherwise.

Additional Limitation on Modification of Indenture

No amendment to the Indenture or to the indentures supplemental thereto will be effective unless the Trustee receives an opinion of Bond Counsel to the effect that such amendment was adopted in conformance with the Indenture and will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. The Trustee is to also receive and be entitled to conclusively rely on an Opinion or Counsel stating that such Supplemental Indenture is authorized and permitted and all conditions precedent have been satisfied.

GENERAL PROVISIONS

Consent of Registered Owners Binds Successors

Any request or consent of the Registered Owner of any Bonds given for any of the purposes of the Indenture will bind all future Registered Owners of the same Bond or any Bonds issued in exchange therefor or in substitution thereof in respect of anything done or suffered by the Authority or the Trustee in pursuance of such request or consent.

No Liability of Directors

It is expressly made a condition of the Indenture that any agreements, covenants, or representations contained in the Indenture or contained in the Bonds do not and will never constitute or give rise to a personal or pecuniary liability or charge against the incorporators, officers, employees, agents or directors of the Authority, and in the event of a breach of any such agreement, covenant, or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Authority is to arise therefrom.

Laws Governing

The Indenture will in all respects be governed by the laws of the State of Texas.

Non-Business Days

Except as may otherwise be provided in the Indenture, if the date for making payment of any amount under the Indenture or on any Bond, or if the date for taking any action under the Indenture, is not a Business Day, then such payment can be made without accruing further interest or action can be taken on the next succeeding Business Day, with the same force and effect as if such payment were made when due or action taken on such required date.

Objection of Registered Owners

Anything in the Indenture to the contrary notwithstanding, whenever in the Indenture a Rating Agency Notification or a Rating Agency Confirmation is required with respect to any Proposed Action, to the extent that the Bonds no longer carry a Rating from any Rating Agency, the Authority will give notice of any Proposed Action to the Registered Owners and will be permitted to take such Proposed Action unless the Registered Owners of not less than a majority of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding object to the Proposed Action within 20 Business Days of the giving of such notice.

Rating Agency Notifications and Rating Agency Confirmations

Anything in the Indenture to the contrary notwithstanding, (a) the Authority is not required to satisfy a Rating Agency Notification or a Rating Agency Confirmation with respect to any Rating Agency which has not been designated by the Authority to provide a rating on any of the Bonds, and (b) the rating requirements with respect to Investment Securities will not apply with respect to the ratings of any Rating Agency which has not been designated by the Authority to provide a rating on any of the Bonds.

PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE

Trust Irrevocable

The trust created by the terms and provisions of the Indenture is irrevocable until the indebtedness secured by the Indenture (the Bonds and interest thereon) and all other payment obligations under the Indenture are fully paid or provision made for its payment as described under this caption “PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE.”

Satisfaction of Indenture

If the Authority pays, or causes to be paid, or there is otherwise paid (i) to the applicable parties, all Senior Transaction Fees and Subordinate Transaction Fees then due and owing; (ii) to the Registered Owners of the Bonds, the principal of and interest on the Bonds, at the times and in the manner stipulated in the Indenture; and (iii) to the United States of America, the amount required to be rebated in satisfaction of its obligations as described in any Tax Document, then the pledge of the Trust Estate, except the Rebate Fund, which is not pledged under the Indenture, and all covenants, agreements, and other obligations of the Authority to the Registered Owners of Bonds other than as described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” in this Appendix A will thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee is required to execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee is required to pay over or deliver all money held by it under the Indenture to the party entitled to receive the same under the Indenture. If the Authority pays or causes to be paid, or there is otherwise paid, to the Registered Owners of any Outstanding Bonds the principal of and interest on such Bonds, such Bonds will cease to be entitled to any lien, benefit, or security under the Indenture, and all covenants, agreements, and obligations of the Authority to the Registered Owners thereof will thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or interest installments will be deemed to have been paid within the meaning of the preceding paragraph if money for the payment or redemption thereof has been set aside and is being held on behalf of the Registered Owners by the Trustee at the Stated Maturity or earlier redemption date thereof. Any Outstanding Bond will, prior to the Stated Maturity or earlier redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (i) such Bond is to be redeemed on any date prior to its Stated Maturity; and (ii) the Authority has given notice of redemption as provided in the Indenture on said date and there has been deposited with the Paying Agent on behalf of the Trustee either money in an amount which are sufficient, or Governmental Obligations (including any Governmental Obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Paying Agent on behalf of the Trustee at the same time, are sufficient, to pay when due the principal of and interest to become due on such Bond on and prior to the redemption date or Stated Maturity thereof, as the case may be; provided that with respect to the defeasance of Bonds in a variable-rate mode (the “Variable Rate Bonds”) for which the interest rate cannot be determined at the time of defeasance, the Authority has deposited funds with the Trustee sufficient to pay interest at the maximum rate allowable on the Variable Rate Bonds for the defeasance period. Notwithstanding anything in the Indenture to the contrary, however, no such deposit will have the effect specified in this paragraph; (A) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding; (B) unless on the date of such deposit of Governmental Obligations, but only if the deposit consists of Governmental Obligations, there will be provided to the Trustee a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay in full the Outstanding Bonds to be redeemed or to be deemed

paid pursuant to this paragraph; and (C) unless there is delivered to the Trustee an Opinion of Bond Counsel to the effect that such deposit will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on any Bond. Neither Governmental Obligations nor money deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Governmental Obligations may be withdrawn or used for any purpose other than, and will be held irrevocably in trust in an escrow account for, the payment of the principal of and interest on such Bonds. Any cash received from such principal of and interest on such Governmental Obligations deposited with the Paying Agent on behalf of the Trustee, if not needed for such purpose, will, to the extent practicable, be reinvested in Governmental Obligations maturing at times and in amounts sufficient to pay when due the principal of and interest on such Bonds on and prior to such redemption date or Stated Maturity thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Authority, as received by the Paying Agent on behalf of the Trustee, free and clear of any trust, lien, or pledge. Any payment for Governmental Obligations purchased for the purpose of reinvesting cash as aforesaid will be made only against delivery of such Governmental Obligations. For the purposes of this paragraph, "Governmental Obligations" means and include only non-callable direct obligations of the Department of the Treasury of the United States of America or portions thereof (including interest or principal portions thereof). Such Governmental Obligations must be of such amounts, maturities, and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payments required in the Indenture, and which obligations have been deposited in an escrow account which is irrevocably pledged as security for the Bonds. Such term does not include mutual funds and unit investment trusts.

The provisions described above are applicable to the Bonds and any portion of the Bonds.

In the event of a proposed satisfaction and discharge of the Indenture not in connection with a defeasance, the Authority is to provide the Trustee with an Authority Order and an Opinion of Counsel that such satisfaction and discharge is in compliance with the terms of the Indenture.

Cancellation of Paid Bonds

Any Bonds which have been paid or purchased by the Authority, Bonds exchanged for new Bonds, mutilated Bonds replaced by new Bonds, and any temporary Bond for which definitive Bonds have been delivered will (unless otherwise directed by the Authority by Authority Order) forthwith be cancelled by the Trustee and, except for temporary Bonds, returned to the Authority.

APPENDIX B

THE TEXAS EXTRA CREDIT LOAN PROGRAMS

The Authority will purchase private education loans with the proceeds of the Series 2024-1 Bonds, and other monies available for such purposes from Higher Education Servicing Corporation (“HESC”), as Seller (the “Seller”). The Seller makes its private education loans in accordance with the provisions of its Program Documentation. All of the provisions of the Program Documentation for the Texas Extra Credit Loan Programs (the “Program Documentation”) may be modified by the Seller from time to time, subject to any limitations contained in a Supplemental Indenture.

This Appendix B contains a brief description of the eligible borrowers, the eligible loan terms, the eligible educational institutions, the loan origination process, including borrower eligibility and credit analysis, and the loan servicing process under the Texas Extra Credit Loan Programs.

General

The Seller established its Texas Extra Credit Loan Programs to originate non-guaranteed, private, education loans (the “Texas Extra Credit Program Loans”) to creditworthy borrowers attending educational institutions that are eligible to receive funds under Title IV of the federal Higher Education Act of 1965, as amended (“Title IV”) offering bachelor’s degrees or higher (an “Approved School”). The Seller began originating Texas Extra Credit Program Loans to student borrowers in 2012 and to parent borrowers in 2021 under the Texas Extra Credit Loan Programs and has financed those loans from its balance sheet. The Authority expects to apply proceeds of the Series 2024-1 Bonds to acquire or finance Texas Extra Credit Program Loans to both student and parent borrowers.

Eligible Borrowers

Student Borrowers: Under the Texas Extra Credit Loan Programs, loans may be made to students (the “Student Borrower”). The Student Borrowers must meet certain creditworthiness criteria established for the Texas Extra Credit Loan Programs. Student Borrowers may have an additional individual meeting certain creditworthiness criterion as a cosigner (each a “Cosigner”). Each of the Student Borrower and Cosigner must have a permanent residence located in Texas and the Student Borrower must be enrolled at least half-time in a degree-granting program at any Approved School. Each of the Student Borrower and the Cosigner must be a U.S. citizen or eligible non-citizen of the United States. Student Borrowers and Cosigners must be at least 18 years old. Student Borrowers (on a student-only application) or the Cosigner (on a cosigned application) must be currently employed, unless retired; must earn (together with their spouses, if applicable) a combined gross total of at least \$30,000 a year in income at the time of the application (prior to 2021, the applicant was only required to show positive net income) with a maximum debt to income ratio of 44%. The Seller has established the underwriting criteria described herein for the Texas Extra Credit Loan Programs.

If a Cosigner is used, the student borrower’s credit information is not considered, other than terminal knockouts, and the credit decision is based on the Cosigner’s information. A Cosigner may be released from their obligation on a Texas Extra Credit Program Loan after the first 24 consecutive monthly payments of principal and interest have been made on time. For a Cosigner to be released, the Student Borrower must request the release, be enrolled in automatic payments and meet the credit underwriting criteria in effect at the time the request to release the Cosigner is made.

Parent Borrowers: Under the Texas Extra Credit Loan Programs, loans may be made to the parent (“Parent Borrower”) of a student beneficiary enrolled at least half-time in a degree-granting program at any Approved School. The Parent Borrower must have a permanent residence located in Texas and be a U.S. citizen or eligible non-citizen of the United States and must satisfy the same Texas Extra Credit Loan Programs underwriting criteria (at a higher FICO score), but no Cosigner will be permitted.

Texas Extra Credit Loan Programs Loan Terms

Student Loans: The Authority anticipates that Texas Extra Credit Program Loans to Student Borrowers that are financed with the proceeds of the Series 2024-1 Bonds, other moneys deposited to the Student Loan Fund and other available funds during the Acquisition Period will have the following terms:

- (a) Bear a fixed rate of interest which the Authority anticipates will be competitive with federal and other non-federal student loan programs; the interest rate will be based on Student Borrower’s and/or Cosigners’ credit, selected loan repayment term, and whether the Student Borrower chooses to begin immediate repayment, defers principal while the Student Borrower is in school or defers both principal and interest while the Student Borrower is in school;
- (b) A substantial portion of the Texas Extra Credit Program Loans will not go into repayment until after the Student Borrower or Student Beneficiary leaves school; however, some Borrowers may elect to begin immediate repayment within 30-60 days of final disbursement of their Texas Extra Credit Program Loans while others may elect to begin interest-only payments after the first disbursement of their Texas Extra Credit Program Loans;
- (c) A 0.25% interest rate discount will apply to payments on Texas Extra Credit Program Loans that are made by electronic funds transfer on a recurring basis (the interest rate discount is not available for the interest payment portion of the deferred principal repayment option);
- (d) A 0.25% interest rate reduction if the Student Borrower earns a bachelor’s degree or higher (and there is no more than one late payment made on the loan); effective as of the graduation date and upon request by the Student Borrower;
- (e) Texas Extra Credit Program Loans offer a 5-, 10- or 15-year repayment term, selected by the applicant; subject to extension resulting from forbearance;
- (f) Student Borrower may choose from three repayment options: immediate repayment, deferral of principal while the Student Borrower is in school (interest-only repayment) or deferral of both principal and interest while the Student Borrower is in school (deferred repayment);
- (g) Texas Extra Credit Program Loans may be extended by forbearance in increments of no more than 3 months, for a cumulative total of up to 12 months for situations of documented financial hardship;
- (h) Texas Extra Credit Program Loans may be extended by forbearance for 3 months, at the discretion of HESC, for situations of documented natural disaster;

- (i) Texas Extra Credit Program Loans may be extended by forbearance for up to 36 months for active duty status in the U.S. Armed Forces-Program Loans with a 15 year repayment term will not be extended while in active duty status, but will count against the Borrower's repayment term;
- (j) All Texas Extra Credit Program Loans may be prepaid in full or in part at any time without penalty;
- (k) The amount of Texas Extra Credit Program Loans cannot exceed the certified cost of attendance as determined by the Approved School, less other financial aid; all funds are disbursed directly to the Approved School; and
- (l) Texas Extra Credit Program Loans minimum is \$1,000 and maximum \$65,000 per academic period with a maximum aggregate education debt of \$150,000.

Parent Loans: The Authority anticipates that Texas Extra Credit Program Loans to Parent Borrowers that are financed with the proceeds of Series 2024-1 Bonds, other moneys deposited to the Student Loan Fund and other available funds during the Acquisition Period will have the following terms:

- (a) Bear a fixed rate of interest which the Authority anticipates will be competitive with federal and other non-federal student loan programs; the respective interest rate will be based on Parent Borrowers' credit, selected loan repayment term, and whether the Parent Borrower chooses to begin immediate repayment, defers principal while the Student Beneficiary is in school or defers principal and interest while the Student Beneficiary is in school;
- (b) A 0.25% interest rate discount will apply to payments on Texas Extra Credit Program Loans that are made by electronic funds transfer on a recurring basis (the interest rate discount is not available for the interest payment portion of the deferred principal repayment option);
- (c) Texas Extra Credit Program Loans offer a 5, 10 or 15 year repayment term, selected by the applicant; subject to extension resulting from forbearance;
- (d) Texas Extra Credit Program Loans may be extended by forbearance in increments of no more than 3 months, for a cumulative total of up to 12 months for situations of documented financial hardship;
- (e) Texas Extra Credit Program Loans may be extended by forbearance for 3 months, at the discretion of HESC, for situations of documented natural disaster;
- (f) Texas Extra Credit Program Loans may be extended by forbearance for up to 36 months for active duty status in the U.S. Armed Forces;
- (g) All Texas Extra Credit Program Loans may be prepaid in full or in part at any time without penalty;
- (h) The amount of Texas Extra Credit Program Loans cannot exceed the certified cost of attendance as determined by the Approved School, less other financial aid; all funds are disbursed directly to the Approved School; and

- (i) Texas Extra Credit Program Loans minimum is \$1,000 and maximum \$65,000 per academic period with a maximum aggregate education debt of \$150,000.

Eligible Loan Availability: Based on the Authority's past experience and discussions with Approved Schools, the Authority expects an aggregate demand for Texas Extra Credit Program Loans that may be financed as Eligible Loans during the Acquisition Period to be at least sufficient to expend the amount to be deposited to the Student Loan Fund in connection with the issuance of the Series 2024-1 Bonds.

Credit Evaluation by the Corporation: Applications for the Texas Extra Credit Loan Programs are submitted to the Higher Education Servicing Corporation, as "Originator," which conducts the loan application review activities described below. The Originator performs a credit evaluation of all Eligible Loan applications. The credit evaluation includes, but is not limited to, FICO credit scoring, income qualification and a credit report history for the Student Borrower, Parent Borrower and Cosigner, as applicable. Certain eligibility criteria must be met, for example, the Student Borrower, Parent Borrower and Cosigner, as applicable, must not have any bankruptcies within the past 7 years, no defaults on any federal or private education loans and no charge offs within the last 2 years.

Student Borrowers must have a credit report with at least one trade line that is at least 24 months old excluding deferred student loans. If a Student Borrower has no FICO score, no prior credit history or a FICO score less than 670, the Student Borrower must apply with a qualified Cosigner. Student Borrowers having a FICO score of 670 or higher and at least 2 years of credit history may choose to have a Cosigner. A Cosigner under the Texas Extra Credit Loan Programs must have a minimum FICO score of 670 and at least 2 years of credit history. The Student Borrower must have a debt-to-income ratio not to exceed 44%. If the Student Borrower applies with a Cosigner, the Cosigner must have a debt-to-income ratio not to exceed 44%.

Parent Borrowers must have a credit report with at least one trade line that is at least 24 months old excluding deferred student loans. A Parent Borrower must have a FICO score of 680 or higher, at least 2 years of credit history and a debt-to-income ratio not to exceed 44%.

The Originator may also deny an application for other reasons, provided that such denial is in accordance with applicable law.

The Originator requests one or more credit bureau reports on the Student Borrower, Cosigner or Parent Borrower, as applicable. Credit reports more than ninety (90) days old are not to be used for underwriting purposes.

The Authority retains the right to purchase Eligible Loans with different underwriting methodology, subject, with respect to Eligible Loans, to any limitations contained in a Supplemental Indenture, and in some cases, satisfaction of the requirements of a Rating Agency.

Certification by the Approved School: After credit evaluation, the Originator notifies the appropriate Approved School that an applicant has been approved and requires that the Approved School certify that the Student Borrower or the student for whose benefit a Parent Borrower took out a Texas Extra Credit Program Loan, as applicable, is currently enrolled at least half time in a degree granting program and that the loan amount before fees, does not exceed the cost of attendance less other financial aid (including other student loans). The minimum loan amount is \$1,000.

Approved School: Any Approved School (public or private nonprofit designation) offering bachelor's degrees or higher may participate in the Texas Extra Credit Student Loan Programs.

Loan Disbursement: Loan disbursements may be funded in one to four even or uneven disbursements and are set by the Approved Schools. Loan disbursements are sent via electronic funds transfer (EFT). Approved Schools not utilizing ETF receive disbursements pursuant to loan servicing standards currently in place.

