

## OFFICIAL STATEMENT

We are distributing this Official Statement to furnish information on our Series 2010A Bonds. This cover contains certain information for quick reference only. This cover is not a summary of the Series 2010A Bonds. Prospective investors should read the entire Official Statement, including all Appendices, to make an informed investment decision.



**\$228,000,000**

**OKLAHOMA STUDENT LOAN AUTHORITY**

**Oklahoma Student Loan Bonds and Notes**

**Tax-Exempt LIBOR Floating Rate Bonds, Senior Series 2010A-1**

**Tax-Exempt Non-AMT LIBOR Floating Rate Bonds, Senior Series 2010A-2A  
and**

**Tax-Exempt Non-AMT LIBOR Floating Rate Bonds, Senior Series 2010A-2B**

### Issues:

We are issuing the “*Series 2010A-1 Bonds*,” “*Series 2010A-2A Bonds*” and “*Series 2010A-2B Bonds*” described above (together, the “*Series 2010A Bonds*”) pursuant to the provisions of an Indenture of Trust dated as of September 1, 2010 (the “*Indenture*”), between the Oklahoma Student Loan Authority (the “*Authority*”), as issuer, and Bank of Oklahoma, N.A., as trustee (the “*Trustee*”). The Series 2010A Bonds are being issued to refund all series of our bonds and notes outstanding under our 1996 Insured Bond Resolution.

	<u>Original Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Final Maturity Date<sup>1</sup></u>	<u>Expected Ratings S&amp;P/Fitch<sup>2</sup></u>
Series 2010A-1 Bonds	\$132,545,000	3-Month LIBOR plus 0.75%	100%	Sept. 3, 2024	AAA (sf)/AAA
Series 2010A-2A Bonds	\$ 51,225,000	3-Month LIBOR plus 1.20%	100%	Sept. 1, 2037	AAA (sf)/AAA
Series 2010A-2B Bonds	\$ 44,230,000	3-Month LIBOR plus 1.00%	97.898%	Sept. 1, 2037	AAA(sf)/AAA

<sup>1</sup> Expected Quarterly Distribution Date. <sup>2</sup> See the caption “RATINGS” herein.

### Denominations:

Issued in denominations of \$5,000 or any integral multiple thereof.

### Credit Enhancement:

Credit enhancement for the Series 2010A Bonds will include initial overcollateralization of eligible Federal Family Education Loan Program student loans and cash on deposit in certain funds created under the Indenture and the subordination of a Series 2010B Bond. Simultaneously with the issuance of the Series 2010A Bonds, we will be issuing, in a direct placement, our non-rated Oklahoma Student Loan Bonds and Notes, Tax-Exempt Adjustable Fixed Rate Bond, Subordinate Series 2010B (the “*Series 2010B Bond*”) pursuant to the Indenture. No interest or principal will be paid on the Series 2010B Bond while any of the Series 2010A Bonds remain outstanding. The Series 2010B Bond is *not* being offered pursuant to this Official Statement. Collectively, the Series 2010A Bonds and the Series 2010B Bond are referred to as the “*Series 2010 Bonds*.”

### Dated Date; Interest and Principal Distributions:

Dated the Date of Issuance. The Series 2010A Bonds will receive quarterly interest payments and distributions of principal through partial redemption on the first business day of each March, June, September and December, beginning December 1, 2010. Partial redemptions of the Series 2010A Bonds will be accomplished in \$5,000 increments by lot method as described herein and, accordingly, all registered owners will not necessarily receive distributions of principal each quarter. Receipts of principal and certain other payments received on the student loans held in the trust estate generally will be allocated for payment by redemption of the principal of the Series 2010A-1 Bonds and then the Series 2010A-2A Bonds and the Series 2010A-2B Bonds on a *pro rata* basis, in that order, until paid in full. No monies in the trust estate will be paid as interest or principal on the Series 2010B Bond while any of the Series 2010A Bonds remain outstanding.

### Risk Factors:

Consider carefully the information in the “RISK FACTORS” section beginning on page 15.

### Legal Matters:

The Series 2010A Bonds are being offered, when and if issued by us, subject to the approval of legality by Kutak Rock LLP, Oklahoma City, Oklahoma, Bond Counsel. Certain legal matters will be passed upon for us by our special counsel, Durrell PLLC, Oklahoma City, Oklahoma, for the Trustee by its counsel, Riggs, Abney, Neal, Turpen, Orbison & Lewis, Inc., Tulsa, Oklahoma and for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas.