Defaults: When a Texas Extra Credit Program Loan is 180 days past due, it is deemed to be “defaulted.” In addition, the Student Borrower, Cosigner or the Parent Borrower will be deemed to be in default under the Texas Extra Credit Program Loan if certain other terms and covenants of the Texas Extra Credit Program Loan have not been complied with, or any of the representations by the Student Borrower, Cosigner or the Parent Borrower are found to have been false when made. The Higher Education Servicing Corporation, as Servicer (the “Servicer”), retains responsibility for enforcement and settlement decisions related to defaulted accounts, including the commencement of legal action against the Student Borrower or Cosigner or against the Parent Borrower, as applicable, to collect the Texas Extra Credit Program Loan. The Servicer has in the past engaged outside third-party collection agencies to collect on all defaulted Texas Extra Credit Program Loans and currently expects to continue such practice.

If, with respect to a Texas Extra Credit Program Loan to a Student Borrower, the Student Borrower dies while enrolled at least half time at an Approved School or becomes totally and permanently disabled (as documented according to the requirements of the Texas Extra Credit Program documentation), the Servicer releases both the Student Borrower and any Cosigner from further liability on the Texas Extra Credit Program Loan. When the Cosigner of such a Texas Extra Credit Program Loan dies, the Servicer releases the Cosigner, but not the Student Borrower, from further liability and may attempt to file a claim against the Cosigner’s estate. If with respect to a Texas Extra Credit Program Loan to a Parent Borrower, the benefited student dies while enrolled at least half time at an Approved School, the Servicer releases the Parent Borrower from further liability. If the Parent Borrower becomes disabled, the Servicer releases the Parent Borrower from further liability. In each case the release of a person from further liability applies as well to that person’s estate.

Loan Performance Data. The following tables set forth certain loan performance information for loans disbursed under the Texas Extra Credit Loan Programs from all sources for the 2016 through 2024 Fiscal Years, inclusive (and through April 30, 2024, with respect to the current Fiscal Year).

Delinquency and Forbearance Trends of Texas Extra Credit Loan Programs: Delinquency and forbearance rates for the Texas Extra Credit Loan Programs are provided in the tables below:

**Delinquency Rates for the Texas Extra Credit Parent Loan Program
based on Loans in Repayment**

Quarter Ending	30-59 days past due	60-89 days past due	90-119 days past due	120 days or more past due
9/30/2022	0.00%	0.00%	0.00%	0.00%
12/31/2022	0.00%	0.00%	0.00%	0.00%
3/31/2023	0.00%	0.00%	0.00%	0.00%
6/30/2023	0.00%	0.00%	0.00%	0.00%
9/30/2023	1.61%	0.00%	0.00%	0.00%
12/31/2023	0.00%	0.00%	0.00%	0.00%
3/31/2024	1.73%	0.61%	0.00%	0.00%
4/30/2024	0.00%	0.00%	0.62%	0.00%

**Delinquency Rates for the Texas Extra Credit Student Loan Program
based on Loans in Repayment**

Quarter Ending	30-59 days past due	60-89 days past due	90-119 days past due	120 days or more past due
9/30/2022	0.62%	1.53%	0.00%	0.61%
12/31/2022	1.48%	0.00%	0.80%	1.80%
3/31/2023	0.88%	0.53%	0.58%	1.75%
6/30/2023	0.46%	0.44%	0.18%	1.09%
9/30/2023	2.54%	0.17%	0.74%	1.14%
12/31/2023	0.48%	0.55%	0.19%	1.22%
3/31/2024	0.64%	0.16%	0.20%	0.38%
4/30/2024	0.90%	0.06%	0.16%	0.58%

**Forbearance Rates for the Texas Extra Credit Loan Program by Loan Type
based on portfolio balance**

Quarter Ending	Parent	Student
9/30/2022	0.00%	1.66%
12/31/2022	0.00%	3.41%
3/31/2023	0.00%	2.38%
6/30/2023	0.00%	0.74%
9/30/2023	0.00%	1.66%
12/31/2023	0.00%	2.90%
3/31/2024	0.00%	1.32%
4/30/2024	0.00%	1.41%

Historic Default Information for the Texas Extra Credit Loan Programs. The following tables reflect the historical default information for the Texas Extra Credit Parent Loan Program and the Texas Extra Credit Student Loan Program, respectively. Terms and calculations used in the following tables are defined as follows:

“Repayment Year” means the Fiscal Year that the loans entered repayment. Each Repayment Year represents the Fiscal Year from July 1 of the prior year through June 30 of the Repayment Year.

“Amount Entering Repayment” means the amount of principal entering repayment in a given Fiscal Year based on the disbursed principal including any interest capitalized at repayment.

“Defaults” means defaulted principal in each Repayment Year as a percentage of Amount Entering Repayment in each repayment year, includes any interest capitalization that occurred prior to default and is not reduced by any amount of recoveries after the loan defaulted.

“Total” means the percentage of the Defaults by Repayment Year of Default for each Repayment Year.

Since the inception of the Texas Extra Credit Parent Loan Program, no Texas Extra Credit Parent Loans have defaulted as set forth in the table immediately below:

Default Rates for the Texas Extra Credit Parent Loan Program

Principal Amount	Repayment Year 2022	Repayment Year 2023	Repayment Year 2024
Amount Entering Repayment	\$152,967	\$650,343	\$777,240
2022 Defaults	0.00%	N/A	N/A
2023 Defaults	0.00%	0.00%	N/A
2024 Defaults	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
TOTAL Defaults	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

The table on the following page sets forth the historical default information for the Texas Extra Credit Student Loans under the Texas Extra Credit Student Loan Program:

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Default Rates for the Texas Extra Credit Student Loan Program

Principal Amount	Repayment Year 2016	Repayment Year 2017	Repayment Year 2018	Repayment Year 2019	Repayment Year 2020	Repayment Year 2021	Repayment Year 2022	Repayment Year 2023	Repayment Year 2024
Entering Repayment	\$42,471	\$744,623	\$2,379,590	\$2,167,184	\$2,048,133	\$2,368,922	\$2,617,539	\$2,672,635	\$3,495,311
2021 Defaults	0.00%	1.10%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A
2022 Defaults	10.06%	0.91%	1.13%	2.07%	0.36%	0.43%	0.00%	N/A	N/A
2023 Defaults	0.00%	0.00%	1.81%	0.00%	2.16%	2.82%	1.03%	0.00%	N/A
2024 Defaults	<u>0.00%</u>	<u>0.00%</u>	<u>0.39%</u>	<u>0.47%</u>	<u>1.31%</u>	<u>0.57%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
TOTAL Defaults	<u>10.06%</u>	<u>2.02%</u>	<u>3.33%</u>	<u>2.54%</u>	<u>3.84%</u>	<u>3.83%</u>	<u>1.03%</u>	<u>0.00%</u>	<u>0.00%</u>

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APPENDIX C

FORM OF BOND COUNSEL OPINION

*An opinion in substantially the following form will be delivered by
Norton Rose Fulbright, Bond Counsel,
upon the delivery of the Bonds, assuming no material changes in facts or law.*

August 28, 2024

Re: North Texas Higher Education Authority, Inc. Tax-Exempt Education Loan Revenue Bonds Senior Series 2024-1A (AMT) (the “Bonds”)

WE HAVE ACTED AS BOND COUNSEL for the North Texas Higher Education Authority, Inc. (the “Authority”) for the purpose of rendering our opinion as to the legality and validity of the issuance of the bonds described above (collectively, the “Bonds”) under the laws of the State of Texas, and for no other purpose. The Bonds are issued pursuant to and secured under an Indenture of Trust and a Series 2024-1 Supplemental Indenture of Trust, both dated as of August 1, 2024, between the Authority and UMB Bank, National Association, as trustee (collectively, the “Indenture”). Capitalized terms not otherwise defined have the meanings given to them in the Indenture.

WE HAVE NOT BEEN REQUESTED to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the Authority. Our examinations into the legality and validity of the Bonds included a review of the applicable and pertinent provisions of the laws of the State of Texas; a transcript of certified proceedings of the Authority relating to the authorization and issuance of the Bonds, including the Resolution authorizing the issuance of the Bonds; the Indenture; customary certifications and opinions of officials of the Authority and other pertinent showings; and an examination of the Bond executed and delivered by the Authority, which we found to be in due form and properly executed.

BASED UPON AND SUBJECT TO THE FOREGOING and in reliance thereon, as of the date hereof, it is our opinion that:

1. The Bonds have been duly authorized by the Authority in compliance with the laws of the State of Texas now in force, including particularly Chapter 53B of the Texas Education Code, as amended, and the Bonds issued in compliance with the provisions of the Indenture are valid and legally binding special and limited obligations of the Authority, enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by laws relating to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights, or the exercise of judicial discretion in accordance with general principles of equity

2. The Bonds are payable from and secured by the assets held in the Trust Estate created under the Indenture.

WE EXPRESS NO OPINION regarding any tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D
FORM OF SPECIAL TAX COUNSEL OPINION

August 28, 2024

North Texas Higher Education Authority, Inc.
Arlington, Texas

BofA Securities, Inc.,
as Underwriter
New York, New York

UMB Bank, National Association,
as Trustee
New York, New York

Re: \$41,750,000 Tax-Exempt Education Loan Revenue Bonds, Senior Series 2024-1A
(AMT)

Ladies and Gentlemen:

We have acted as special tax counsel to the North Texas Higher Education Authority, Inc. (the “Authority”) in connection with the issuance by the Authority on the date hereof of the referenced Tax-Exempt Education Loan Revenue Bonds, Senior Series 2024-1A (AMT) (the “Bonds”). We understand that Norton Rose Fulbright US LLP is serving as bond counsel (“Bond Counsel”) to the Authority with respect to the issuance of the Bonds and that the Bonds are being sold pursuant to a public offering by BofA Securities, Inc., as underwriter (the “Underwriter”).

The Bonds are issued and secured pursuant to the Indenture of Trust, dated as of August 1, 2024 (the “Master Indenture”), as amended and supplemented by a Series 2024-1 Supplemental Indenture of Trust, dated as of August 1, 2024 (the “Supplemental Indenture”), each between the Authority and UMB Bank, National Association, as trustee (the “Trustee”). The Master Indenture, as amended and supplemented by the Supplemental Indenture, is referred to herein as the “Indenture.” The Bonds have the terms and conditions set forth in the Indenture. We understand the Authority expects to use the net sale proceeds of the Bonds to acquire Eligible Loans (within the meaning of the Indenture) pursuant to the Supplemental Indenture.

In connection with delivering this letter, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of the Indenture and the Tax Certificate and Agreement, dated the date hereof (the “Tax Certificate and Agreement”), between the Authority and the Trustee, and such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinions rendered below in this letter.

As to questions of fact material to our opinions, we have relied on covenants and representations of the Authority contained in the Indenture, the Tax Certificate and Agreement and the certified proceedings and other certifications furnished to us of officials of the Authority and other parties involved in the issuance of the Bonds, without undertaking to verify the same by independent investigation.

We have also relied on the opinions, dated this date, of Bond Counsel, with respect to (a) the authorization, issuance and delivery of the Bonds in accordance with law, (b) the status of the Bonds as valid and legally binding special obligations of the Authority, (c) the Authority's legal authority to issue the Bonds and to repay the Bonds and (d) the security and payment of the Bonds from assets held in the Trust Estate created under and defined in the Indenture.

We have assumed (a) the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, (b) the accuracy of the statements of fact contained in such documents, instruments and certificates, and (c) the correctness of the opinions of Bond Counsel, without undertaking to verify the same by independent investigation.

Based on and subject to the foregoing we are of the opinion that, assuming compliance by the Authority with certain covenants and procedures set forth in the Indenture, the Tax Certificate and Agreement and certain other documents designed to meet the requirements of the Internal Revenue Code of 1986, under the laws, regulations, rulings and judicial decisions existing on the date hereof, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Failure of the Authority to comply with certain of its covenants contained in the Indenture and the Tax Certificate and Agreement could cause interest on the Bonds to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinion retroactive to the date of issuance of the Bonds. We express no opinion with respect to any other federal tax consequences of the purchase, ownership, accrual or receipt of interest on, or disposition of the Bonds other than as set forth in this paragraph.

Furthermore, based on and subject to the foregoing we are also of the opinion that the statements contained in the Official Statement, dated August 8, 2024, pursuant to which the Underwriter offered the Bonds for sale (the "Official Statement"), under the caption "TAX MATTERS" are accurate in all material respects insofar as such statements purport to summarize certain provisions of our opinion concerning federal tax matters relating to the Bonds.

We express no legal opinions other than as set forth in the preceding two paragraphs. In particular, but without limitation, we express no opinion as to any state or local tax consequences of the purchase, ownership, accrual or receipt of interest on, or disposition of the Bonds. In addition, we call attention to the fact that we have not been requested to, and accordingly we do not, render any opinion relating in any manner to the validity of the proceedings taken in connection with the issuance of the Bonds under the laws of the State of Texas.

In our role as special tax counsel to the Authority, we have not been engaged to prepare or review and have not assumed or undertaken responsibility for the preparation or review of any offering document relating to the Bonds, except to the extent of our limited review of the Official Statement as described above. We have not assumed responsibility for any description in any offering document or other document relating to the Bonds of the revenues or other sources of security for or other matters relating to any evaluation of the likelihood of payment of, or creditworthiness of, the Bonds, or the adequacy of the security provided to owners of the Bonds. We also have not been engaged to review, and we did not review, the financial condition of the Authority or the revenues or other sources of security for or other matters relating to an evaluation of the likelihood of payment of, or creditworthiness of, the Bonds or the security provided to owners of the Bonds.

The scope of our engagement as special tax counsel to the Authority has not extended beyond the examinations and the rendering of the opinions expressed herein. The opinions expressed herein are based on existing law as of the date hereof and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters. Furthermore, we assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, legislative or regulatory action taken subsequent to the date hereof, judicial decisions issued subsequent to the date hereof, or for any other reason.

In performing our services as special tax counsel, the Authority is our sole client in this engagement and as special tax counsel we have not been engaged by, nor have we undertaken to advise, any other party or to opine as to matters not specifically covered herein. The inclusion of addressees of this opinion letter other than the Authority does not create or imply an attorney-client relationship between Kutak Rock LLP, as special tax counsel, and any such other addressee.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Continuing Disclosure Agreement”) is executed and delivered by the North Texas Higher Education Authority, Inc. (the “Obligated Person”) in connection with the issuance of \$41,750,000 Tax-Exempt Education Loan Revenue Bonds, Senior Series 2024-1A (AMT) (the “Series 2024-1 Bonds”). The Series 2024-1 Bonds are being issued pursuant to the Trust Indenture, dated as of August 1, 2024 (the “Master Indenture”), by and among the UMB Bank National Association, as trustee (the “Trustee”), and a Series 2024-1 Supplemental Indenture of Trust, dated as of August 1, 2024 (the “Series 2024-1 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), by and among the Obligated Person and the Trustee. The Obligated Person undertakes and agrees as follows:

Section 1. Purpose of the Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Obligated Person for the benefit of the Registered Owners and beneficial owners of the Series 2024-1 Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” shall mean any Annual Financial Information provided by the Obligated Person pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“*Disclosure Representative*” shall mean the Chief Financial Officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate.

“*Dissemination Agent*” shall mean any Dissemination Agent designated by the Obligated Person.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Financial Obligation*” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “Financial Obligation” shall not include municipal securities as to which a final Official Statement has been provided to the MSRB consistent with the Rule.

“*Listed Event*” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board, and any successors or assigns, or any other entities or agencies approved under the Rule.

“*Official Statement*” shall mean the Official Statement, dated August 8, 2024, of the Obligated Person with respect to its offering of the Series 2024-1 Bonds.

“*Repository*” shall mean, until otherwise designated by the SEC, the Electronic Municipal Market Access website of the MSRB located at <http://emma.msrb.org>.

“*Rule*” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

“*SEC*” shall mean the United States Securities and Exchange Commission.

“*Underwriter*” means the “participating underwriter” as that term is defined in the Rule, and in relation to the Series 2024-1 Bonds, shall mean RBC Capital Markets, LLC or any successors known to the Obligated Person.

Section 3. Provision of Annual Financial Information.

(a) The Obligated Person shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Obligated Person’s fiscal year, commencing with the report of the fiscal year ending August 31, 2024, provide to the Repository, at www.emma.msrb.org, in such electronic format accompanied by such identifying information (the “Prescribed Form”) as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information, the Annual Financial Information which is consistent with the requirements of Section 4 of this Continuing Disclosure Agreement.

(b) The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, or by specific cross reference to other documents which have been submitted to the Repository and available to the public on the Repository’s website or filed with the SEC. If the document so referenced is a final offering document within the meaning of the Rule, such final offering document must be available from the Repository. The Obligated Person shall clearly identify each such other document so incorporated by cross-reference.

(c) If the financial statements of the Obligated Person are audited, the audited financial statements of the Obligated Person must be submitted if and when available but may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if they are not available by that date.

Section 4. Content of Annual Financial Information. The Obligated Person’s Annual Financial Information shall contain or incorporate by reference the following:

(a) annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America; and

(b) an update and a discussion of the financial information and operating data in the Official Statement under the heading “THE AUTHORITY—General,” “—Board of Directors,” and “—Outstanding Revenue Bonds of the Authority” and under the heading “THE FINANCED ELIGIBLE LOANS”;

(c) The following Indenture information:

(i) balances in the Student Loan Fund, the Capitalized Interest Fund (if any), the Revenue Fund, the Rebate Fund and the Debt Service Reserve Fund;

(ii) the issuance of any additional bonds; and

- (iii) the outstanding principal amount of the Series 2024-1 Bonds and any other bonds issued under the Indenture.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the Obligated Person shall give, or cause to be given, on behalf of itself and any other persons providing undertakings under the Rule with respect to the Series 2024-1 Bonds, notice to the Repository of the occurrence of any of the following events with respect to the Series 2024-1 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2024-1 Bonds, or other material events affecting the Series 2024-1 Bonds;
- (vii) modifications to rights of Registered Owners of the Series 2024-1 Bonds, if material;
- (viii) any call of any Series 2024-1 Bonds, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2024-1 Bonds, if material;
- (xi) rating changes and any Rating Agency Notification or any Rating Agency Confirmation as required under Section 7.17 of the Indenture;
- (xii) bankruptcy, insolvency, receivership, or similar event of the Obligated Person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar

terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(b) If the Obligated Person obtains knowledge of the occurrence of a Listed Event, the Obligated Person shall file, in a timely manner not in excess of ten (10) Business Days after the occurrence of the Listed Event, a notice of such occurrence in Prescribed Form with EMMA.

(c) The Obligated Person shall provide, in a timely manner, to the MSRB in Prescribed Form in accordance with EMMA, notice of any failure of the Obligated Person to timely provide the Annual Financial Information as specified in Section 4 hereof.

(d) If the Obligated Person changes its fiscal year, it shall provide in Prescribed Form notice of the change of fiscal year to the Trustee and to the MSRB.

Section 6. Termination of Reporting Obligation. The Obligated Person's obligations under this Continuing Disclosure Agreement shall terminate upon the earliest to occur of (a) the legal defeasance, prior redemption or payment in full of all of the Series 2024-1 Bonds; or (b) the date that the Obligated Person shall no longer constitute an "obligated person" with respect to the Series 2024-1 Bonds within the meaning of the Rule (or, if later, the date on which the Obligated Person determines to no longer voluntarily comply with the Rule in the event that the Rule does not apply to the Series 2024-1 Bonds at the time). The Obligated Person shall file a notice of any such termination with the Repository in the Prescribed Form in accordance with EMMA.

Section 7. Dissemination Agent. The Obligated Person may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment: Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Obligated Person may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is consistent with the Rule, as determined by an opinion of counsel experienced in federal securities laws selected by the Obligated Person. Written notice of any such amendment or waiver shall be provided by the Obligated Person to the MSRB in Prescribed Form in accordance with EMMA, and the next Annual Financial Information shall explain in narrative form the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Continuing Disclosure Agreement,

the Obligated Person shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Obligated Person to comply with any provision of this Continuing Disclosure Agreement, any Registered Owner or beneficial owner of the Series 2024-1 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Person to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Obligated Person to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 11. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Dissemination Agent, the Underwriter, the Registered Owners and beneficial owners from time to time of the Series 2024-1 Bonds and shall create no rights in any other person or entity.

Date: August 28, 2024

**NORTH TEXAS HIGHER EDUCATION
AUTHORITY, INC.**

By _____
Name _____
Title _____

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APPENDIX F

FINANCIAL STATEMENTS OF THE AUTHORITY

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NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

**FINANCIAL STATEMENTS FOR THE
YEARS ENDED AUGUST 31, 2023 AND 2022
AND INDEPENDENT AUDITOR'S REPORT**

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

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Independent Auditor's Report

Board of Directors
North Texas Higher Education Authority, Inc.
Arlington, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Texas Higher Education Authority, Inc. (Authority), as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of August 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 8* to the financial statements, during 2023, the Authority acquired the net assets of three entities in a business combination. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules of statement of net position information and statement of revenues, expenses and changes in net position information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

FORVIS, LLP

**Dallas, Texas
March 5, 2024**

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

North Texas Higher Education Authority, Inc. (the "Authority") is a nonprofit corporation founded in 1978 and originally acting on behalf of the Cities of Arlington and Denton, Texas. In September 2015, following the passage of HB 3245 during the 84th Texas legislative session and upon the Authority's request to simplify its organizational structure, the City of Denton passed a resolution to rescind its "on behalf of" support of the Authority, and the City of Arlington reaffirmed the Authority to "act on its behalf in the exercise of the powers enumerated under Section 53B.47 of the Texas Education Code to further educational opportunities."

On June 21, 2023, the Authority completed its acquisition of the FFELP student loan business of California Education Assistance, Inc. (CalEd). The Authority assumed the three remaining CalEd indentures that finance FFELP student loans by acquiring CalEd indirect subsidiaries known as ALL Financing 2012 LLC and ALL Financing 2013 LLC and by acquiring all of the capital stock of ALL Indenture Operating Company, a subsidiary of CalEd, that owns ALL Financing 2010 LLC. The total of the student loan portfolios of the three indentures was \$254.4 million.

The Authority is authorized to provide funds for the acquisition of eligible loans made to students at post-secondary educational institutions and provide procedures for the servicing of such loans. The Authority currently owns student loans established by the Higher Education Act under the Federal Family Education Loan Program ("FFELP"). Loans provided under FFELP include Subsidized and Unsubsidized Stafford ("Stafford"), Supplemental Loans for Students ("SLS"), Parent Loans for Undergraduate Students and Graduate/Professional Student Loans ("PLUS"), and Consolidation Loans ("Consolidation").

This report includes three financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as defined by the Governmental Accounting Standards Board. The statement of net position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities of the Authority. The statement of revenues, expenses, and changes in net position presents the Authority's results of operations. The statement of cash flows provides a view of the sources and uses of the Authority's cash resources.

The Authority has a borrower incentive program for which a portion of eligible borrowers' principal balance of their student loan(s) is written-off when the borrower meets stipulated payment requirements. See Note 5 to the basic financial statements for further discussion of the Authority's borrower incentive program.

AUTHORITY ACTIVITY AND HIGHLIGHTS

The Authority has purchased student loans from a variety of financial institutions over the years. However, due to changes in the Higher Education Reconciliation Act ("HERA") of 2005 and the elimination of the FFELP in 2010, student loan purchases have dramatically declined. Student loan purchases were \$258.1 million and \$4.7 million during the years ended August 31, 2023, and 2022, respectively.

See discussion of "***Turbulence in the Financial Markets***" and "***Elimination of the FFEL Program***" under **ECONOMIC FACTORS AND OUTLOOK** below.

Financing for the program is provided through the issuance of tax-exempt and taxable debt and the recycling of funds. However, due to the decline in student loan purchases, the Authority had not issued any new bonds since 2012. In 2023, the Authority incurred a two-year line of credit to finance a portion of the CalEd acquisition and assumed the \$224.4 million of outstanding debt of CalEd. In 2022, the

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

Authority refinanced four existing bond issuances, one long-term note, and two short-term lines of credit into two long-term taxable bond issuances.

CONDENSED NET POSITION

	2023	2022
Cash, cash equivalents and investments	\$ 79,381,078.41	\$ 128,594,550.40
Accrued interest receivable	65,276,373.01	54,551,614.31
Student loans receivable	965,907,628.43	835,435,243.84
LOC receivable from CUREvl	0.00	14,628.22
Other	28,045.65	50,727.78
TOTAL ASSETS	\$ 1,110,593,125.50	\$ 1,018,646,764.55
Current liabilities	\$ 135,161,461.00	\$ 149,708,148.19
Long-term liabilities	734,267,889.94	662,802,882.34
TOTAL LIABILITIES	\$ 869,429,350.94	\$ 812,511,030.53
DEFERRED INFLOWS OF RESOURCES		
Related to discount on loans purchased	2,739,927.04	3,763,664.18
Unrestricted	109,083,066.67	76,483,877.49
Restricted	129,340,780.85	125,888,192.33
TOTAL NET POSITION--end of year	\$ 238,423,847.52	\$ 202,372,069.82

CONDENSED REVENUES, EXPENSES AND CHANGE IN NET POSITION

	2023	2022
Operating Revenues:		
Interest on student loans	\$ 33,308,129.80	\$ 34,751,817.49
Nonoperating Revenues & Expenses:		
Interest on investments	3,721,971.09	943,419.15
Unrealized loss on investments	(795,248.70)	(1,266,767.89)
Government interest and special allowance	17,889,364.05	(10,980,458.71)
Interest on bonds and line of credit	(35,416,845.91)	(12,113,505.44)
Letter of credit and bond redemption fees	(152,500.00)	(4,184,630.32)
Income from deferred inflows of resources	1,023,737.14	1,055,688.31
Total nonoperating revenues & expenses:	(13,729,522.33)	(26,546,254.90)
TOTAL REVENUE & NONOPERATING EXPENSES	\$ 19,578,607.47	\$ 8,205,562.59

Operating Expenses:

Loan servicing fees paid to Higher Education Servicing Corp.	3,845,259.57	4,248,469.70
Payments for administrative and operating costs to Higher Education Servicing Corporation	4,916,105.37	5,479,497.10
Trustee fees	155,017.97	202,512.28
Borrower incentive loan write-offs	396,273.29	509,739.34
Miscellaneous expense	864,603.89	520,501.41

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

Total Operating Expenses:	10,177,260.09	10,960,719.83
Contribution from acquisition of CalEd entities	26,650,430.34	0.00
CHANGE IN NET POSITION	<u>\$ 36,051,777.72</u>	<u>\$ (2,755,157.24)</u>

Total assets and liabilities increased (decreased) for the fiscal year 2023 and 2022 as follows:

	<u>2023</u>	<u>Percent Change</u> <u>from 2022</u>	<u>2022</u>	<u>Percent Change</u> <u>from 2021</u>
Change in assets:	\$ 91.95 mil.	9.03%	(\$73.3 mil.)	(6.7%)
Change in liabilities:	\$ 56.92 mil.	7.01%	(\$69.4 mil.)	(7.8%)
Change in net position:	\$ 36.05 mil.	17.81%	(\$ 2.8 mil.)	(1.3%)

The above current year asset increases are primarily due to increased student loans balances due to the CalEd acquisition partially offset by paydowns. The above current year liability increases are due to increased notes payable and lines of credit balances due to the CalEd acquisition.

The current year increase in net position is due to the CalEd acquisition and lower operating expenses. The previous year decrease in net position was due to higher operating expenses associated with the redemption and refinancing of existing debt into new issuances. The Authority incurred lower special allowance interest expense at the same time as having recognized higher interest income on student loans and investments, however bond interest was higher in light of increasing interest rates. In 2023, the Authority paid \$1.0 million less in servicing/administration fees and \$23.3 million more in bond interest. In 2023, the Authority paid \$183.3 million of principal on bonds. In 2022, the Authority paid \$1.7 million more in servicing/administration fees and \$5.7 million more in bond interest while also incurring \$4.2 million in one-time issuance fees for refinancing certain debt issuances. In 2022, the Authority paid \$147.3 million of principal on bonds. Loan servicing and administration fees are paid to Higher Education Servicing Corporation ("HESC").

The majority of net position is restricted for debt service or for the purchase of student loans, but as of August 31, 2023, approximately \$109.1 million is available for unrestricted purposes and as of August 31, 2022, approximately \$76.5 million was available for unrestricted purposes.

Further evaluation of some of the Authority's major asset and liability categories is as follows:

<u>Major asset & liability category changes</u> <u>(millions):</u>	<u>2023</u>	<u>Change from</u> <u>2022</u>	<u>2022</u>	<u>Change from</u> <u>2021</u>
Increase (decrease) in cash, cash equiv, current investments	(15.7)	-19.64%	16.5	34.32%
Increase (decrease) in student loans	130.4	15.68%	(159.0)	-16.07%
Increase (decrease) in net short term liabilities	(14.6)	-9.72%	(296.6)	-66.46%
Increase (decrease) in net long term liabilities	71.5	10.78%	227.1	52.14%

The elimination of the FFELP has impacted the Authority's ability to acquire loans (see "**Turbulence in the Financial Markets**" below). However, in 2023, the Authority added \$254.4 million of loans from acquiring CalEd's existing portfolios and also claim repurchases with net student loan reductions (payoffs less capitalized interest) of \$126.6 million. In 2022, the Authority acquired \$4.7 million of loans from other

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

FFELP lenders selling their existing portfolios and also claim repurchases with net student loan reductions (payoffs less capitalized interest) of \$162.5 million.

Collections from borrowers are held in "Redemption Funds" and used to pay down bonds. Bond indenture covenants require excess funds (amounts remaining after debt service payments) not used to acquire loans to be used to pay down bonds at specified redemption dates. The Authority took out a line of credit in the spring of 2023 to finance a portion of its CalEd acquisition. As a part of its CalEd acquisition, the Authority assumed \$224.4 million of outstanding bond liabilities. During the course of 2023, the Authority paid down \$183.3 million of outstanding debt. In 2022, the Authority used excess funds to pay \$147.3 million of bonds after outstanding debt increased by net \$84.1M with the refinancing of seven existing borrowings. See further discussions of "**Bonds Payable**" in Note 4 to the basic financial statements.

In 2023, the decrease in cash and current investments of \$15.7 million was the net of the \$29.2M purchase of the CalEd student loan entities offset by an increase in the Authority's unrestricted funds. In 2022, the increase in cash and current investments of \$16.5 million was the net of an increase in the Authority's unrestricted funds offset by a decrease in investments in restricted portfolio funds.

OPERATING ACTIVITIES

Revenues:

	<u>2023</u>	Percent Change <u>from 2022</u>	<u>2022</u>	Percent Change <u>from 2021</u>
Increase (decrease) in Operating Revenue:	(\$1.4)	(4.2%)	\$2.3	7.0%

Operating revenues for the Authority are derived entirely from interest earned on student loans.

<u>Net Increase (decrease) to yield on student loans:</u>	<u>2023</u>		<u>2022</u>	
Increase (Decrease) in interest earned on student loans	(1,611,508.08)		2,640,488.25	
Net (decrease) in amortization of deferred prem & discount	167,820.39		(365,284.33)	
Net Increase (decrease) to yield on student loans:	(1,443,687.69)	-4.00%	2,275,203.92	6.83%

Since 2011, variable rates on student loans issued before July 1, 2006 ("older loans") had changed by only a few basis points however interest rates have had greater increases in recent years. In 2023, rates increased 1.12% over 2022. In 2022, rates decreased 0.11% over 2021. Variable rates on the majority of loans issued after June 30, 2006 ("newer loans") have remained the same since 2007. Interest earned by the Authority on student loans increased slightly in 2023 due to higher interest rates and higher student loan portfolio balances over 2022.

The variable student loan interest rates are set annually on July 1 based on the 91-day T-Bill rate. Interest rates on Consolidation loans are fixed at time of disbursement. Student loan rates as of July 1 are outlined as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Variable rates on student loans:	7.16% to 8.56%	1.72% to 8.50%	1.83% to 8.50%

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

OPERATING ACTIVITIES – Revenues - CONTINUED

In the past, the Authority paid a loan acquisition premium when acquiring loans from financial institutions. These premiums were capitalized and amortized over the life of the related loans. The amortization expense is recorded as an adjustment to the yield of the loans purchased (see further discussion of **“Deferred Loan Acquisition Premiums”** in Note 1 to the basic financial statements). Changes in law have decreased yields on student loans, thus since 2010, the Authority had not paid any premium on loans purchased and had acquired some loan portfolios at a discount. However, with the Bank of North Dakota acquisition in 2018, a \$4.6 million premium was paid for the loans and is being amortized on a predetermined schedule. Additionally, with the AccessLex acquisition in 2021, a \$4.125 million premium was paid for the loans and is being amortized on a predetermined schedule. From 2014 until early 2018, the amortization of discount exceeded the amortization of premiums resulting in slight increases to the yield on student loans, however with the 2018 and 2021 acquisitions, the amortization of premium and discount have both increased non-cash expenses and reduced the excess revenues for the subsequent fiscal years.

Expenses:	Percent Change		Percent Change	
	<u>2023</u>	<u>from 2022</u>	<u>2022</u>	<u>from 2021</u>
Increase (Decrease) in Operating Expenses:	(\$0.78M)	-7.1%	\$1.23M	12.6%

The major categories of the Authority's operating expenses are loan servicing fees, program administration fees, and borrower incentive loan write-offs. In 2023, the decrease in operating expenses is due to borrower incentive loan write-offs that decreased \$-0.1 million (-22.3%) and decreases in loan servicing and program administration fees of \$-1.0 million (-9.9%). In 2022, the increase in operating expenses is due to borrower incentive loan write-offs that decreased \$0.1 million (-21.8%), offset by increases in loan servicing and program administration fees, an increase of \$1.8 million (21.9%).

The Authority has engaged HESC to provide servicing for the student loan portfolio. HESC maintains contracts with three student loan servicing bureaus who service some of the Authority's loans as sub-servicers. In 2006, HESC also began providing full life-of-loan servicing to the Authority with rates charged by HESC being lower than rates charged by the other three bureaus. In 2023, loan servicing fees decreased \$403,210 (-9.5%) over prior year due to decreased balances on student loans until the CalEd acquisition. In 2022, loan servicing fees increased \$773,197 (22.2%) over prior year due to increased servicing rates. As of August 31, 2023, and 2022, 46.6% and 34.1% of the Authority's loans were being serviced by HESC, respectively. See **“Related Entities”** under Note 1 to the basic financial statements for further discussion of HESC's loan servicing functions for the Authority.

In addition to providing student loan servicing, HESC is the program administrator for the Authority. In general, administration fees paid to HESC are based on rates stipulated by the Authority's bond covenants and applied to the student loan balances for each bond series, therefore the computed fees directly correlate with the portfolio balances. In 2016 and 2015, the fees were deemed to be substantially below fair value for compensation of program administration. As such, in the last quarter of 2016, the NTHEA Board approved a resolution to increase the rates stipulated by the bonds to a level that would be more in line with industry standard rates, and the additional program fees resulting from the increased rates would be paid from the Authority's unrestricted funds. In 2017, NTHEA began paying administration fees based on the higher rates. See **“Related Entities”** under Note 1 to the basic financial statements for further discussion of HESC's administrative support functions for the Authority.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

OPERATING ACTIVITIES – Expenses – CONTINUED

The Authority has a borrower incentive program in which, for certain eligible borrowers who meet stipulated payment requirements, a portion of their student loan balance is written off. In 2023, borrower incentive write-offs decreased \$113,466 over prior year. In 2022, borrower incentive write-offs decreased \$142,351 over prior year. Annual decreases are mostly due to the decreasing eligible loans in the Authority's student loan portfolio. See further discussion of the Authority's borrower incentive program in Note 5 to the basic financial statements.

Non-operating Revenue (Expense)

Non-operating revenue for the Authority is derived from interest on cash equivalents and investments, change in fair value of investments, interest expense, interest subsidy and special allowance paid by the U.S. Government and contributions. The program of subsidized interest and special allowance is further discussed in Note 1 to the financial statements.