INFORMATION CONTINUED ON INSIDE FRONT COVER

The Series 2010A Bonds are being offered through the Underwriter, subject to prior sale, to the right of the Authority or the Underwriter to withdraw, cancel or modify such offer and to reject orders in whole or in part and subject to certain other conditions. The Series 2010A Bonds are expected to be available for delivery in book-entry-only form through The Depository Trust Company on or about October 6, 2010.

**BofA Merrill Lynch**

October 4, 2010

**Limited Revenue Obligations:**

The Series 2010 Bonds will be limited revenue obligations payable solely from the financed student loans, student loans contributed by the Authority as part of the initial overcollateralization and other assets pledged therefor. Payments on the Series 2010A Bonds will be secured equally and ratably, but on a superior basis to the payments on the Series 2010B Bond.

**The Series 2010 Bonds will *not* be obligations of the State of Oklahoma. Neither the faith and credit nor the taxing power of the State of Oklahoma is pledged to the payment of the Series 2010 Bonds.**

**The Series 2010 Bonds will *not* be personal obligations of the trustees of the Authority and will *not* be general obligations of the Authority. The Authority has no taxing power.**

**Loan Servicing:**

We service our own loans and those of other eligible lenders that are members of the OSLA Student Lending Network. We have serviced education loans since 1994. Currently, we service education loans using the OSLA Student Loan Servicing System, including software licensed from 5280 Solutions, LLC, formerly known as IFA Systems, Inc., a subsidiary of Nelnet, Inc. We started using the OSLA Student Loan Servicing System in 2002.

**Backup Loan Servicing:**

The backup student loan servicer will be Nelnet Servicing, LLC, Lincoln, Nebraska (the “*Backup Servicer*”), pursuant to a Backup Third Party Servicing Agreement among the Authority, as Issuer of the Series 2010 Bonds, the Authority, as Servicer, and the Backup Servicer, with the Trustee as a third party beneficiary.

**Tax Status:**

In the opinion of Kutak Rock LLP, Bond 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 2010A Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2010A-1 Bonds is a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2010A-2A Bonds and the Series 2010A-2B Bonds is *not* a specific preference item and is not included in adjusted current earnings for purposes of the federal alternative minimum tax. The Series 2010A Bonds, and the income therefrom, are exempt from taxation in the State of Oklahoma. For a more complete description, see “TAX MATTERS” on page 90.

**CUSIP Numbers:**

**Series 2010A-1 Bonds:** 679110 DY9 **Series 2010A-2A Bonds:** 679110 DZ6 **Series 2010A-2B Bonds:** 679110 EB8  
The CUSIP numbers are included solely for the convenience of the owners of the Series 2010A Bonds. The Authority is not responsible for the selection or uses of the CUSIP numbers and makes no representation about the correctness of the numbers.

**No dealer, broker, salesman or other person has been authorized by the Authority or by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “*Underwriter*”) to give any information or to make any representations other than those contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by the Authority or the Underwriter.**

**In connection with this offering, the Underwriter may over-allot or effect transactions with a view to supporting the market price of the Series 2010A Bonds at levels above those that might otherwise prevail in the open market for a limited time. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.**

**The Series 2010 Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth in such acts. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy of adequacy of this Official Statement. Any representation to the contrary is unlawful.**

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## ADDITIONAL INFORMATION

This Official Statement has been prepared by the Oklahoma Student Loan Authority solely for use in connection with the proposed offering of the Series 2010A Bonds described herein. This Official Statement does not constitute an offer of, or an invitation by or on behalf of, the Authority or the Underwriter to subscribe for or purchase any of the Series 2010A Bonds in any circumstances or in any state or other jurisdiction where such offer or invitation is unlawful.

No Series 2010A Bonds may be sold without delivery of this Official Statement. The delivery of this Official Statement, and any sale made hereunder, will not, under any circumstances, create any implication that there has not been any change in the facts set forth in this Official Statement or in our affairs or in the affairs of any party described herein since the date hereof.

The Oklahoma State Regents for Higher Education, Guaranteed Student Loan Program, which is the primary guarantor of the financed student loans; Nelnet Servicing, LLC, which is the backup student loan servicer; Bank of Oklahoma, N.A., which is the Trustee; and The Depository Trust Company provided the respective information describing themselves. We do not guarantee the accuracy or completeness of that information.

In making an investment decision, prospective investors must rely on their own independent investigation of the terms of the offering and weigh the merits and the risks involved with ownership of the Series 2010A Bonds. Prospective investors are *not* to construe the contents of this Official Statement, or any prior or subsequent communications from the Authority or the Underwriter or any of their officers, employees or agents as investment, legal, accounting, regulatory or tax advice. Prior to any investment in the Series 2010A Bonds, a prospective investor should consult with its own advisors to determine the appropriateness and consequences of such an investment in relation to that investor's specific circumstances.