	<u>2023</u>	<u>Percent Change from 2022</u>	<u>2022</u>	<u>Percent Change from 2021</u>
Change in net non-operating revenue:	\$12.8 M	48.3%	(\$9.0) M	(51.2%)

The 2023 increase in net non-operating revenue was primarily due to increases in special allowance income of \$28.9 million (262.9%), a decrease in LOC/redemption fees which decreased (\$4.0 million) (-96.4%), and increases in interest on cash and investments and unrealized gain/loss on investment of \$3.25 million (1005%), partially offset by an increase in interest rates on debt, which increased \$23.4 million (192.4%). The 2022 decrease in net non-operating expense was primarily due to an increase in interest rates on debt, which increased \$6.1 million (100.1%), and increase in LOC/debt redemption fees which increased \$3.7 million (747%) offset by decreases in special allowance expense of \$2.4 million (-17.7%) and decreases in interest on cash and investments and unrealized loss on investments (\$849.5 thousand (-161.45%)).

Since 2010, investment rates had not changed much, but in 2016 rates increased substantially and the upward trend continued through 2018. The trend reversed in 2019 and especially in 2020 due to the COVID-19 global pandemic, however many of the Authority's investment interest rates are locked for the duration of the investment primarily those for certificates of deposit (CDs). Rates on the Authority's money market investments decreased 70% from 2018 to 2020. As older CDs have matured, newer CDs being offered were at substantially lower interest rates than the Authority's Insured Cash Sweep therefore proceeds from matured CDs are reinvested in the Insured Cash Sweep account. Returns on investments and cash equivalents decreased \$0.85 million (-161.5%) in 2022 and increased \$3.25 million (1005.1%) in 2023 due to the higher money market interest rates in 2023. See Note 2 to the basic financial statements for further discussion of the Authority's investments.

Investment yields are outlined as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Average yield on investments for year:	2.57%	1.11%	1.03%	1.20%

The Authority paid \$183.3 million in 2023 and \$147.3 million in 2022 of bond principal, while also incurring an increase in bond rates. Average rates are as follows:

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

NON-OPERATING ACTIVITIES – Revenue/Expenses - CONTINUED

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Average tax-exempt bond rate:	6.12%	N/A	N/A	3.03%
Average taxable bond and note rate:	4.5%	1.27%	0.75%	1.80%

Since 2007, special allowance income had been decreasing substantially due to declining Commercial Paper, Treasury Bill, and one-month LIBOR rates and due to a major provision in 2005's HERA. Since January 2010, while low, these rates remained relatively unchanged through 2014 but began an upward trend in 2015 that continued until the global pandemic of the spring of 2020 when interest rates fell dramatically, and then drastically increased beginning in 2022. See discussion of the effect of these rates on special allowance income under ***"Turbulence in the Financial Market"*** under Economic Factors and Outlook below.

Due to the provision in HERA, loans disbursed after April 1, 2006 ("post 4/1/06" loans) are subject to a rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the federally established special allowance lender rates referred to as "special allowance rates". The majority of the Authority's decreasing portfolio are made up of post 4/1/06 loans that are subject to the excess interest payments. In 2023, special allowance income increased \$28.9 million as interest rates continued to rise. In 2022, special allowance income increased \$2.6 million as interest rates have begun to rise again.

In 2023, interest subsidy decreased (\$85,806) (-6.7%). In 2022, interest subsidy decreased (\$245,288) (-16.1%). The decreases were due to the declining balances of subsidized loans in school, grace, or deferment status. In 2023, the balance of these loans decreased (\$5.1) million from 2022. In 2022, the balance of these loans increased \$0.4 million from 2021. See further discussion of ***"Interest Subsidy and Special Allowance"*** payments on student loans in Note 1 to the financial statements.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

ECONOMIC FACTORS AND OUTLOOK

Turbulence in the Financial Market

Due to the decline in the financial and bond markets in the latter half of fiscal year 2008 and in fiscal year 2009, Treasury Bills (T-Bill), and one-month LIBOR rates decreased from September 30, 2008 through December 31, 2009. Since January 2010, the downward spiral ended and the rates, while low, remained relatively unchanged through 2014. In 2015, the rates began an upward trend, which continued through the first quarter of calendar year 2019 when rates again declined. In 2020, T-Bill rates decreased 94.6% and one-month LIBOR rates decreased 92.3% respectively from rates in 2019. In 2021, T-Bill rates decreased 54.6% and one-month LIBOR rates decreased 47.1% respectively from rates in 2020. In 2022, T-Bill rates increased 5600% and one-month LIBOR rates increased 900% from rates in 2021. In 2023, T-Bill rates increased 362.3% and one-month LIBOR rates increased 418% from rates in 2022. Effective on July 1, 2023, LIBOR is no longer published so existing bonds and notes converted to SOFR, the replacement rate for LIBOR in those indentures that provided for a replacement rate. The average bond equivalent rates of the 91-day T-Bill and the average bond equivalent rates of the one-month LIBOR/SOFR are shown:

	<u>T-Bill Rates</u>	<u>One-Month LIBOR/SOFR</u>
Qtr. Ending 03/31/21:	0.05%	0.12%
Qtr. Ending 06/30/21:	0.02%	0.10%
Qtr. Ending 09/30/21:	0.05%	0.09%
Qtr. Ending 12/31/21:	0.06%	0.09%
Qtr. Ending 03/31/22:	0.33%	0.23%
Qtr. Ending 06/30/22:	1.14%	1.00%
Qtr. Ending 09/30/22:	2.74%	2.51%
Qtr. Ending 12/31/22:	4.15%	3.97%
Qtr. Ending 03/31/23:	4.76%	4.70%
Qtr. Ending 06/30/23:	5.27%	5.18%

The above rates directly affect the amount of Special Allowance income earned on the Authority's student loans. Since 2007, the declining rates had resulted in substantially reduced special allowance income for the Authority but increases to the rates from 2015 to 2019 then resulted in increased special allowance income only to have reversed direction through 2021 but the direction has reversed again in 2022 and continued through 2023 as rates increase.

As referenced above, legislative changes enacted in 2007 require that some student loans (loans disbursed after April 1, 2006) are subject to a rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the special allowance rates. Increasing One-Month LIBOR rates (shown above) raises the special allowance rates, which in turn decreases excess interest. In 2023, the Authority received \$16.7 million of excess interest to the Education Department which offsets Special Allowance Income on the Authority's books. In 2022, the Authority paid \$12.3 million of excess interest to the Education Department which offsets Special Allowance Income on the Authority's books. (See further discussion of excess interest payments in Note 1 to the basic financial statements).

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

OUTLOOK

Elimination of FFEL Program

In March 2010, President Obama signed into law H.R. 4872 (the "Health Care & Education Affordability Reconciliation Act of 2010" or "HCEARA") which terminated origination of student loans under the Federal Family Education Loan Program ("FFELP") in favor of the government-run Federal Direct Loan Program beginning July 1, 2010. After June 30, 2010, no new FFELP loans (including Consolidation Loans) could be made or insured under FFELP, and no funds could be expended under the Higher Education Act to make or insure loans under FFELP for which the first disbursement was after June 30, 2010. FFELP loans originated under the Higher Education Act prior to July 1, 2010, which had been purchased or could be purchased by the Authority, continue to be subject to the provisions of FFELP. The elimination of FFELP has impacted the Authority and FFELP lenders. Lenders could still add to or make additional disbursements to FFELP loans that were initially made prior to July 1, 2010, and the Authority could continue to acquire these loans. Many of the Authority's lender partners had historically originated student loans which the Authority would purchase, but due to the elimination of FFELP, the volume of loans available to acquire from its lender partners declined dramatically since 2008. In 2014, the Authority acquired substantially all of the remaining FFELP Loans that were held by its lender partners.

On January 2, 2018, the Authority consummated the acquisition of a \$241.7 million portfolio from one lender. The Authority went on to acquire the remaining \$4.0 million of FFELP loans from that same lender in April 2018. The Authority obtained a short-term line of credit to acquire this portfolio which was refinanced into a five-year direct placement note in July 2018. Additionally, the Authority acquired three portfolios with student loan balances of \$206.6 million from another lender in February 2018. These three other portfolios were part of trust indentures with existing debt that the Authority assumed at the February acquisition date. On April 29, 2021, the Authority consummated the acquisition of a \$342.5 million portfolio from a third lender. The Authority obtained a short-term line of credit to acquire this portfolio.

On June 21, 2023, the Authority completed its acquisition of the FFELP student loan business of California Education Assistance, Inc. (CalEd). The Authority assumed the three remaining CalEd indentures that finance FFELP student loans by acquiring CalEd indirect subsidiaries ALL Financing 2012 LLC and ALL Financing 2013 LLC and by acquiring all of the capital stock of ALL Indenture Operating Company, a subsidiary of CalEd, that owns ALL Financing 2010 LLC. The total of the student loan portfolios of the three indentures was \$254.4 million.

Should the Authority find other available portfolios, it will analyze and consider acquiring such portfolios and may use unrestricted funds and/or borrow funds for these acquisitions. See "**Net Position**" under Note 1 to the basic financial statements for further discussion of the Authority's unrestricted funds. The Authority has regularly financed its eligible loan purchases on a long-term basis through the issuance of revenue bonds secured by the eligible loans it has purchased with the proceeds of such bonds. Due to the elimination of the FFELP, other than obtaining the short-term line of credit which was then refinanced into a direct placement note as noted above, the Authority had not issued any debt since 2012 until the fall of 2021 when seven issuances were refinanced. The Authority has been substantially paying down debt since 2009 and anticipates continuing this trend in 2024. The Authority did not issue any new debt in 2022 however it refunded four existing bond issuances, the direct placement note, and two short-term lines of credit into two new bond issuances. The Authority did enter into a two-year line of credit to finance a portion of the CalEd acquisition and acquired the debt of CalEd student loan business entities. Please see further discussions of "**Bonds Payable**" in Note 4 to the basic financial statements.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF NET POSITION AUGUST 31, 2023 and 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents—restricted (Note 2)	\$ 0.00	\$ 122,295.50
Investments — non restricted (Note 2)	8,262,474.26	27,896,698.63
Investments—restricted (Note 2)	56,331,997.44	52,305,404.51
Accrued interest and other accounts receivable – non restricted	5,607,465.91	634,289.79
Accrued interest for LOC Note Receivable from CUREvl	0.00	81.91
Accrued interest and other accounts receivable—restricted	59,538,586.72	53,803,095.93
Prepaid expenses & ROU asset—restricted	28,045.66	50,727.78
Student loan notes receivable (Note 3)	41,330,647.18	601,430.92
Student loan notes receivable—restricted (Note 3)	228,699,298.64	159,005,257.99
Total current assets	399,798,515.81	294,419,282.96
LONG-TERM ASSETS:		
Investments—(Note 2)	14,786,606.71	48,270,151.76
Accrued Interest and other accounts receivable	124,141.39	28,212.06
Accrued Interest and other accounts receivable—restricted	6,178.99	86,016.53
Principal for LOC Note Receivable from CUREvl	0.00	14,546.31
Student loan notes receivable (Note 3)	39,862,492.61	2,670,869.00
Student loan notes receivable—restricted (Note 3)	656,015,189.99	673,157,685.93
Total long-term assets	710,794,609.69	724,227,481.59
TOTAL ASSETS	\$1,110,593,125.50	\$1,018,646,764.55
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2023	2022
CURRENT LIABILITIES — Payable from non-restricted assets:		
Accounts payable	\$ 101,819.13	\$ 13,784.88
Accrued special allowance payable	0.00	4,367.63
Total current liabilities payable from non-restricted assets	101,819.13	18,152.51
CURRENT LIABILITIES—Payable from restricted assets:		
Accounts payable	873,779.25	775,006.48
Accrued interest payable	1,961,259.27	611,418.99
Accrued special allowance payable	0.00	786,619.00
Accrued other liabilities	7,506.14	15,950.20
Bonds & notes payable (Note 4)	130,258,097.21	147,501,001.04
Lines of credit (Note 4)	1,959,000.00	-
Total current liabilities payable from restricted assets	135,059,641.87	149,689,995.68
Total current liabilities	135,161,461.00	149,708,148.19

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF NET POSITION AUGUST 31, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION -- CONTINUED

	2023	2022
Bonds & notes payable, less unamortized original issue discounts of \$4,705,673 and \$4,829,117, respectively (Note 4)	721,330,889.94	662,802,882.36
Lines of credit (Note 4)	12,937,000.00	0.00
Total long-term liabilities payable from restricted assets	734,267,889.94	662,802,882.36
Total liabilities	869,429,350.94	812,511,030.55
DEFERRED INFLOWS OF RESOURCES		
Related to discount on loans purchased	2,739,927.04	3,763,664.18
NET POSITION:		
Restricted	129,340,780.85	125,888,192.33
Unrestricted	109,083,066.67	76,483,877.49
Total net position	238,423,847.52	202,372,069.82
Total Liabilities and net position	\$1,110,593,125.50	\$1,018,646,764.55

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED AUGUST 31, 2023 and 2022

	2023	2022
OPERATING REVENUES:		
Interest on student loans	\$ 33,308,129.80	\$ 34,751,817.49
Total operating revenues	33,308,129.80	34,751,817.49
OPERATING EXPENSES:		
Loan servicing fees paid to Higher Education Servicing Corporation (Note 1)	3,845,259.57	4,248,469.70
Payments for administrative and operating costs to Higher Education Servicing Corporation (Note 1)	4,916,105.37	5,479,497.10
Trustee fees	155,017.97	202,512.28
Borrower incentive loan write-offs (Note 5)	396,273.29	509,739.34
Miscellaneous expense	864,603.89	520,501.41
Total operating expenses	10,177,260.09	10,960,719.83
OPERATING INCOME	23,130,869.71	23,791,097.66
NONOPERATING REVENUES AND EXPENSES:		
Interest on cash equivalents and investments	3,721,971.07	943,419.15
Income from Deferred Inflows of Resources	1,023,737.14	1,055,688.31
Unrealized loss on investments (Note 2)	(795,248.70)	(1,266,767.89)
Interest on bonds	(35,416,845.91)	(12,113,505.44)
Letter of credit/debt issuance fees	(152,500.00)	(4,184,630.32)
Government subsidy on student loans	1,196,508.82	1,282,314.78
Special allowance income	16,692,855.23	(12,262,773.49)
Total nonoperating revenues and expenses	(13,729,522.35)	(26,546,254.90)
SPECIAL ITEM - Net Assets acquired in excess of amounts paid (Note 8)	26,650,430.34	0.00
CHANGE IN NET POSITION	36,051,777.70	(2,755,157.24)
NET POSITION—Beginning of year	202,372,069.82	205,127,227.06
NET POSITION—End of year	\$ 238,423,847.52	\$ 202,372,069.82

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED AUGUST 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student loan and interest purchases	\$ (25,348,133.92)	\$ (7,832,284.73)
Student loan repayments	189,809,880.07	190,779,653.48
Payment to vendors	(9,858,867.32)	(10,756,083.78)
Net cash provided by (used in) operating activities	154,602,878.83	172,191,284.97
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayment of line of credit issued to HESC	0.00	(14,546.31)
Cash paid for CalEd entities	(29,065,797.79)	0.00
Investment Income	4,091,098.85	733,519.77
Proceeds from maturities of investments held by Trustee	363,021,599.47	631,390,483.04
Purchases of Investments	(302,975,246.40)	(708,367,138.68)
Net cash provided by (used in) investing activities	35,071,654.13	(76,257,682.18)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from issuances of bonds & lines of credit	15,000,000.00	868,062,260.80
Repayment of Bonds & lines of credit	(183,412,979.00)	(936,151,940.92)
Interest paid on bonds and lines of credit	(34,695,894.78)	(11,006,547.92)
Proceeds from government subsidy on student loans	1,164,295.82	1,315,966.50
Payment of letter of credit / bond redemption fees	(152,500.00)	(4,184,630.32)
Lease payments	(5,908.74)	0.00
Receipts (payments) of special allowance	12,306,158.24	(14,382,093.63)
Net cash provided by (used in) noncapital financing activities	(189,796,828.46)	(96,346,985.49)
CHANGE IN CASH AND CASH EQUIVALENTS	(122,295.50)	(413,382.71)
CASH & CASH EQUIVALENTS---Beginning of year	122,295.50	535,678.21
CASH & CASH EQUIVALENTS---End of year	\$ 0.00	\$ 122,295.50

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED AUGUST 31, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income:	\$ 23,130,869.71	\$ 23,791,097.66
Adjustments to reconcile operating income to net cash provided by operating activities:		
Borrower Benefit Loan Write Offs	396,273.29	509,739.34
Capitalization of interest on student loan notes receivable	(19,209,990.05)	(9,411,603.94)
Change in assets and liabilities:		
Decrease (increase) in accrued interest and other accounts receivable	7,769,873.25	(10,036,602.99)
Decrease (increase) in student loan notes receivable--net	142,593,735.47	167,504,353.15
Decrease (increase) in prepaid expenses	22,682.00	180,601.69
Increase (decrease) in accounts payable	(98,028.55)	(346,084.33)
Increase (decrease) in accrued and other liabilities	(2,536.29)	(211.29)
Net cash provided by (used in) operating activities	\$ 154,602,878.83	\$ 172,191,284.97

The Notes to Basic Financial Statements are an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity— The North Texas Higher Education Authority, Inc. (the “Authority”) is a nonprofit corporation organized on September 28, 1978 under the laws of the State of Texas and reports as a governmental entity. The Authority’s Board of Directors is composed of six members appointed by the City of Arlington, Texas. The Authority’s purpose is to promote student access to higher education. The Authority provides funds for the purchase of student loans from participating lenders at the post-secondary educational level and provides procedures for the servicing of such loans as required for continued participation in the Federal Family Education Loan Program (FFELP) under the Higher Education Act of 1965, as amended. Funding for the Authority has been provided by the sale of bonds and through other forms of indebtedness. Proceeds of the bonds and other debt are used to purchase student loans, originated by eligible lenders under FFELP made to eligible students for attendance at eligible institutions.

On June 21, 2023, the Authority completed its acquisition of the FFELP student loan business of California Education Assistance, Inc. (CalEd). The Authority assumed the three remaining CalEd indentures that finance FFELP student loans by acquiring CalEd indirect subsidiaries ALL Financing 2012 LLC and ALL Financing 2013 LLC and by acquiring all of the capital stock of ALL Indenture Operating Company, a subsidiary of CalEd, that owns ALL Financing 2010 LLC. The acquired entities are included in the financial statements as of the acquisition date as blended component units as management of the Authority has operational responsibility for the component units and the Authority’s governing body also governs the component units.

Related Entities— Higher Education Servicing Corporation (“HESC”) is a tax-exempt nonprofit Texas Corporation that services the student loans for the Authority. HESC is responsible for student loan processing, collecting, accounting, and reporting, as well as providing corporate office space and administrative support functions for the Authority under the terms of a servicing agreement. The Authority has no employees. HESC and the Authority have separate Boards of Directors.

Under the terms of the servicing agreement, HESC uses an in-house student loan servicing system to perform duties involving student loan processing and collection services on more than half of the Authority’s student loans. HESC contracts with three third-party student loan servicers as sub-servicers who perform student loan processing and collection services on the remainder of the Authority’s student loans for HESC under the terms of servicing agreements. The Authority remits to HESC stipulated amounts for services rendered in the administration of the agreements and for providing services as described above. Total paid to HESC was \$8,761,365 for the year ended August 31, 2023, and \$9,727,967 for the year ended August 31, 2022.

Measurement Focus, Basis of Accounting and Basis of Presentation— The Authority applies all applicable Governmental Accounting Standards Board (“GASB”) pronouncements for enterprise funds. Enterprise funds are accounted for using the flow of economic resources measurement focus and uses the accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred. Enterprise funds are used to account for the operations and financial position of a governmental entity that is financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the expenses of providing goods and services on a continuing basis be financed or recovered primarily through user charges.

Description of Funds— The accounts of the Authority are organized on the basis of funds, which are set up in accordance with the related bond indentures. The operations of each fund are accounted

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

for within a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, net position, revenues and expenses. These requirements do not result in any restrictions on the use of assets for the general purpose of the respective bond issues. Accordingly, separate funds are not considered necessary for financial reporting purposes. At the time that a bond series has been fully repaid or when permitted by the bond indenture, assets can be transferred to another series with outstanding debt or to a “surplus” fund. A clearing fund is used to process student loan collections among debt issues.

Investment Policy— In accordance with the Authority’s investment policy and its bond indentures, funds not invested in student loans are generally invested in one of the following investment types:

- Money market funds which are registered with and regulated by the Securities and Exchange Commission (“SEC”) and are rated AAAm or an equivalent rating by at least one nationally recognized rating service and include in their investment objectives to have a dollar weighted average stated maturity of 90 days or fewer and seek to maintain a stable net asset value of \$1 per share.
- FDIC insured interest-bearing time deposits with maturities of five years or less in banks located within the State of Texas or invested through a broker that has its main office or a branch office in the State of Texas, as selected by the Authority, and arranges for the deposits in one or more FDIC insured depository institutions, wherever located, for the account of the Authority.

The Authority records money market investments and Insured Cash Sweep (ICS) Account at cost, and records interest-bearing time deposits at fair value on its statements of net position. Changes in fair value are reported in the statements of revenues, expenses and change in net position. The Authority continually monitors the fair value of its investments.

Allowance for Doubtful Accounts— The guarantee of student loans is contingent upon the loans being serviced within the due diligence requirements of the guarantors. The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. The allowance for doubtful accounts is a provision for the loans for which cure and recovery are expected to be unsuccessful and is based on historical analysis and management review of accounts.

Deferred Loan Acquisition Premiums and Discounts— The Authority has paid loan acquisition premiums and transfer fees when acquiring loans from financial institutions. These premiums, discounts, and fees are capitalized and amortized using the sum of the months’ digits method which approximates the interest method over the estimated life of the related loans. The amortization expense has been recorded as an adjustment to the yield of the loans purchased. These premiums, discounts, and fees are included with student loan notes receivable in the accompanying statements of net position.

Bond Issue Costs and Original Issue Discounts— Original issue discounts are capitalized and amortized over the term of the bonds using the straight-line method, which approximates the interest method. The amortization expense has been recorded as an adjustment to interest expense on the bonds payable. Losses incurred on advance refundings are deferred and amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter. Bond issue costs are expensed as incurred.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Trustees— The Authority contracts with two Banks to serve as Trustees. Manufacturers and Traders Trust Company, and BOKF, National Association, dba Bank of Texas, as trustees perform the duties involving the acquisition and holding of student loans in the Authority's name, the investment and disbursement of funds as directed by the Authority, and the servicing and redemption of the bonds under each of the trust indentures. Previously the Authority had a third Bank as trustee, Wells Fargo, National Association, however the bonds and indentures associated with this third trustee were paid off in March 2023.

Excess Income— All income of the Authority after payment of expenses, debt service, and the creation of reserves will be utilized for the purchase of additional student loan notes, the purpose permitted by Section 148 of the Internal Revenue Code ("IRC") or, upon dissolution or liquidation of the Authority, will be transferred to the U.S. Treasury. The Authority has no plans to liquidate or dissolve.

Income Taxes— As an organization described in IRC Section 501(c)(3), the Authority is exempt from federal income taxes under IRC Section 501(a). However, income generated by activities unrelated to the purposes for which the Authority was created will be subject to tax. The Authority had no unrelated business income in 2022 or 2023.

Capitalization of Interest— Students have the option of deferring the interest payments on unsubsidized loans during in-school, grace or deferment periods. Therefore, the Authority capitalizes interest on some student loan notes receivable.

Interest Subsidy and Special Allowance— During the in-school, grace, and deferment periods, the U.S. government pays the Authority interest on subsidized Stafford student loans on behalf of the borrower. Additionally, some consolidation loans are eligible for subsidy during periods of deferment. When the repayment period begins, the borrower is responsible for interest payments. No interest is paid on behalf of the borrower for the unsubsidized Stafford and PLUS programs. In addition, for certain eligible loans, the U.S. government pays a special allowance to lenders participating in FFELP at the end of each quarter, representing supplemental interest on the average outstanding principal balance of insured loans (for the quarter) at an annual rate that is determined periodically and is based on certain current interest rates exceeding a predetermined rate. Treasury bill, one-month LIBOR and SOFR rates directly affect the amount of special allowance earned.

Legislative changes in fiscal 2007 require that some student loans (loans disbursed after April 1, 2006) are subject to rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the special allowance rates. Decreasing one-month LIBOR rates decreases the special allowance rates, which in turn, increases excess interest. Increasing one-month LIBOR rates increases the special allowance rates, which in turn, decreases excess interest.

In 2023, the Authority's student loan portfolio had a net increase of \$131.6 million. In 2022, the Authority's student loan portfolio had a net decrease of \$157.7 million. A substantial amount of the student loans paid (much of which was due to being consolidated by the Education Department) are the loans that were subject to the excess interest payments. In 2023, the Department of Education paid \$12,306,160 of excess interest due to the Authority's quarterly interest benefits and special allowance billings. In 2022, the Department of Education withheld \$14,382,094 of excess interest from the Authority's quarterly interest benefits and special allowance billings. This excess interest offsets special allowance income in the Authority's statements of revenues, expenses, and changes in net position.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED *Interest Subsidy and Special Allowance— continued*

In addition to interest on student loans, non-operating revenues comprised of interest subsidy and special allowance earned on student loans in the accompanying financial statements are as follows:

	<u>2023</u>	<u>2022</u>
Interest Subsidy	\$ 1,196,508.82	\$ 1,282,314.78
Special Allowance	<u>\$ 16,692,855.23</u>	<u>(\$ 12,262,773.49)</u>
	<u>\$ 17,889,364.05</u>	<u>(\$ 10,980,458.71)</u>

The interest subsidy and special allowance are accrued as earned.

The Federal Family Education Loan program in which the Authority participates is subject to audit in accordance with the provisions of the U.S. Office of Management and Budget *Compliance Supplement*. Pursuant to the provisions of the *Compliance Supplement*, the major federal financial assistance programs were tested for compliance with applicable grant requirements through August 31, 2023. The provisions of the *Compliance Supplement* do not limit the Authority or other federal agencies or audit officials from making or contracting for audits and evaluations of federal financial assistance programs. As a result, final expenditure reports of grants and contracts submitted to granting agencies in current and prior years are subject to audit and adjustment by such agencies. The effect of such adjustments, if any, is not determinable at this time.

Net Position— The net position of the Authority is classified into two categories: unrestricted and restricted. Unrestricted net position includes net positions available for the operations of the Authority and activities not accounted for in the bond funds. Restricted net position consists of the bond funds and the clearing account that are only expendable for servicing and administration fees, interest and principal payments on the associated bonds as well as direct expenses specifically identifiable to the bond issuance.

Operating Revenues and Expenses— Bond and note issuance is the principal source of the funds necessary to carry out the purposes of the Authority, which are to acquire and service student loans. The Authority's revenue is derived primarily from income on student loans. The primary costs of the program are program administration fees and loan servicing fees. Therefore loan income, administrative fees, and loan servicing fees are shown as operating revenues and expenses in the statements of revenue, expenses and changes in net position. Federal funds received consisting of interest subsidies and special allowance income are considered non-operating revenue as is interest expense on bonds and notes and investment return.

Deferred Inflows of Resources— When the Authority acquired the student loan note receivable assets and bond indenture liabilities of two existing portfolios from the South Texas Higher Education Authority in 2018, the net difference between the cash paid and the existing net assets of the two portfolios at the time of purchase was classified as a deferred inflow in the liability section of the statements of net position. As those two portfolios add to their net assets, an amortization entry equal to the earnings is posted to the deferred inflows each fiscal quarter in order to realize the increased net asset value of the acquisition over time. The initial deferred inflows of resources was \$8.6M. Amortization of deferred inflows was equal to \$1,023,737.14 in 2023 and \$1,055,688.31 in 2022.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates— The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Lease Assets—Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Risk Management— The Authority is exposed to various risks of loss related to errors and omissions. Coverage for these various risks of loss is obtained through commercial insurance. Commercial insurance is purchased in an amount that is sufficient to cover the Authority's risk of loss. There have been no claims filed against the Authority in the past three years, and there has been no significant reduction in insurance coverage from coverage in the prior year for all categories of risk.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Certificates of deposit and money market mutual funds including the ICS Account are presented as investments for disclosure purposes. At August 31, 2023, the carrying amount and bank balances of the Authority's cash and deposits was \$8,494,857. At August 31, 2022, the carrying amount and bank balances of the Authority's cash and deposits was \$12,074,140. All of the bank balances were covered by federal depository insurance or collateralized with securities held by the Authority's agent in the Authority's name.

In April 2022, the Authority entered into a line of credit agreement with CUREvl Capital, LLC, a Texas limited liability company that HESC has an equity investment in, such that the Authority would extend a \$5 million line of credit over the course of three years to CUREvl for the financing of its private student loan program. It is a three-year revolving note starting in April 2022 and maturing in March 2025 at an interest rate of three-month LIBOR plus 275 bps. As of August 31, 2023, CUREvl had paid down to a zero balance the line of credit however the line remained open. As of August 31, 2022, CUREvl had exercised \$14,546 of the line with an additional \$38,916 pending.

The Authority may purchase investments as authorized by its indentures, the investment policy approved annually by the Board of Directors, and the Public Funds Investment Act. These investments include but are not limited to direct obligations of the United States and certain U.S. government agencies, obligations guaranteed by the United States and certain U.S. government agencies, bank demand deposits and interest-bearing bank time deposits with a maturity of ten years or less that are secured by pledges of government securities or are issued by banks rated Aa or AA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively. Money market mutual funds are authorized investments if they are regulated by the SEC, have a dollar-weighted average stated maturity of 90 days or less, and include in their investment objective the maintenance of a stable net asset value of \$1 for each share. The Authority may also invest in a state government investment pool – "Texas Local Government Investment Pool" (aka TexPool), which is a pool managed by the State of Texas and

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS -- CONTINUED

is an approved investment type under the Public Funds Investment Act. The Authority does not invest in investments other than those authorized by its investment policy.

Interest rate risk— Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer to maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Authority has no specific limitations with respect to this metric.

The Authority's investments as of August 31, 2023, and 2022 are classified as follows:

Investment Type	2023 Amount	Weighted Average Maturity
Money market mutual funds	\$ 55,352,395.12	18.7 days
ICS deposit account	8,744,857.40	N/A
Certificates of deposit	15,283,825.89	1,240.5 days
Total investments	<u>\$ 79,381,078.41</u>	

Investment Type	2022 Amount	Weighted Average Maturity
Money market mutual funds	\$ 50,328,622.21	19 days
ICS deposit account	11,951,844.27	N/A
Certificates of deposit	66,191,788.42	1,042.4 days
Total investments	<u>\$ 128,472,254.90</u>	

Credit risk— Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Authority's investment policy or debt agreements, and the actual rating for each investment type as of August 31, 2023 and 2022.

Investment Type	Balance August 31, 2023	Balance August 31, 2022
Certificates of Deposit	\$ 15,283,825.89	\$ 66,191,788.42
FDIC Insured Deposits	8,744,857.40	11,951,844.27
Money market mutual funds	55,352,395.12	50,328,622.21
	<u>\$ 79,381,078.41</u>	<u>\$ 128,472,254.90</u>

Concentration of Credit Risk— The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. As of August 31, 2023 and 2022, the majority of the Authority's funds were invested in three money market funds, an Insured Cash Sweep (ICS) Account which is a FDIC insured interest-bearing bank deposit account, and certificates of deposit. The majority of the certificates of deposit are invested with two brokers that have offices in the State of Texas, arranges the deposits in various FDIC insured depository institutions, wherever located, for the account

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS -- CONTINUED

of the Authority, and with maturities of five years or less. As of August 31, 2023 and 2022, Authority investments which totaled more than 5% of its total investments are:

	<u>2023</u>	<u>2022</u>
Morgan Stanley Institutional Money Market Fund	\$ 10,867,434.57	\$ 5,014,878.08
Invesco Government & Agency Money Market Fund	44,390,402.17	45,262,666.91
Bank ICS deposit account (FDIC insured)	7,107,445.99	10,568,298.98

Fair Value— In accordance with GASB 72 – Fair Value Measurement and Application (“GASB 72”), NTHEA defines fair value as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. GASB 72 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1, the highest on the hierarchy, indicates assets/liabilities with the most transparent and tangible valuation techniques. A Level 1 financial instrument typically has quoted prices and active markets. This type of instrument has the most verifiable and reliable fair value measurement.
- Level 2 instruments require more involvement in valuing than Level 1 instruments. Level 2 inputs are inputs that, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. For example, an interest rate swap uses known, public data, such as interest rates and the contract terms can be used to calculate a value of the interest rate swap. The instrument can be valued indirectly using observable data. Another example would be using quoted prices for similar assets or liabilities in active markets. The investments held by NTHEA are categorized as Level 2 and fair value is based on quoted prices in inactive markets.
- Level 3 uses unobservable inputs for an asset or liability and indicates use of valuation techniques and data that may not be verifiable. These types of instruments involve a great deal of assumptions and estimates. Examples may include infrequently traded asset backed securities or investments in privately owned companies.

Investments— Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of net position. Investments in money market mutual funds and ICS Account are carried at amortized cost. Unrealized gains and losses are included in the statements of revenues, expenses, and changes in net position. The Authority recorded unrealized losses of \$795,249 on investments, representing the decreases in fair value of its certificates of deposit for the year ended August 31, 2023. The Authority recorded unrealized losses of \$1,266,768 on investments, representing the decreases in fair value of its certificates of deposit for the year ended August 31, 2022.

All assets have been valued using a market approach. There were no changes in the valuation techniques used during the current year. The money market funds bear interest at variable rates.

As of August 31, 2023 and 2022, the rates paid on money market funds ranged from 0.22% to 5.25%. The rates on the FDIC insured deposit accounts are set by the depository banks and are subject to change from time to time. As of August 31, 2023 and 2022, the rates on the FDIC insured deposit

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS – CONTINUED

accounts ranged from 1.60% to 4.60%. The rates on the FDIC insured certificates of deposit are set at the time of the purchase of said certificates. As of August 31, 2023, the rates on the FDIC insured certificates of deposit ranged from 2.91% to 4.89%. As of August 31, 2022, the rates on the FDIC insured certificates of deposit ranged from 1.05% to 3.80%.