The Underwriter has provided the following sentence 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 applied to the facts and circumstances of this transaction. However, the Underwriter does not guarantee the accuracy or completeness of such information.

Bank of America, N.A., an affiliate of the Underwriter, has a student loan purchase, sale and servicing agreement in effect with us. Also, we maintain depository, commercial banking and banking product relationships with Bank of America, N.A. The Underwriter is the appointed broker-dealer for our Oklahoma Student Loan Bonds and Notes, Taxable Auction Rate Obligations, Series 2000A-3, currently in a failed auction mode, which will be current refunded by the Series 2010 Bonds. The Underwriter also is the appointed broker-dealer for our \$25,000,000 Senior Taxable Auction Rate Bonds, Series 2001A-3 and the appointed remarketing agent for our Oklahoma Student Loan Bonds and Notes, Senior Variable Rate Demand Obligations, Series 2008IIA-1

**There currently is no secondary market for the Series 2010A Bonds. There are no assurances that a secondary market will develop, or if it does develop that it will continue or be available at any time in the future.**

The Authority does not intend to list the Series 2010A Bonds on any exchange, including any exchange in either Europe or the United States.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Official Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by terminology such as “may”, “will”, “should”, “could”, “would”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “project”, “predict”, “intend”, “potential”, and the negative of such terms or other similar expressions.

The forward-looking statements reflect our current expectations and views about future events. The forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on the forward-looking statements.

You should understand that the following factors, among other things, could cause our results to differ materially from those expressed in forward-looking statements:

- changes in terms of financed student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations that may reduce the volume, average term, costs and yields on education loans under the Federal Family Education Loan Program;
- changes in the general interest rate environment and in the securitization market for student loans, which may increase the costs or limit the marketability of financings;
- losses from student loan defaults; and
- changes in prepayment rates and credit spreads.

Many of these risks and uncertainties are discussed in greater detail under the caption “RISK FACTORS” herein.

You should read this Official Statement and the documents that are referenced in this Official Statement completely and with the understanding that our actual future results may be materially different from what we expect. We may not update the forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information. All of the forward-looking statements are qualified by these cautionary statements.

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## SUMMARY OF TERMS

The following summary is a general overview of the terms of the Series 2010A Bonds. The summary does not contain all of the information that you need to consider in making your investment decision. You should consider the more detailed information in this Official Statement, including the Appendices, carefully before you invest.

References in this Official Statement to “we,” the “*Issuer*,” “*OSLA*” or the “*Authority*” refer to Oklahoma Student Loan Authority. This Official Statement contains forward looking statements that involve risks and uncertainties. See the caption “SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS” in this Official Statement. Certain terms used in this Official Statement are defined in “APPENDIX A – GLOSSARY OF TERMS” herein.

### **Principal Parties and Dates**

#### ***Issuer (also We, OSLA or Authority)***

- Oklahoma Student Loan Authority

#### ***Administrator***

- Oklahoma Student Loan Authority

#### ***Servicer***

- Oklahoma Student Loan Authority

#### ***Backup Servicer***

- Nelnet Servicing, LLC

#### ***Guarantee Agencies***

- Oklahoma State Regents for Higher Education, Guaranteed Student Loan Program (see the caption “GUARANTEE AGENCIES” herein and Appendix E for additional information); and
- Other guarantee agencies (see the caption “GUARANTEE AGENCIES” herein and the caption “INSURANCE AND GUARANTEES” in Appendix B.

### ***Trustee***

- Bank of Oklahoma, N.A., Oklahoma City, Oklahoma

### ***Collection Periods***

The initial collection period will begin on the date of issuance and end on October 31, 2010 (for the December 1, 2010 quarterly distribution date). Each subsequent collection period will be the three full calendar months immediately following the preceding collection period.

### ***Distribution Dates***

Distribution dates for Series 2010A Bonds will be the first Business Day of each March, June, September and December as described in this Official Statement, beginning December 1, 2010. These dates are sometimes referred to herein as “*quarterly distribution dates*.” The calculation date for each quarterly distribution date generally will be on or before the seventh business day before such quarterly distribution date.

Certain fees and expenses of the trust estate (such as the servicing fees and administration fees) may be paid on a monthly basis on the first Business Day of

each month. These dates are sometimes referred to herein as “*monthly payment dates*”. The calculation date for each monthly payment date generally will be the seventh business day before such monthly payment date.