Fair Value Asset Classification -- The following table presents the classification of the assets by level at August 31, 2023 and 2022:

Investments (2023)	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3	Fair Value
Money Market Funds (a)	\$ -	\$ -	\$ -	\$ 55,352,395.12
FDIC Insured Deposit Account (a)	-	-	-	8,744,857.40
FDIC Insured Certificates of Deposit	-	15,283,825.89	-	15,283,825.89
Total	\$ -	\$ 15,283,825.89	\$ -	\$ 79,381,078.41
Investments (2022)	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3	Fair Value
Money Market Funds (a)	\$ -	\$ -	\$ -	\$ 50,328,622.21
FDIC Insured Deposit Account (a)	-	-	-	11,951,844.27
FDIC Insured Certificates of Deposit	-	66,191,788.42	-	66,191,788.42
Total	\$ -	\$ 66,191,788.42	\$ -	\$ 128,472,254.90

(a) Money Market Funds and FDIC Insured Deposit Accounts shown in the above table are comprised of ICS Account and Operating Accounts at Susser and/or Simmons Bank. Cash and money markets are excluded from the fair value hierarchy as they are not subject to fair value measurement guidance. They are stated at cost, which approximates fair value and are included above to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

3. STUDENT LOAN NOTES RECEIVABLES

Student loan notes receivable consist of the following at August 31, 2023 and 2022:

<u>2023</u>	Student Loan		Collections	Deferred Loan Acquisition Premiums Less: Accumulated Amortization	Allowance For Doubtful Accounts	Net
Series	Notes Receivable		Not Yet Applied			Receivable
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	-	-	-	-	-	-
2003-2	-	-	-	-	-	-
2021-1	322,925,945.91	-	-	3,633,356.88	(207,392.00)	326,351,910.79
2021-2	295,184,735.10	56,562.85	-	-	(189,540.00)	295,051,757.95
2023A LOC	15,777,412.23	-	-	-	(10,133.00)	15,767,279.23
ALL 2010	76,391,634.02	2,299.95	-	-	(64,000.00)	76,329,933.97
ALL 2012	43,438,083.73	-	-	-	(37,000.00)	43,401,083.73
ALL 2013	127,876,246.10	11,274.11	-	-	(87,000)	127,800,520.21
Surplus Fund	81,376,723.92	-	-	(131,322.13)	(52,262.00)	81,193,139.79
Unallocated Collections	-	12,002.75	-	-	-	12,002.75
Total	\$ 962,970,781.01	\$ 82,139.66	\$ 3,502,034.75	\$ (647,327.00)	\$ 965,907,628.42	

<u>2022</u>	Student Loan		Collections	Deferred Loan Acquisition Premiums Less: Accumulated Amortization	Allowance For Doubtful Accounts	Net
Series	Notes Receivable		Not Yet Applied			Receivable
2002	\$ 49,365,646.61	\$ -	\$ -	\$ (27,241.35)	\$ 49,338,405.26	
2003	9,628,495.49	-	-	(5,313.27)	9,623,182.22	
2003-2	47,435,717.14	-	-	(26,165.52)	47,409,551.62	
2021-1	385,207,818.59	-	4,706,510.06	(212,569.10)	389,701,759.55	
2021-2	336,318,219.11	-	-	(185,590.88)	336,132,628.23	
Surplus Fund	3,433,839.02	-	(158,863.27)	(1,894.88)	3,273,080.87	
Unallocated Collections	-	(43,363.92)	-	-	(43,363.92)	
Total	\$ 831,389,735.96	\$ (43,363.92)	\$ 4,547,646.79	\$ (458,775.00)	\$ 835,435,243.83	

All student loans currently held were made in accordance with Title IV, Part B of the Higher Education Act of 1965, as amended. All of the student loans held were purchased with funds available from issuance of bonds and notes as discussed in Note 4 and are therefore pledged to the related bond. Any and all interest and principal payments from the student loan receivables are used to pay down the interest and principal of the bond and note liabilities. The Authority purchases five types of loans: Subsidized Stafford, Unsubsidized Stafford, SLS, PLUS and Consolidation. PLUS loans are made to parents of dependent undergraduate students and effective July 1, 2006, PLUS loans can also be made to graduate and professional students. SLS loans (no longer available, effective July 1, 1994) were made to graduate and professional students. Consolidation loans are made to borrowers for the purpose of consolidating their repayment obligations. The Authority originated Consolidation loans until the second quarter of 2008, but

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

changes in law decreased yields on these loans made after July 1, 2008, and the Authority stopped making them as they would have no longer been financially feasible.

The student loan notes receivable represent loans to students who, when the loans were originated by lending institutions, were enrolled in post-secondary institutions. In general, the notes bear interest at fixed and variable rates ranging from 1.83% to 12% depending upon the type and date of origination of the individual loan and are payable by the student following a specified grace period after graduation or termination from the institution. The repayment period is generally 10 years for all FFELP loans (excluding Consolidation loans), however the terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over an average period of 5 to 10 years. Consolidation loans may be repaid up to a maximum of 30 years.

Installment repayment of Subsidized and Unsubsidized Stafford loans begins after a grace period of six months following the date that the student completes his or her course of study, leaves school, or ceases to carry at least one-half the normal full-time academic load as determined by the participating institution. Repayment of PLUS loans begins within 60 days of disbursement (no grace period). Repayment of Consolidation loans begins within 60 days after the borrower's liability on all loans being consolidated has been discharged.

Student loan notes receivable purchased by the Authority have been primarily insured or reinsured by the U.S. government or guaranteed by the Trellis Company (formerly known as TG and the Texas Guaranteed Student Loan Corporation), ECMC (formerly United Student Aid Funds, Inc.), and Ascendium (formerly Great Lakes). Student loan notes that do not conform to the terms of the purchase agreement between the Authority and the original lender may be returned to the lending institution for reimbursement of principal, interest and costs incurred while held by the Authority. The guarantors are protected by federal reinsurance from the Federal Guaranteed Student Loan Program under the Department of Education. Generally, the Department of Education pays the guarantor 97% of the balance of the defaulted student loans. The loans are guaranteed provided that the original lender with respect to such loans has met applicable program requirements. Owned loans that have lost their U.S. Department of Education guarantee due to the failure of the original lender, the Authority, or their servicer to follow prescribed collection (due diligence) procedures can reacquire their guaranteed status if they are subsequently returned to a repayment status. Original lenders have warranted to the Authority that the student loan notes have met these requirements and are valid obligations of the student borrowers.

The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. The allowance for doubtful accounts is a provision for the loans for which cure and recovery are expected to be unsuccessful and is based on historical analysis and management review of accounts. Also, as discussed above, generally guarantors pay 97% of the balances of defaulted student loans. As such, the Authority includes in its computation of the allowance for doubtful accounts an estimated amount of the 3% write-off of balances of defaulted loans that are not paid by the guarantors. At August 31, 2023 and 2022, the allowance for doubtful accounts is \$647,327 and \$458,775, respectively. In the opinion of management, this allowance is considered adequate. Net student loan notes receivable approximate fair value as the loans are guaranteed payment at the carrying value and a special allowance payment is received for loans below the current market rate of interest.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

A summary of the Authority's student loan activity for the year ended August 31, 2023 and 2022 is as follows:

		2023	2022
Loans purchased (including CalEd entities)	\$	258,144,963.94	\$ 4,751,344.34
Amounts collected		(145,318,702.63)	(171,387,782.15)
Adjustments (capitalized interest/writeoff)		18,754,783.74	8,894,932.51
Total change in Student Loan Notes Receivable – net	\$	131,581,045.05	\$ (157,741,505.30)

4. BONDS & NOTES PAYABLE

The following table summarizes the balances due, interest mode, interest rate, and date of maturity on the bonds and notes payable as of August 31, 2023 and 2022:

Bond/Notes Series	2023	2022	Interest Mode	Average Interest Rate (2023)	Date of maturity or defeasement
2002A	\$ -	\$ 25,050,000.00	Variable	4.02%	April 1, 2041
2002B	\$ -	\$ 1,950,000.00	Variable	4.17%	April 1, 2041
2003A-3	\$ -	\$ 5,100,000.00	Variable	4.12%	October 1, 2042
2003-2A	\$ -	\$ 24,800,000.00	Variable	4.12%	October 1, 2043
2003-2B	\$ -	\$ 1,350,000.00	Variable	4.07%	October 1, 2043
2021-1 A-1A	\$ 45,210,000.00	\$ 48,196,000.00	Fixed	1.50%	September 25, 2061
2021-1 A-1B	\$ 280,303,000.00	\$ 345,219,000.00	Variable	4.55%	September 25, 2061
2021-1 B	\$ 10,000,000.00	\$ 10,000,000.00	Variable	5.18%	September 25, 2061
2021-2 A-1A	\$ 38,309,000.00	\$ 44,578,000.00	Fixed	1.82%	October 25, 2061
2021-2 A-1B	\$ 258,204,000.00	\$ 300,890,000.00	Variable	4.55%	October 25, 2061
2021-2 B	\$ 8,000,000.00	\$ 8,000,000.00	Variable	5.08%	October 25, 2061
2023A LOC	\$ 14,896,000.00	\$ -	Variable	6.25%	May 31, 2025
ALL 2010-1 A-3	\$ 38,212,679.54	\$ -	Variable	6.12%	April 25, 2037
ALL 2010-1 B	\$ 16,000,000.00	\$ -	Variable	5.56%	July 25, 2037
ALL 2012-1 A	\$ 30,461,098.00	\$ -	Variable	5.90%	July 25, 2036
ALL 2012-1 B	\$ 5,760,000.00	\$ -	Variable	5.90%	July 25, 2039
ALL 2012-1 C	\$ 4,205,190.00	\$ -	Variable	3.00%	January 27, 2042
ALL 2013-1 A	\$ 110,629,693.00	\$ -	Variable	6.00%	February 25, 2041
ALL 2013-1 B	\$ 11,000,000.00	\$ -	Variable	8.20%	January 26, 2043
Total	\$ 871,190,660.54	\$ 815,133,000.00			
Unamortized original issue discounts	\$ (4,705,673.35)	\$ (4,829,116.60)			
	\$ 866,484,987.19	\$ 810,303,883.40			

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

4. BONDS & NOTES PAYABLE -- CONTINUED

2002 Debt Issue— On March 4, 2002, the Authority issued \$155,000,000 of Student Loan Revenue Bonds, consisting of Series 2002 A-1, A-2, A-3 (\$138,000,000) and Series 2002B (\$17,000,000). The Series 2002 Bonds were issued as Auction Rate Certificates and interest on the Series 2002 Bonds is not exempt from gross income of the certificate owners for federal income tax purposes. In April 2006, all of the Series 2002 Bonds were converted to variable rate demand obligations. The Authority has paid 2002 Bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount paid</u>	<u>Bond</u>	<u>Amount paid</u>	
2023	A	\$ 25,050,000	B	\$ 1,950,000	*Bonds paid off
2022	A	\$ 6,000,000	B	\$ 1,500,000	

Interest from the 2002 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>
2023	A	2.589% to 4.960%	4.020%	B	2.739% to 5.110%	4.170%
2022	A	0.285% to 2.589%	0.747%	B	0.436% to 2.739%	0.897%

2003 Debt Issue— On January 16, 2003, the Authority issued \$103,400,000 of Student Loan Revenue Bonds, of which \$73,400,000 (A-1 & A-2) was used in refunding the 2000A Series Bonds, 1993B Series Bonds, and 1993CD Series Bonds. The refunding portion of the 2003 Bonds were issued as Auction Rate Certificates and interest on the refunding bonds was tax exempt from gross income of the certificate owners for federal income tax purposes. The 2003 Issue also included \$30,000,000 in new proceeds (A-3) issued as Auction Rate Certificates and interest on these bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. \$18,900,000 of the refunding bonds matured October 1, 2005. In April 2006, the remaining Series 2003 Bonds were converted to variable rate demand obligations. The Authority has paid 2003 A-3 Bonds:

<u>Year</u>	<u>Amount paid</u>	
2023	\$ 5,100,000	*Bonds paid off
2022	\$ 1,450,000	

Interest from the 2003 A-3 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Range</u>	<u>Average</u>
2023	2.568% to 4.961%	4.120%
2022	0.286% to 2.568%	0.829%

2003-2 Debt Issue— On December 3, 2003, the Authority issued \$150,000,000 of Student Loan Revenue Bonds consisting of Series 2003-2 A-1 and A-2: (\$135,000,000) and Series 2003-2 B: (\$15,000,000). The 2003-2 Bonds were issued as Auction Rate Certificates and interest on the Bonds is not exempt from gross income of the certificate owners for federal income tax purposes. In April 2006, all of the Series 2003-2 Bonds were converted to variable rate demand obligations. The Authority has paid 2003-2 Bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount paid</u>	<u>Bond</u>	<u>Amount paid</u>	
2023	A	\$ 24,800,000	B	\$ 1,350,000	*Bonds paid off
2022	A	\$ 6,600,000	B	\$ 1,200,000	

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

4. BONDS & NOTES PAYABLE – CONTINUED

Interest from the 2003-2 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>
2023	A	2.568% to 4.961%	4.120%	B	2.718% to 4.836%	4.071%
2022	A	0.286% to 2.568%	0.829%	B	0.436% to 2.718%	0.979%

2021-1 Debt Issue— On September 29, 2021, the Authority issued \$478,000,000 of Student Loan Revenue Bonds (Series 2021-1), which was used to advance refund the 2018A Direct Placement Note and the 2021 Line of Credit. The 2021-1 A-1A is a fixed rate note at 1.50% that was originally issued for \$65 million; the 2021-1 A-1B is a floating rate note, issued at one-month LIBOR plus 57 basis points and originally issued for \$403 million; and the 2021-1 B is also a floating rate note, issued at one-month LIBOR plus 120 basis points and originally issued for \$10 million. Due to the cessation of LIBOR at the end of June 2023, the Bond interest rate for the variable tranches is now one-month SOFR plus a tenor adjustment of 0.114% plus the original 57 or 120 basis points. Interest on the Series 2021-1 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2021-1 Bonds:

<u>Year</u>	<u>Amount paid</u>	<u>Bond</u>	<u>Amount Paid</u>	<u>Bond</u>
2023	\$ 2,986,000	A-1A	\$64,916,000	A-1B
2022	\$ 16,804,000	A-1A	\$57,781,000	A-1B

Interest from the Bonds is payable on the twenty-fifth of each month and at stated maturity dates. The interest rate for the A-1A is fixed while the A-1B and B are both variable. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Fixed Rate</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>
2023	1.50%	A-1B	3.014% to 5.999%	4.548%	B	3.644% to 6.629%	5.178%
2022	1.50%	A-1B	0.673% to 3.014%	1.287%	B	1.292% to 3.644%	1.835%

2021-2 Debt Issue— On October 28, 2021, the Authority issued \$395,000,000 of Student Loan Revenue Bonds (Series 2021-2), which was used to advance refund the Series 2011-1, Series 2012-1, STHEA 2012-1, STHEA 2013-1 and the 2021 Line of Credit. The 2021-2 A-1A is a fixed rate note at 1.82% that was originally issued for \$50 million; the 2021-2 A-1B is a floating rate note, issued at one-month LIBOR plus 57 basis points and originally issued for \$337 million; and the 2021-2 B is also a floating rate note, issued at one-month LIBOR plus 110 basis points and originally issued for \$8 million. Due to the cessation of LIBOR at the end of June 2023, the Bond interest rate for the variable tranches is now one-month SOFR plus a tenor adjustment of 0.114% plus the original 57 or 110 basis points. Interest on the Series 2021-2 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2021-2 Bonds:

<u>Year</u>	<u>Amount paid</u>	<u>Bond</u>	<u>Amount Paid</u>	<u>Bond</u>
2023	\$ 6,269,000	A-1A	\$42,686,000	A-1B
2022	\$ 5,422,000	A-1A	\$36,110,000	A-1B

Interest from the Bonds is payable on the twenty-fifth of each month and at stated maturity dates. The interest rate for the A-1A is fixed while the A-1B and B are both variable. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Fixed Rate</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>
2023	1.82%	A-1B	3.014% to 5.999%	4.548%	B	3.544% to 6.529%	5.078%
2022	1.82%	A-1B	0.671% to 3.014%	1.348%	B	1.200% to 3.544%	1.878%

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

4. BONDS & NOTES PAYABLE – CONTINUED

2023A Line of Credit— On May 18, 2023, the Authority issued a \$15,000,000 Line of Credit to partially finance its equity purchase of the CalEd entities and trusts which closed on June 21, 2023 (See Note 8). The 2023A LOC is a two-year variable rate note issued at daily SOFR plus 115 basis points. The Authority has paid 2023A LOC:

<u>Year</u>	<u>Amount paid</u>
2023	\$ 104,000

Interest from the line of credit is payable on the first business day of each month. Interest rates for the year ended August 31, 2023 are:

<u>Year</u>	<u>Range</u>	<u>Average</u>
2023	6.200% to 6.450%	6.245%

ALL 2010 Debt Issue— On June 21, 2023, the Authority completed its equity purchase of the CalEd entities and trusts, assuming the remaining balances of the Student Loan Revenue Bonds (Series 2010) originally issued by Access to Loans for Learning Student Loan Corporation's special purpose entity "ALL Financing (2010), LLC". The original issue was for \$458,319,000 of both tax-exempt and taxable bonds. At the time of the Authority's purchase, there was an outstanding balance of \$41,914,186.54 of the A-3 tax-exempt bonds and \$16,000,000 of the B taxable bonds. The Authority has paid ALL 2010 bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount Paid</u>
2023	A-3	\$ 3,701,507

Interest from the Bonds is payable on January 25, April 25, July 25, and October 25, and at stated maturity dates. The interest rate for both outstanding tranches of bonds are variable. Interest rates for the year ended August 31, 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>
2023	A-3	6.116%	B	5.5566%

ALL 2012 Debt Issue— On June 21, 2023, the Authority completed its equity purchase of the CalEd entities and trusts, assuming the remaining balances of the Student Loan Revenue Bonds (Series 2012) originally issued by Access to Loans for Learning Student Loan Corporation's special purpose entity "ALL Financing (2012), LLC". The original issue was for \$209,960,000 of taxable bonds. At the time of the Authority's purchase, there was an outstanding balance of \$31,845,734 of the Senior A bonds, \$5,760,000 of the Subordinate B bonds and \$4,184,242 of the C note. The Authority has paid ALL 2012 bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount Paid</u>
2023	A	\$ 1,384,636

Interest from the Bonds is payable on the twenty-fifth of each month and at stated maturity dates. The interest rate for both outstanding tranches of bonds are variable while the C note accrues interest according to an Accreted Value Table at a fixed 3% rate. Interest rates for the year ended August 31, 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Bond</u>	<u>Range</u>
2023	A	5.838% to 6.102%	B	5.838% to 6.102%

ALL 2013 Debt Issue— On June 21, 2023, the Authority completed its equity purchase of the CalEd entities and trusts, assuming the remaining balances of the Student Loan Revenue Bonds (Series 2013) originally issued by Access to Loans for Learning Student Loan Corporation's special purpose entity "ALL

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

4. BONDS & NOTES PAYABLE – CONTINUED

Financing (2013), LLC". The original issue was for \$446,800,000 of taxable bonds. At the time of the Authority's purchase, there was an outstanding balance of \$113,745,529 of the Senior A bonds and \$11,000,000 of the Subordinate B bonds. The Authority has paid ALL 2013 bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount Paid</u>
2023	A	\$ 3,115,836

Interest from the Bonds is payable on the twenty-fifth of each month and at stated maturity dates. The interest rate for both outstanding tranches of bonds are variable. Interest rates for the year ended August 31, 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Bond</u>	<u>Range</u>
2023	A	5.938% to 6.202%	B	8.138% to 8.402%

Debt Service Requirements -- The following is a summary of all bond debt service requirements at August 31, 2023:

Fiscal Year	Principal	Interest	Total
2024	\$ 130,258,097.21	\$ 48,626,163.34	\$ 178,884,260.55
2025	\$ 118,621,059.40	\$ 45,480,399.94	\$ 164,101,459.34
2026	\$ 107,454,277.38	\$ 39,644,682.79	\$ 147,098,960.17
2027	\$ 100,440,158.00	\$ 32,512,004.61	\$ 132,952,162.61
2028	\$ 89,252,317.72	\$ 25,102,676.81	\$ 114,354,994.53
2029 thru 2033	\$ 266,668,783.87	\$ 65,908,039.72	\$ 332,576,823.59
2034 thru 2038	\$ 43,599,967.96	\$ 3,044,191.57	\$ 46,644,159.53
	\$ 856,294,661.54	\$ 260,318,158.78	\$ 1,116,612,820.32

The following is a summary of all note debt service requirements at August 31, 2023:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,959,000.00	\$ 979,994.78	\$ 2,938,994.78
2025	\$ 12,937,000.00	\$ 638,172.43	\$ 13,575,172.43
	\$ 14,896,000.00	\$ 1,618,167.21	\$ 16,514,167.21

As of July 1, 2023, rates for all the Authority's bonds are indexed to either the daily or one-month SOFR rate and are reset monthly or quarterly by the Trustee depending on the bond.