### ***Interest Accrual Periods***

The initial interest accrual period for the Series 2010A Bonds begins on the date of issuance and ends on November 30, 2010. For all other quarterly distribution dates, the interest accrual period will begin on the prior quarterly distribution date and end on the day before such quarterly distribution date.

### ***Cut-off Dates***

The cut-off date for the portfolio of Federal Family Education Loan Program (“*FFEL Program*” or “*FFELP*”) student loans to be pledged by the Authority to the Trustee on the “*date of issuance*” for the Series 2010A Bonds, which is expected to be on or about October 6, 2010. For any student loans pledged to the Trustee by the Authority after the date of issuance, the cut-off date will be the date of such pledge. The student loans pledged by the Authority to the Trustee under the Indenture and not released from the lien thereof or sold or transferred to the extent permitted by the Indenture, are sometimes referred to herein as the “*Financed Student Loans*.”

The information presented in this Official Statement under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” relating to the student loans the Authority expects to pledge to the Trustee on the date of issuance is as of July 31, 2010, which is referred to as the “*statistical cut-off date*.” The Authority believes that the information set forth in this Official Statement with respect to the student loans as of the statistical cut-off date

is representative of the characteristics of the student loans as they will exist on the date of issuance for Series 2010A Bonds.

## **Description of the Series 2010 Bonds**

### ***General***

The Authority is offering its Series 2010A Bonds and simultaneously will privately place its non-rated Series 2010B Bond. No interest or principal will be paid on the Series 2010B Bond while any of Series 2010A Bonds remain outstanding. The Series 2010B Bond is not being offered pursuant to this Official Statement.

The Series 2010 Bonds, including the Series 2010A Bonds, are special, limited obligations of the Authority payable solely from the trust estate pledged therefor under the Indenture. The Series 2010 Bonds will receive payments primarily from collections on a pool of all FFEL Program student loans held by the Authority and pledged to the Trustee under the Indenture.

The Series 2010A Bonds will be issued in denominations of \$5,000 and in integral multiples of \$5,000 in excess thereof. Interest on the Series 2010A Bonds will be payable to the record owners of the Series 2010A Bonds as of the close of business on the day before the related quarterly distribution date.

### ***Interest on the Series 2010A Bonds***

The Series 2010A Bonds will bear interest at the following rates but not in excess of the Maximum Rate:

- the Series 2010A-1 Bonds will bear interest, except for the initial interest accrual period, at an annual rate equal to 100% of the three-month



LIBOR plus the spread shown on the cover hereof; and

- the Series 2010A-2A Bonds will bear interest, except for the initial interest accrual period, at an annual rate equal to 100% of the three-month LIBOR plus the spread shown on the cover hereof.
- the Series 2010A-2B Bonds will bear interest, except for the initial interest accrual period, at an annual rate equal to 100% of the three-month LIBOR plus the spread shown on the cover hereof.

The Trustee will calculate the rate of interest on the Series 2010A Bonds on the second business day prior to the start of the applicable interest accrual period. Interest on the Series 2010A Bonds will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360. The LIBOR rate for the Series 2010A Bonds for the initial interest accrual period will be calculated by reference to the following formula:

$x + [(a/b * (y-x))]$  plus (0.75% with respect to the Series 2010A-1 Bonds, 1.20% with respect to the Series 2010A-2A Bonds and 1.00% with respect to the Series 2010A-2B Bonds), as calculated by the Trustee, where:

x = one-month LIBOR;

y = two-month LIBOR;

a = 23 (the actual number of days from the maturity date of one-month LIBOR to the first quarterly distribution date); and

b = 28 (the actual number of days from the maturity date of one-month

LIBOR to the maturity date of two-month LIBOR).

Interest accrued on the outstanding principal balance of the Series 2010A Bonds during each interest accrual period will be paid on the following quarterly distribution date.

The Maximum Rate of interest on the Series 2010A Bonds will not exceed an average rate of 14% per annum from the date of issuance.

### ***Senior Principal Distributions***

Senior principal distributions generally will be allocated to the Series 2010A Bonds on each quarterly distribution date in an amount equal to all Available Funds remaining in the Collection Account after the payment of amounts owed to the U.S. Department of Education, to the guarantee agencies or under any applicable joint sharing agreement, administration fees, servicing fees, trustee fees, interest on the Series 2010A Bonds and replenishment of the Debt Service Reserve Account, and are referred to herein as the “*senior principal distribution amount.*” Except upon an event of default under the Indenture and an acceleration of the Series 2010A Bonds, the principal will be paid first on the Series 2010A-1 Bonds until paid in full and second on the Series 2010A-2A Bonds and the Series 2010A-2B Bonds on a pro rata basis until paid in full.

Principal distributions will be effected by redemption of Series 2010A Bonds in a principal amount equal to the senior principal distribution amount, but rounded down to the nearest \$5,000 increment for each series to be redeemed. The particular Series 2010A Bonds to be redeemed will, subject to all Series 2010A-1 Bonds being redeemed prior to any Series 2010A-2A Bonds or Series 2010A-2B Bonds, be

selected by lot. This means that on any quarterly distribution date, only holders selected by lot will receive principal distributions and different principal amounts will be distributed to different holders based upon selection by lot.

The Series 2010A-2A Bonds and the Series 2010A-2B Bonds are also subject to mandatory sinking fund redemption, on a pro rata basis, on December 1, 2034 in the principal amount of \$34,535,000 and on March 1, 2036 in the principal amount of \$58,385,000, together with interest accrued thereon to the date fixed for redemption without premium; provided, however, if, prior to giving notice of redemption as described below, the Authority has redeemed Series 2010A-2A Bonds or Series 2010A-2B Bonds pursuant to the preceding paragraph, such Series 2010A-2A Bonds and Series 2010A-2B Bonds so redeemed shall be applied, to the extent of the full principal amount thereof, to reduce the principal amounts required to be redeemed by mandatory sinking fund redemption pursuant to this paragraph sequentially by scheduled mandatory sinking fund redemption date.

The Series 2010A Bonds will be redeemed in integral multiples of \$5,000. In selecting for redemption portions of Series 2010A Bonds in denominations greater than \$5,000, each such Series 2010A Bond will be treated as representing that number of Series 2010A Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2010A Bond by \$5,000. While a book-entry registration system is used for the Series 2010A Bonds, principal will be payable to those persons in whose name the Series 2010A Bonds selected for redemption are registered on the Record Date which is the close of business on the day preceding a quarterly distribution date. If a book-entry

registration system is not used, principal will be payable upon surrender of the Series 2010A Bonds selected for redemption.

The Trustee will give notice of any mandatory redemption at least five (5) Business Days prior to the date required for redemption in the method required by the clearing agency so long as a book-entry registration is used for the Series 2010A Bonds or if the Series 2010A Bonds are subsequently issued in certificated form, by first class mail to the registered owner of each Series 2010A Bond to be redeemed in whole or in part at the address shown on the registration books kept by the Trustee.

See the caption “DESCRIPTION OF THE SERIES 2010A BONDS – Principal Distributions” herein.

#### ***Final Maturity***

The quarterly distribution dates on which the Series 2010A Bonds are due and payable in full are expected to be as follows:

<u>Series</u>	<u>Final Maturity Date</u>
2010A-1	September 3, 2024
2010A-2A	September 1, 2037
2010A-2B	September 1, 2037

The payment in full of the Series 2010A Bonds could occur earlier if, for example:

- there are prepayments on the financed student loans; or
- the Authority exercises its option to pay the Purchase Amount for all of the student loans remaining in the trust estate (which will not occur until a date when the Pool Balance is equal to or less than 10% of the initial Pool Balance).

“*Pool Balance*” for any date means the aggregate principal balance of the student loans held by the Authority on that date, including accrued interest that is expected to be capitalized, after giving effect to the following, without duplication:

- all payments received by the Authority through that date from borrowers;
- all amounts received by the Authority through that date from purchases of financed student loans released from the lien of the Indenture;
- all liquidation proceeds and realized losses on the financed student loans through that date;
- the amount of any adjustment to balances of the financed student loans that any Servicer makes under a servicing agreement through that date; and
- the amount by which guarantor reimbursements of principal on defaulted student loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

The final principal due on each Series 2010A Bond shall be payable only upon presentation and surrender of such Series 2010A Bond.

### ***No Additional Bonds***

The Indenture is a discrete trust estate and does not permit the issuance of any bonds additional to the Series 2010 Bonds.

### **Description of the Authority and the Trust Estate**

#### ***General***

The Authority is an express trust established for the benefit of the State of Oklahoma. See “GENERAL DESCRIPTION OF THE OKLAHOMA STUDENT LOAN AUTHORITY (OSLA)” in Appendix C hereto.

As described under caption “USE OF PROCEEDS,” certain of the proceeds from the sale of the Series 2010 Bonds, and certain other amounts made available to the Authority, will be used to make the initial deposit to the Debt Service Reserve Account. Certain of the remaining proceeds from the sale of the Series 2010 Bonds and certain other amounts made available to the Authority will be used to release student loans presently pledged by the Authority under a separate trust estate and which, together with other student loans to be pledged by the Authority, are described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” herein. The financed student loans expected to be so released on the date of issuance will be pledged to the Trustee and will be subject to the lien of the Indenture.