The following is a summary of changes in revenue bonds payable by the Authority for the years ended August 31, 2023 and 2022:

	Balance at beginning of year	Purchased or Refinanced	Repaid or defeased	Balance at end of year
2023	\$ 815,133,000.00	\$ 224,470,639.54	\$ (183,308,979.00)	\$ 856,294,660.54
2022	\$ 352,904,940.92	\$ 873,000,000.00	\$ (410,771,940.92)	\$ 815,133,000.00

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

4. BONDS & NOTES PAYABLE – CONTINUED

The following is a summary of changes in notes payable by the Authority for the years ended August 31, 2023 and 2022:

	Balance at beginning of year	Issued	Repaid or Defeased	Balance at end of year
2023	\$ 0.00	\$ 15,000,000.00	\$ (104,000.00)	\$ 14,896,000.00
2022	\$ 525,380,000.00	\$ -	\$ (525,380,000.00)	\$ -

The bonds may be redeemed prior to their stated maturity only in authorized denominations. Upon proper notice, bonds may be redeemed in whole or part by lot, at par plus accrued interest to the date of redemption, without premium, at the option of the Authority and with the permission of the credit provider. There are no defeased bonds outstanding as of August 31, 2023 or 2022.

The Bonds are limited obligations of the Authority payable solely from revenue received by the Authority from the assets contained in each trust estate created under an indenture including payments on student loans and investment earnings. Neither the faith and credit nor the taxing power or any revenue of the State of Texas or any political subdivision thereof are pledged to the payment of the bond principal and interest thereon. The bonds are not a general obligation of the Authority, and the individual board members are not liable.

5. BORROWER INCENTIVE PROGRAM

The Authority has a borrower incentive program in place in which eligible borrowers, after making a stipulated number of on-time payments, and who have the outstanding portion of the principal balance of their student loan(s) below \$600 (total balance of all the borrower's loans must be below \$600), the remaining balance of the borrower's loan(s) is forgiven and reported as "paid in full." In 2023, borrower incentive write-offs that went to this program were \$396,273. In 2022, borrower incentive write-offs that went to this program were \$509,739.

6. LEASES

The Authority leases a storage vault for which they make monthly payments totaling \$500 on lease commencement date of October 1, 2021 for a thirty-six month period expiring on September 30, 2024. Variable payments of certain leases are based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the years ended August 31, 2023 and 2022, the Authority recognized \$6,000 and \$1,000, respectively, of rental expense for payments.

The following is a schedule by year of payments under the leases as of August 31, 2023:

Fiscal Year	Total to Be Paid	Principal	Interest
2024	\$ 6,000.00	\$ 5,962.66	\$ 37.34
2025	\$ 500.00	\$ 499.58	\$ 0.42
	\$ 6,500.00	\$ 6,462.24	\$ 37.76

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

7. EXCESS EARNINGS AND ARBITRAGE LIABILITIES

Any of the Authority's outstanding tax-exempt bonds (interest on the bonds being tax exempt from gross income of the certificate owners for federal income tax purposes) are subject to federal government excess interest rebate laws. These laws limit the earnings on the loans (loan yield) by an organization that issues tax exempt bonds for the purpose of acquiring FFELP student loans. For the years ended August 31, 2023 and 2022, the Authority made no provision for excess interest. The indentures require such excess earnings to be placed in an "excess earnings account" and held until the amount is due to the U.S. Treasury. Federal government excess earnings laws allow for loan forgiveness programs to be employed to reduce the excess earnings amounts that must be remitted to the U.S. Treasury when the bonds are redeemed. The excess earnings liability (for each bond series) is calculated annually on a date set by the Authority and on the bond maturity date. The excess earnings are periodically adjusted when the calculations reveal the current amount of student loans to be forgiven if the bonds were redeemed.

Any of the Authority's outstanding tax-exempt bonds are subject to federal government arbitrage rebate laws. These laws limit the earnings rate on funds received by an organization that issues tax exempt bonds. Arbitrage provisions recognize revenues above the rebate limit, which must be remitted to the federal government. The indentures require such arbitrage earnings to be placed in an arbitrage rebate account and held until the amount is paid to the U.S. Treasury. The arbitrage liability (for each bond series) is calculated annually on a date set by the Authority and on the bond maturity date. The arbitrage earnings are periodically adjusted when the calculations reveal the current amount of liability if the bonds were redeemed. The arbitrage rebate laws require that generally on every 5th anniversary of the bond issue, payment of 90% of the amount of the liability (if any) must be remitted to the U.S. Treasury.

For the years ended August 31, 2023 and 2022, the Authority made no provision for arbitrage rebate and no payment was required. For the year ending August 31, 2023, there was \$38,212,680 in tax exempt bonds outstanding due to the CalEd purchase and the ALL 2010 trust. For the year ending August 31, 2022, there were no tax exempt bonds outstanding.

8. ACQUISITION

On June 21, 2023, the Authority completed its acquisition of the FFELP student loan business of California Education Assistance, Inc. (CalEd). The Authority assumed the three remaining CalEd indentures that finance FFELP student loans by acquiring CalEd indirect subsidiaries ALL Financing 2012 LLC and ALL Financing 2013 LLC and by acquiring all of the capital stock of ALL Indenture Operating Company, a subsidiary of CalEd, that owns ALL Financing 2010 LLC (collectively "CalEd entities") for approximately \$29.2 million. The Authority acquired the CalEd entities to expand its Federal Family Education Loan program as new loans can no longer be made under the program. The acquisition included all assets and liabilities that were assumed by the Authority. The total net assets acquired through the acquisition was approximately \$55.9 million, resulting in a special item of \$26.7 million.

9. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The Authority has one segment that meets the reporting requirements of GASB Statement No. 34.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

9. SEGMENT INFORMATION (Continued)

The outstanding debt payable by the Authority consists mostly of Student Loan Revenue Bonds. Related debt covenants provide that the outstanding debt is payable from the eligible loans pledged under the debt covenants, amounts deposited in the accounts pledged under the debt covenants, and all other revenues and recoveries of principal from the loans purchased with the bond proceeds.

Summary financial information for the Student Loan Revenue Bonds as of August 31, 2023 and 2022 is as follows:

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Net Position	Surplus Fund		Bond Funds		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current assets	\$ 57,156,499.38	\$ 29,297,047.51	\$ 342,642,016.43	\$ 265,122,235.45	\$ 399,798,515.81	\$ 294,419,282.96
Noncurrent assets	54,773,240.71	50,969,232.82	656,021,368.98	673,258,248.77	710,794,609.69	724,227,481.59
Total assets	<u>\$ 111,929,740.09</u>	<u>\$ 80,266,280.33</u>	<u>\$ 998,663,385.41</u>	<u>\$ 938,380,484.22</u>	<u>\$ 1,110,593,125.50</u>	<u>\$ 1,018,646,764.55</u>
Liabilities:						
Current liabilities	\$ 106,746.38	\$ 18,738.69	\$ 135,054,714.62	\$ 149,689,409.50	\$ 135,161,461.00	\$ 149,708,148.19
Noncurrent liabilities	-	-	734,267,889.94	662,802,882.36	734,267,889.94	662,802,882.36
Total liabilities	<u>\$ 106,746.38</u>	<u>\$ 18,738.69</u>	<u>\$ 869,322,604.56</u>	<u>\$ 812,492,291.86</u>	<u>\$ 869,429,350.94</u>	<u>\$ 812,511,030.55</u>
Deferred Inflows of Resources	2,739,927.04	3,763,664.18	-	-	2,739,927.04	3,763,664.18
Net position:						
Restricted	-	-	129,340,780.85	125,888,192.33	129,340,780.85	125,888,192.33
Unrestricted	109,083,066.67	76,483,877.46	-	0.03	109,083,066.67	76,483,877.49
Total net position	<u>\$ 109,083,066.67</u>	<u>\$ 76,483,877.46</u>	<u>\$ 129,340,780.85</u>	<u>\$ 125,888,192.36</u>	<u>\$ 238,423,847.52</u>	<u>\$ 202,372,069.82</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 111,929,740.09</u>	<u>\$ 80,266,280.33</u>	<u>\$ 998,663,385.41</u>	<u>\$ 938,380,484.22</u>	<u>\$ 1,110,593,125.50</u>	<u>\$ 1,018,646,764.55</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position	Surplus Fund		Bond Funds		Total	
	2023	2022	2023	2022	2023	2022
Operating revenues	\$ 1,777,575.39	\$ 30,191.50	\$ 31,530,554.41	\$ 34,721,625.99	\$ 33,308,129.80	\$ 34,751,817.49
Operating expenses	2,647,107.40	2,331,393.25	7,530,152.69	8,629,326.58	10,177,260.09	10,960,719.83
Total operating income (loss)	(869,532.01)	(2,301,201.75)	24,000,401.72	26,092,299.41	23,130,869.71	23,791,097.66
Nonoperating revenue and special item	2,584,482.64	460,771.94	10,336,425.35	(27,007,026.84)	12,920,907.99	(26,546,254.90)
Change in net position	1,714,950.63	(1,840,429.81)	34,336,827.07	(914,727.43)	36,051,777.70	(2,755,157.24)
Net position—beginning of year	\$ 76,483,877.49	\$ 18,043,216.45	\$ 125,888,192.33	\$ 187,084,010.61	\$ 202,372,069.82	\$ 205,127,227.06
Transfer from Bonds to Surplus	30,884,238.55	60,281,090.85	(30,884,238.55)	(60,281,090.85)	-	-
Net position—end of year	<u>\$ 109,083,066.67</u>	<u>\$ 76,483,877.49</u>	<u>\$ 129,340,780.85</u>	<u>\$ 125,888,192.33</u>	<u>\$ 238,423,847.52</u>	<u>\$ 202,372,069.82</u>

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Cash Flows	Surplus Fund		Bond Funds		Total	
	2023	2022	2023	2022	2023	2022
Net cash provided (used) by:						
Operating activities	\$ (22,761,105.02)	\$ 825,257.65	\$ 177,363,983.85	\$ 171,366,027.32	\$ 154,602,878.83	\$ 172,191,284.97
Noncapital financing activities	535,377.32	(3,408.99)	(190,332,205.78)	(96,343,576.50)	(189,796,828.46)	(96,346,985.49)
Investing activities	22,225,727.70	(821,848.66)	12,845,926.43	(75,435,833.52)	35,071,654.13	(76,257,682.18)
Change in cash and cash equivalents	-	-	(122,295.50)	(413,382.71)	(122,295.50)	(413,382.71)
Cash and cash equivalents - beginning of year	-	-	122,295.50	535,678.21	122,295.50	535,678.21
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.00</u>	<u>\$ 122,295.50</u>	<u>\$ 0.00</u>	<u>\$ 122,295.50</u>

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

10. BLENDED COMPONENT INFORMATION

Below is the condensed statements of net position, condensed statements of revenues, expenses and changes in net position and statements of cash flows for the Authority and its blended component units.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Net Position	ALLIOC (2010)	ALLIOC (2012)	ALLIOC (2013)	NTHEA		Total	
	2023	2023	2023	2023	2022	2023	2022
Assets:							
Current assets	\$ 31,187,897.36	\$ 16,229,625.12	\$ 47,849,305.07	\$ 304,531,688.26	\$ 294,419,282.96	\$ 399,798,515.81	\$ 294,419,282.96
Noncurrent assets	54,998,063.96	31,267,840.40	92,064,377.40	532,464,327.93	724,227,481.59	710,794,609.69	724,227,481.59
Total assets	<u>\$ 86,185,961.32</u>	<u>\$ 47,497,465.52</u>	<u>\$ 139,913,682.47</u>	<u>\$ 836,996,016.19</u>	<u>\$ 1,018,646,764.55</u>	<u>\$ 1,110,593,125.50</u>	<u>\$ 1,018,646,764.55</u>
Liabilities:							
Current liabilities	\$ 13,931,440.26	\$ 9,758,491.43	\$ 28,843,442.07	\$ 82,628,087.24	\$ 149,708,148.19	\$ 135,161,461.00	\$ 149,708,148.19
Noncurrent liabilities	40,688,882.79	30,741,975.60	93,120,146.78	569,716,884.77	662,802,882.36	734,267,889.94	662,802,882.36
Total liabilities	<u>\$ 54,620,323.05</u>	<u>\$ 40,500,467.03</u>	<u>\$ 121,963,588.85</u>	<u>\$ 652,344,972.01</u>	<u>\$ 812,511,030.55</u>	<u>\$ 869,429,350.94</u>	<u>\$ 812,511,030.55</u>
Deferred Inflows of Resources	-	-	-	2,739,927.04	3,763,664.18	2,739,927.04	3,763,664.18
Net position:							
Restricted	31,565,638.27	6,996,998.49	17,950,093.62	72,828,050.47	125,888,192.33	\$ 129,340,780.85	125,888,192.33
Unrestricted				109,083,066.67	76,483,877.49	109,083,066.67	76,483,877.49
Total net position	<u>\$ 31,565,638.27</u>	<u>\$ 6,996,998.49</u>	<u>\$ 17,950,093.62</u>	<u>\$ 181,911,117.14</u>	<u>\$ 202,372,069.82</u>	<u>\$ 238,423,847.52</u>	<u>\$ 202,372,069.82</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 86,185,961.32</u>	<u>\$ 47,497,465.52</u>	<u>\$ 139,913,682.47</u>	<u>\$ 836,996,016.19</u>	<u>\$ 1,018,646,764.55</u>	<u>\$ 1,110,593,125.50</u>	<u>\$ 1,018,646,764.55</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position	ALLIOC (2010)	ALLIOC (2012)	ALLIOC (2013)	NTHEA		Total	
	2023	2023	2023	2023	2022	2023	2022
Operating revenues	\$ 638,769.95	\$ 425,714.74	\$ 982,588.96	\$ 31,261,056.15	\$ 34,751,817.49	\$ 33,308,129.80	\$ 34,751,817.49
Operating expenses	55,099.26	48,959.72	155,675.54	9,917,525.57	10,960,719.83	10,177,260.09	10,960,719.83
Total operating income (loss)	<u>583,670.69</u>	<u>376,755.02</u>	<u>826,913.42</u>	<u>21,343,530.58</u>	<u>23,791,097.66</u>	<u>23,130,869.71</u>	<u>23,791,097.66</u>
Nonoperating revenue	(237,527.03)	(185,597.68)	(701,914.30)	(12,604,483.34)	(26,546,254.90)	(13,729,522.35)	(26,546,254.90)
Special Item - Net Assets acquired in excess of amounts paid (Note 8)	13,955,288.85	3,933,011.18	8,762,130.31	-	-	26,650,430.34	-
Change in net position	<u>14,301,432.51</u>	<u>4,124,168.52</u>	<u>8,887,129.43</u>	<u>8,739,047.24</u>	<u>(2,755,157.24)</u>	<u>36,051,777.70</u>	<u>(2,755,157.24)</u>
Net position—beginning of year	\$ -	\$ -	\$ -	\$ 202,372,069.82	\$ 205,127,227.06	\$ 202,372,069.82	\$ 205,127,227.06
Transfers between series/acquisition adjustments	17,264,205.76	2,872,829.97	9,062,964.19	(29,199,999.95)	-	-	-
Net position—end of year	<u>\$ 31,565,638.27</u>	<u>\$ 6,996,998.49</u>	<u>\$ 17,950,093.62</u>	<u>\$ 181,911,117.10</u>	<u>\$ 202,372,069.82</u>	<u>\$ 238,423,847.52</u>	<u>\$ 202,372,069.82</u>

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Cash Flows	ALLIOC (2010)	ALLIOC (2012)	ALLIOC (2013)	NTHEA		Total	
	2023	2023	2023	2023	2022	2023	2022
Net cash provided (used) by:							
Operating activities	\$ 2,578,593.22	\$ 1,483,094.64	\$ 3,882,270.65	\$ 146,658,920.32	\$ 172,191,284.97	\$ 154,602,878.83	\$ 172,191,284.97
Noncapital financing activities	(4,110,200.53)	(1,445,405.66)	(3,500,260.74)	(180,740,961.53)	(96,346,985.49)	(189,796,828.46)	(96,346,985.49)
Investing activities	1,531,607.31	(37,688.98)	(382,009.91)	33,959,745.71	(76,257,682.18)	35,071,654.13	(76,257,682.18)
Change in cash and cash equivalents	-	-	-	(122,295.50)	(413,382.71)	(122,295.50)	(413,382.71)
Cash and cash equivalents - beginning of year	-			122,295.50	535,678.21	122,295.50	535,678.21
Cash and cash equivalents - end of year	\$ -	\$ -	\$ -	\$ 0.00	\$ 122,295.50	\$ 0.00	\$ 122,295.50

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

11. SUBSEQUENT EVENTS

The Authority has entered into a single new arrangement to refinance long-term notes on its statement of net position.