#### ***Credit Enhancement***

The only sources of funds for payment of the Series 2010 Bonds, including the Series 2010A Bonds, issued under the Indenture are the financed student loans and investments pledged to the Trustee under the Indenture and the payments the Authority receives on those financed student loans and investments.

Credit enhancement for the Series 2010A Bonds will include overcollateralization and the pledge of additional student loans, the Debt Service Reserve Account and the subordination of the Series 2010B Bond. See the caption “CREDIT ENHANCEMENT” herein. After the issuance of the Series 2010 Bonds and the payment of costs of issuance, the pledge of the financed student loans expected to be made to the Trustee on the date of issuance and the monies in funds and account under the Indenture, the ratio of the trust estate assets to the Outstanding Amount of the Series 2010A Bonds as of the date of issuance is expected to be approximately 105.8%.

#### ***Trust Estate Assets***

The assets of the trust estate securing the Series 2010 Bonds, including Series 2010A Bonds, issued under the Indenture will be a discrete trust estate that will include:

- student loans originated under the FFEL Program pledged to the Trustee;
- collections and other payments received on account of the financed student loans; and
- money and investments held in funds created under the Indenture, including the Acquisition Account, the Collection Account, the Department Rebate Fund and the Debt Service Reserve Account.

The Authority has acquired the student loans to be pledged under the Indenture in the ordinary course of its student loan financing business. All of the student loans pledged to the Trustee under the Indenture are, as of the time of such pledge, guaranteed by a guarantee agency and reinsured by the U.S. Department of Education (sometimes

referred to herein as the “*Department of Education*” or the “*Department*”). See the caption “GUARANTEE AGENCIES” herein. Except under limited circumstances set forth in the Indenture, financed student loans may not be transferred out of the trust estate. For example, in limited circumstances described herein, the Authority or a Servicer may be required to purchase a financed student loan out of the trust estate or replace such financed student loan. In addition, if necessary for administrative purposes, the Authority may sell financed student loans free from the lien of the Indenture, so long as the sale price for any financed student loan is not less than the Purchase Amount for such financed student loan and the collective aggregate principal balance of all such sales does not exceed 5.00% of the initial Pool Balance and the collective aggregate principal balance of all such sales in any calendar year does not exceed 1.00% of the Pool Balance as of January 1 of such calendar year (or as of the date of issuance with respect to the first calendar year). See the caption “SUMMARY OF THE INDENTURE PROVISIONS – Sale of Financed Student Loans” herein.

The Authority will also pledge to the Trustee all of the rights and remedies that it has under any agreement pursuant to which a financed student loan was acquired by the Authority and any rights and remedies under any servicing agreement relating to the financed student loans.

#### ***Financed Student Loans and the Acquisition Account***

FFEL Program loans that have been identified and are described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN” herein are expected to be pledged to the Trustee on the date of issuance. In addition, amounts on deposit in the Acquisition Account will be used to pay the costs of issuance of the

Series 2010 Bonds. If, for any reason, any funds remain in the Acquisition Account after October 31, 2010, such funds will be transferred to the Collection Account.

### ***The Collection Account***

The Trustee will deposit into the Collection Account, upon receipt, all revenues derived from financed student loans and money or investments of the Authority on deposit with the Trustee, amounts received under any joint sharing agreement and all amounts transferred from the Department Rebate Fund, the Acquisition Account and the Debt Service Reserve Account. Money on deposit in the Collection Account will be used to make any required payments under any applicable joint sharing agreement and to pay the Authority's operating expenses (which include amounts owed to the Department of Education and the guarantee agencies, amounts due under any joint sharing agreement, administration fees, servicing fees and trustee fees) and interest and principal on the Series 2010 Bonds. See the caption "—Flow of Funds" below and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS – The Collection Account; Flow of Funds" herein.

### ***The Debt Service Reserve Account***

The Authority will deposit the "*Specified Debt Service Reserve Account Balance*" amount into the Debt Service Reserve Account on the date of issuance. See the caption "USE OF PROCEEDS" herein. The Debt Service Reserve Account is to be maintained at an amount equal to the greater of 0.25% of the Outstanding Amount of the Series 2010A Bonds as of the last day of the related collection period, or \$340,000, or such lesser amount as may be agreed to by the rating agencies as evidenced by a rating confirmation or a rating notification (as defined in APPENDIX A - "GLOSSARY OF

TERMS" herein) and with the consent of the registered owners representing not less than a majority of the Outstanding Amount of the Series 2010A Bonds.

On each quarterly distribution date or monthly payment date, to the extent that money in the Collection Account is not sufficient to pay amounts owed to the Department of Education, to the guarantee agencies or under any applicable joint sharing agreement; administration fees; servicing fees; trustee fees; and the interest then due on the Series 2010A Bonds, then an amount equal to the deficiency will be transferred from the Debt Service Reserve Account to the Collection Account. To the extent the amount in the Debt Service Reserve Account falls below the specified Debt Service Reserve Account balance, the Debt Service Reserve Account will be replenished on each quarterly distribution date from funds available in the Collection Account as described under the caption "—Flow of Funds" below and under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS -- The Collection Account; Flow of Funds" herein. Funds on deposit in the Debt Service Reserve Account in excess of the specified Debt Service Reserve Account balance will be transferred to the Collection Account. Other than such excess amounts, principal payments due on a Series 2010A Bond will be made from the Debt Service Reserve Account only (1) on the final maturity date for such Series 2010A Bond or (2) on any quarterly distribution date when the market value of securities and cash in the Debt Service Reserve Account is sufficient to pay the remaining principal amount of and accrued interest on the Series 2010A Bonds.

### ***Department Rebate Fund***

The Trustee will establish a Department Rebate Fund as part of the trust estate. The Higher Education Act requires holders of

student loans first disbursed on or after April 1, 2006 and before July 1, 2010 to rebate to the Department of Education interest received from borrowers on such loans that exceed the applicable special allowance support levels. The Authority expects that the Department of Education will reduce the special allowance and interest benefit payments payable to the Authority by the amount of any such rebates owed by the Authority. However, in certain circumstances, the Authority may owe a payment to the Department of Education. If the Authority believes that it is required to make any such payment, the Authority will direct the Trustee to deposit into the Department Rebate Fund from the Collection Account the estimated amounts of any such payments. Money in the Department Rebate Fund will be transferred to the Collection Account to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Authority or the balance in the Department Rebate Fund exceeds the expected rebate obligation, or will be paid to the Department of Education if necessary to discharge the Authority's rebate obligation. See APPENDIX B - "DESCRIPTION OF THE FFEL PROGRAM".

### ***Rebate Fund***

The Indenture creates a Rebate Fund to be held by the Trustee on behalf of the United States of America, in which the registered owners shall have no right, title or interest.

### ***Excess Interest Fund***

The Indenture creates an Excess Interest Fund to be held by the Trustee, in which the registered owners shall have no right, title or interest.

### ***Characteristics of the Student Loan Portfolio***

On the date of issuance, the Authority will pledge to the Trustee a portfolio of student loans originated under the FFEL Program having, as of the statistical cut-off date, an aggregate outstanding principal balance of approximately \$242,790,463, plus total accrued interest in the approximate amount of \$1,227,679 that is expected to be capitalized. As of the statistical cut-off date, the weighted average annual borrower interest rate of the student loans to be pledged to the Trustee on the date of issuance (excluding special allowance payments) was approximately 4.35% and their weighted average remaining term to scheduled maturity was approximately 214 months. The portfolio of student loans expected to be pledged by the Authority to the Trustee on the date of issuance is described more fully under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein.