The new notes closed on November 8, 2023, as a variable rate demand note to refinance the residual bonds and notes in the three ALL indenture trusts acquired from CalEd in June 2023 as well as refinance the 2023A line of credit that was used to finance a portion of the equity transaction acquisition. The new notes were issued November 8, 2023, and will mature on December 1, 2053.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION COMBINING SCHEDULE – STATEMENT OF NET POSITION INFORMATION AUGUST 31, 2023 and 2022

ASSETS	2023	Debt Issue					Surplus Fund	Clearing Fund	Total Issues and Other Funds
		ALL 2010	ALL 2012	ALL 2013	2021-1	2021-2	2023A LOC		
Investments - nonrestricted -- current					-	-	-	8,262,474.26	-
Investments - nonrestricted -- long-term					-	-	-	14,786,606.71	-
Investments - restricted -- current		4,577,499.63	1,722,553.51	4,567,381.43	23,999,665.00	19,172,393.85	665,536.72	1,618,476.44	8,490.86
Accrued interest and other accounts receivable		5,000,024.92	2,193,828.28	7,006,454.94	17,141,519.21	23,558,654.08	629,111.49	5,402,653.30	748,417.90
Accrued Special Allowance receivable		268,800.00	180,000.00	550,600.00	1,413,967.29	782,566.28	70,821.32	328,954.00	-
Amounts due from other funds					278,827.97	432,437.99	8,901.84	330,137.27	-
Student loan notes receivable - net		76,339,636.77	43,401,083.73	127,789,246.10	326,351,910.79	295,064,740.08	15,767,279.23	81,193,911.24	(179.51)
Prepaid expenses					3,441.13	7,244.32	10,833.33	6,526.87	-
Elimination of Amounts Due From Other Funds					-	-	-	-	-
Total assets		86,185,961.32	47,497,465.52	139,913,682.47	369,189,331.39	339,018,036.60	17,152,483.93	111,929,740.09	756,729.25
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION									
LIABILITIES:									
Accounts payable		66,939.31	31,215.85	182,504.24	269,266.25	250,362.68	65,233.62	101,357.57	8,718.84
Amounts due to other funds					-	57,314.66	244,980.00	-	748,010.41
Accrued interest payable		340,704.16	42,963.35	151,391.61	660,620.88	602,863.93	162,715.34	-	-
Accrued other liabilities					288.52	1,828.84	-	5,388.81	-
Bonds payable, less unamortized original \$4,705,673 issuance discounts (note 4)		54,212,679.58	40,426,287.83	121,629,693.00	332,883,840.83	302,436,485.94	14,896,000.00	-	-
Total liabilities		54,620,323.05	40,500,467.03	121,963,588.85	333,814,016.48	303,348,856.05	15,368,928.96	106,746.38	756,729.25
DEFERRED INFLOWS OF RESOURCES									
Related to discount on loans purchased								2,739,927.04	
NET POSITION		31,565,638.27	6,996,998.49	17,950,093.62	35,375,314.91	35,669,180.55	1,783,554.97	109,083,066.67	-
Elimination of Amounts Due To Other Funds									
TOTAL LIABILITIES AND NET POSITION		86,185,961.32	47,497,465.52	139,913,682.47	369,189,331.39	339,018,036.60	17,152,483.93	111,929,740.09	756,729.25

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION COMBINING SCHEDULE – STATEMENT OF NET POSITION INFORMATION AUGUST 31, 2023 and 2022

	2022	Debt Issue					Surplus	Clearing	Total Issues
ASSETS		2002	2003	2003-2	2021-1	2021-2	Fund	Fund	and Other Funds
Cash and cash equivalents	\$	91,222.94	1,788.51	23,005.96	-	-	-	6,278.09	122,295.50
Investments - nonrestricted -- current							27,896,698.63		27,896,698.63
Investments - nonrestricted - long-term							48,270,151.76		48,270,151.76
Investments - restricted -- current		2,202,480.35	1,241,511.21	2,293,845.42	25,635,174.11	20,613,527.76	106,215.22	212,650.44	52,305,404.51
Accrued interest and other accounts receivable		2,871,369.97	514,829.05	2,904,735.25	18,226,328.74	25,633,227.75	677,130.07	3,738,621.70	54,566,242.53
Amounts due from other funds		202,839.80	94,316.62	229,702.29	1,006,645.83	2,363,383.05	41,761.89	-	3,938,649.48
Accrued Special Allowance receivable		-	-	-	-	-	-	-	-
Student loan notes receivable - net		49,338,405.26	9,623,182.22	47,409,551.62	389,701,759.55	336,132,628.23	3,273,080.87	(43,363.91)	835,435,243.84
Prepaid expenses		15,793.55	9,322.16	8,812.52	5,039.76	10,517.90	1,241.89	-	50,727.78
Elimination of Amounts Due From Other Funds									(3,938,649.48)
Total assets	\$	54,722,111.87	11,484,949.77	52,869,653.06	434,574,947.99	384,753,284.69	80,266,280.33	3,914,186.32	1,018,646,764.55
LIABILITIES AND NET POSITION									
LIABILITIES:									
Accounts payable	\$	44,818.67	8,114.30	41,767.18	349,000.33	320,220.29	13,713.77	11,156.82	788,791.36
Amounts due to other funds		35,000.00	120.00	-	-	500.00	-	3,903,029.50	3,938,649.50
Accrued interest payable		40,940.62	3,274.38	16,839.85	287,280.27	263,083.87	-	-	611,418.99
Accrued Special Allowance payable		46,653.93	16,998.97	61,691.76	151,064.15	510,210.19	4,367.63	-	790,986.63
Accrued other liabilities		3,297.78	3,297.78	3,297.78	700.48	4,699.09	657.29	-	15,950.20
Bonds payable, less unamortized original									
\$1,068,965 issuance discounts (note 4)		27,000,000.00	5,100,000.00	26,150,000.00	400,716,803.88	351,337,079.49	-	-	810,303,883.37
Total liabilities		27,170,711.00	5,131,805.43	26,273,596.57	401,504,849.11	352,435,792.93	18,738.69	3,914,186.32	816,449,680.05
DEFERRED INFLOWS OF RESOURCES									
Related to discount on loans purchased							3,763,664.18		3,763,664.18
NET POSITION		27,551,400.87	6,353,144.34	26,596,056.49	33,070,098.88	32,317,491.76	76,483,877.46	-	202,372,069.80
Elimination of Amounts Due To Other Funds									(3,938,649.48)
TOTAL LIABILITIES AND NET POSITION	\$	54,722,111.87	11,484,949.77	52,869,653.06	434,574,947.99	384,753,284.69	80,266,280.33	3,914,186.32	1,018,646,764.55

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION COMBINING SCHEDULE – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION AUGUST 31, 2023 and 2022

2023	Debt Issue									Surplus Fund	Total Issues and Other Funds
	ALL 2010	ALL 2012	ALL 2013	2002	2003	2003-2	2021-1	2021-2	2023A LOC		
REVENUES											
Interest on student loans	638,769.95	425,714.74	982,588.96	1,029,337.34	250,461.97	1,144,805.31	12,684,521.19	14,208,207.91	166,147.03	1,777,575.39	33,308,129.79
Interest on investments and income from deferred inflows of resources	39,802.01	15,743.16	39,168.10	49,789.11	18,303.34	56,188.00	1,084,337.02	876,317.16	84,209.92	2,481,850.41	4,745,708.23
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	(795,248.70)	(795,248.70)
Government Subsidy on Student Loans	22,494.10	16,087.23	25,014.56	23,979.10	8,012.23	39,365.79	263,264.79	718,883.18	6,546.48	72,861.36	1,196,508.82
Special allowance income	268,800.00	180,000.00	550,600.00	595,568.97	82,503.72	417,047.74	8,048,896.37	5,541,452.06	182,966.80	825,019.57	16,692,855.23
Total revenues	969,866.06	637,545.13	1,597,371.62	1,698,674.52	359,281.26	1,657,406.84	22,081,019.37	21,344,860.31	439,870.23	4,362,058.03	55,147,953.37
EXPENSES											
Interest on bonds	568,623.14	397,428.07	1,316,696.96	551,190.84	101,246.98	553,072.27	16,670,121.65	14,981,992.33	276,473.67	-	35,416,845.91
Loan servicing fees	41,094.56	40,828.06	140,773.54	60,211.97	15,225.52	71,422.54	1,785,502.19	1,561,444.76	16,364.08	112,392.35	3,845,259.57
Administrative & operating costs paid to Higher Education Servicing Corporation	-	-	-	134,750.00	26,833.33	131,833.32	1,204,528.22	1,073,899.00	60,635.90	2,283,625.60	4,916,105.37
Trustee fees	4,406.68	2,740.00	5,825.00	12,600.00	24,816.00	28,125.00	37,501.56	33,337.06	4,166.67	1,500.00	155,017.97
Borrower incentive loan write-offs	-	-	-	30,402.61	5,106.88	34,125.72	2,898.85	281,177.41	14,469.98	28,091.84	396,273.29
Cost of issuance of new debt	-	-	-	-	-	-	-	-	152,500.00	-	152,500.00
Miscellaneous expense	9,598.02	5,391.66	9,077.00	20,225.17	20,162.78	20,227.67	75,250.87	61,320.95	421,852.18	221,497.61	864,603.91
Total expenses	623,722.40	446,387.79	1,472,372.50	809,380.59	193,391.49	838,806.52	19,775,803.34	17,993,171.51	946,462.48	2,647,107.40	45,746,606.02
OTHER EXPENSES											
Special Item - Net Assets acquired in excess of amounts paid (Note 8)	13,955,288.85	3,933,011.18	8,762,130.31	-	-	-	-	-	-	-	26,650,430.34
CHANGE IN NET POSITION	14,301,432.51	4,124,168.52	8,887,129.43	889,293.93	165,889.77	818,600.32	2,305,216.03	3,351,688.80	(506,592.25)	1,714,950.63	36,051,777.69
NET POSITION--Beginning of year	-	-	-	27,551,400.87	6,353,144.34	26,596,056.49	33,070,098.88	32,317,491.75	-	76,483,877.49	202,372,069.82
Assets transferred to (from) other Bond Series	15,290,350.98	4,309,271.00	9,600,377.98	(28,440,694.80)	(6,519,034.11)	(27,414,656.81)	-	-	2,290,147.22	30,884,238.55	0.01
NET POSITION--End of year	29,591,783.49	8,433,439.52	18,487,507.41	-	-	-	35,375,314.91	35,669,180.55	1,783,554.97	109,083,066.67	238,423,847.52

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION COMBINING SCHEDULE – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION AUGUST 31, 2023 and 2022

2022	Debt Issue					Closed into 2021-2	Closed into 2021-1	Surplus Fund	Total Funds	
	2002	2003	2003-2	2021-1	2021-2					
REVENUES										
Interest on student loans	\$	1,933,735.90	462,134.47	2,151,880.75	13,305,883.96	13,140,913.62	2,494,857.26	1,232,220.03	30,191.50	34,751,817.49
Interest on investments		10,443.59	5,476.67	10,445.96	132,456.10	105,090.39	896.59	483.34	1,733,814.82	1,999,107.46
Unrealized gain on investments		-	-	-	-	-			(1,266,767.89)	(1,266,767.89)
Government Subsidy on Student Loans		66,209.06	16,376.64	80,806.87	310,519.36	659,906.10	123,658.39	23,733.49	1,104.87	1,282,314.78
Special allowance income		(571,539.20)	(155,996.33)	(634,617.04)	(4,939,897.71)	(4,165,456.77)	(1,109,118.15)	(678,768.43)	(7,379.86)	(12,262,773.49)
Total revenues		1,438,849.35	327,991.45	1,608,516.54	8,808,961.71	9,740,453.34	1,510,294.09	577,668.43	490,963.44	24,503,698.35
EXPENSES										
Interest on bonds		238,672.45	45,400.57	234,404.54	5,273,025.36	4,402,548.96	1,640,090.42	279,363.14	-	12,113,505.44
Loan servicing fees		120,809.83	28,449.36	138,162.05	1,953,646.66	1,518,930.01	337,247.90	148,716.98	2,506.91	4,248,469.70
Administrative & operating costs paid to Higher Education Servicing Corporation		234,000.00	50,000.03	240,000.00	1,222,299.32	1,051,606.41	234,352.32	277,660.28	2,169,578.74	5,479,497.10
Trustee fees		26,324.89	19,736.93	23,624.93	43,816.66	33,992.14	37,556.93	15,777.91	1,681.89	202,512.28
Borrower incentive loan write-offs		73,210.51	11,970.00	66,506.90	11,920.38	280,472.72	63,532.51	2,126.32	-	509,739.34
Cost of issuance of new debt		-	-	-	846,972.00	848,667.95	2,488,990.37	-	-	4,184,630.32
Miscellaneous expense		11,857.75	11,028.40	11,791.58	197,384.88	69,523.38	41,614.76	19,674.95	157,625.71	520,501.41
Total expenses		704,875.43	166,585.29	714,490.00	9,549,065.26	8,205,741.57	4,843,385.21	743,319.58	2,331,393.25	27,258,855.59
CHANGE IN NET POSITION		733,973.92	161,406.16	894,026.54	(740,103.55)	1,534,711.77	(3,333,091.12)	(165,651.15)	(1,840,429.81)	(2,755,157.24)
NET POSITION--Beginning of year		27,749,426.95	6,229,738.18	24,732,029.95	-	-	38,744,187.36	33,659,861.37	18,043,216.45	205,127,227.06
Assets transferred to (from) other Bond Series		(932,000.00)	(38,000.00)	970,000.00	33,810,202.43	30,782,779.98	(35,411,096.24)	(33,494,210.22)	4,312,324.05	-
NET POSITION--End of year	\$	27,551,400.87	6,353,144.34	26,596,056.49	33,070,098.88	32,317,491.75	-	-	20,515,110.69	202,372,069.82

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APPENDIX G

WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2024-1 TERM BONDS

The following information with respect to the Series 2024-1 Term Bonds has been prepared by the Underwriter in consultation with the Authority. No representation is made by the Authority, the Underwriter or any of their respective agents concerning the actual average life of the Series 2024-1 Term Bonds or the Financed Eligible Loans and how it compares to the various forward-looking average life estimates herein.

Prospective purchasers of the Series 2024-1 Term Bonds are urged to base their decisions whether to purchase the Series 2024-1 Term Bonds upon the purchaser's own determinations about anticipated rates of prepayments with respect to the Financed Eligible Loans and the estimated weighted average life of the Series 2024-1 Term Bonds.

Prepayments of loans may be measured by a prepayment standard or model. The model used herein is the constant prepayment rate ("CPR") model. CPR represents a constant rate of prepayment on the Financed Eligible Loans each month relative to the then outstanding aggregate principal balance of the Financed Eligible Loans in repayment status for the life of such Financed Eligible Loans.

The tables below indicate the Weighted Average Life ("WAL") of the entire Series 2024-1 Term Bonds based on the assumption that Financed Eligible Loans prepay at the respective indicated percentages of CPR (the "CPR Prepayment Assumption Rates"). It is unlikely that the Financed Eligible Loans will prepay at any of the CPR Prepayment Assumption Rates presented, and the timing of changes in the rate of prepayments actually experienced on the Financed Eligible Loans is unlikely to follow the pattern described for the CPR Prepayment Assumption Rates presented.

Each Weighted Average Life is likely to vary, perhaps significantly, from that set forth in the table below due to the differences between the actual rate of prepayments on the related Financed Eligible Loans and the assumptions described herein.

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Bond Par	\$25,900,000	\$25,900,000	\$25,900,000	\$25,900,000	\$25,900,000
CPR	0%	3%	6%	9%	12%
WAL (Years)	7.3	6.3	5.4	4.7	4.2
First Bond Payment	12/1/2024	12/1/2024	12/1/2024	12/1/2024	12/1/2024
Last Bond Payment	6/1/2035	6/1/2034	12/1/2033	12/1/2032	6/1/2032
Closing Date	100%	100%	100%	100%	100%
6/1/2025	96	94	92	90	88
6/1/2026	88	83	80	77	73
6/1/2027	85	79	74	69	65
6/1/2028	84	77	71	64	57
6/1/2029	81	70	59	48	39
6/1/2030	78	62	49	37	27
6/1/2031	72	56	42	30	20
6/1/2032	51	35	21	10	0
6/1/2033	31	16	4	0	0
6/1/2034	13	0	0	0	0
6/1/2035	0	0	0	0	0

Weighted average lives (WALs) are influenced by, among other things, the initial parity percentage, cash releases, actual prepayments, bond interest rates, bond redemptions, reinvestment income, the future path of interest rates, loan interest rates and borrower repayment plans selected, the amount and timing of loans acquired, including recycling, borrower delinquencies and defaults, default recoveries, program expenses, allocation of loans between applicable tax-exempt and taxable series, compliance with IRS yield restrictions and the issuance of Additional Bonds in the future under the Indenture. Actual results will vary from assumptions made in the base case. The following assumptions were used in estimating the weighted average lives of the Series 2024-1 Term Bonds:

1. WALs are computed from the expected Closing Date for the Series 2024-1 Bonds.
2. WALs assume the Authority releases cash in the amounts and at the times permitted under the Indenture.
3. WALs assume the Authority uses bond proceeds to acquire Eligible Loans through October 1, 2025, and there is no “recycling” of loan payments (which is not permitted under the Indenture).
4. Initial Eligible Loans that defer payments of interest or defer payments of both principal and interest are assumed to defer payment until after the borrower’s scheduled graduation date and a six-month grace period. All newly originated Eligible Loans are assumed to have 36 months until the commencement of fully amortizing repayment. No further deferment is assumed.
5. All CPR runs above assume a 6% default rate spread evenly over the first five years of repayment with a 20% recovery rate assumed after a 5-year lag. No delinquencies, deferment or forbearance are assumed. Interest rates, relevant only for cash reinvestment, are fixed at 2.00% for the duration of the cash flows.
6. 35% of borrowers are assumed to receive a 0.25% interest rate reduction when they are set up to have regular monthly payments deducted electronically. 100% of borrowers offered a 0.25%

interest rate reduction benefit for graduation are assumed to receive the benefit upon graduation.

See also the captions “THE SERIES 2024-1 BONDS—Redemption Provisions—*Optional Redemption from Excess Taxable Revenue*,” “—*Optional Redemption from Excess Tax-Exempt Revenue*,” “—*Mandatory Redemption from Excess Taxable Revenue*” and “—*Mandatory Redemption from Excess Tax-Exempt Revenue*” in the body of this Official Statement.

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North Texas

HIGHER EDUCATION AUTHORITY



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