### ***No Recycling of Available Funds***

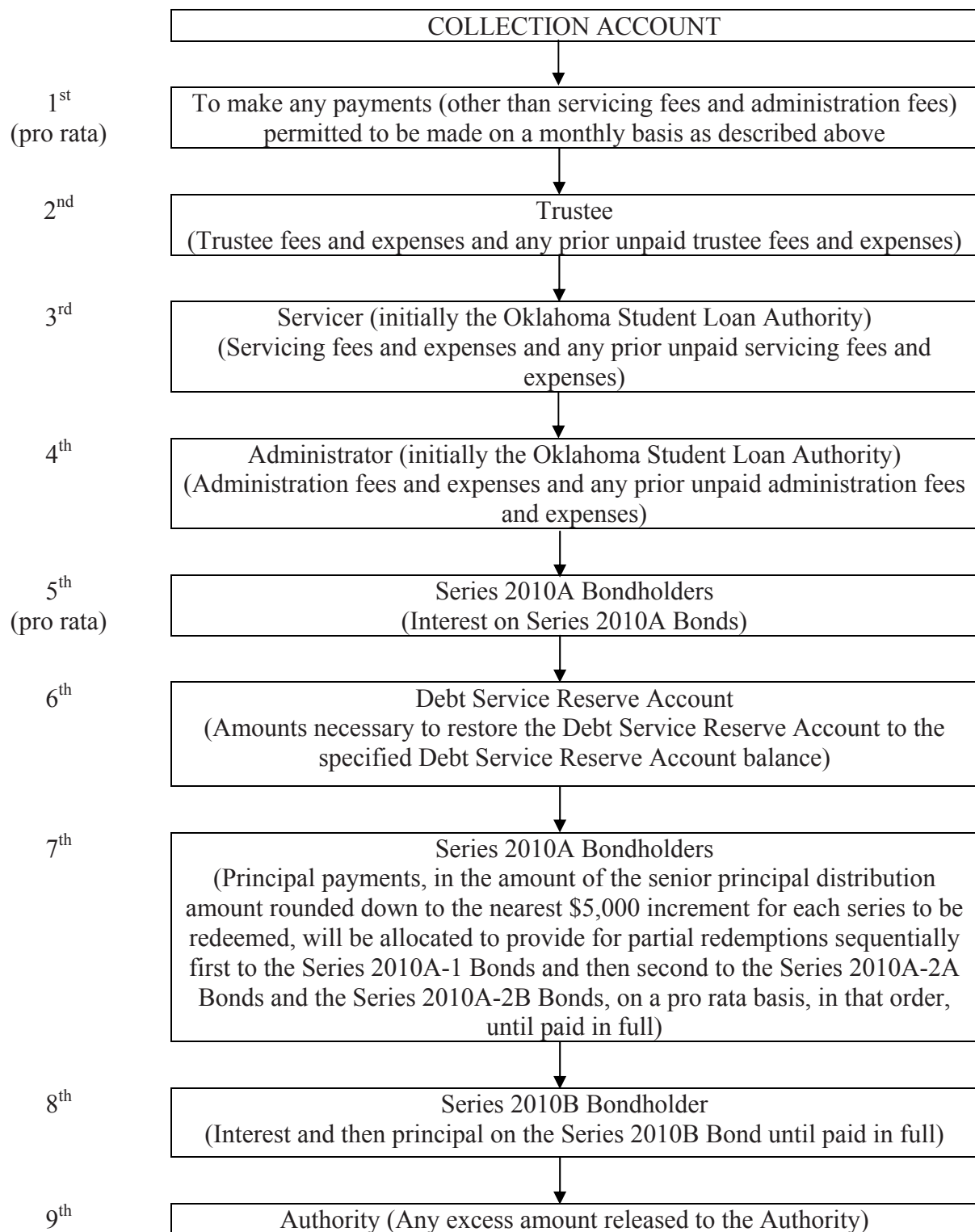
The Indenture is a discrete trust estate and does not permit recycling of Available Funds to purchase additional student loans.

### ***Joint Sharing Agreement***

A joint sharing agreement among the Authority, Bank of America, N.A. and Bank of Oklahoma, N.A., as trustee under the Indenture and certain other bond resolutions of the Authority has been entered into for purposes of allocating payments from, and liabilities to, the Department of Education on student loans among the trust estate established by the Authority under the Indenture and other trust estates established by the Authority under separate bond resolutions.

### ***Flow of Funds***

Servicing fees and expenses and administration fees and expenses may be paid to the Administrator (initially the Oklahoma Student Loan Authority) on each monthly payment date from money available in the Collection Account. The amount of the initial servicing fees and administration fee payable in clauses 3<sup>rd</sup> and 4<sup>th</sup> below is specified under the caption “FEES AND EXPENSES” herein and is subject to increase as described herein. Each month, money available in the Collection Account will also be used to pay: (i) amounts due to the Department of Education, any guarantee agency, or the trustee under another trust indenture if required pursuant to the joint sharing agreement; (ii) amounts required to be deposited to the Department Rebate Fund, the Rebate Fund and the Excess Interest Fund; and (iii) amounts needed to repurchase student loans or pay other administrative expenses specified under the caption “Fees and Expenses” herein. On each quarterly distribution date, prior to an event of default, money in the Collection Account will be used to make the deposits and distributions, to the extent funds are available, as set forth in the following chart:





### **Flow of Funds After Events of Default**

Following the occurrence of an event of default that results in an acceleration of the maturity of the Series 2010 Bonds and after the payment of certain fees and expenses, but prior to any interest or principal payments being made on the Series 2010B Bond, payments of principal and interest on the Series 2010A Bonds will be made, *pro rata*, without preference or priority of any kind, until the Series 2010A Bonds are repaid in full. See the caption “SUMMARY OF THE INDENTURE PROVISIONS – Remedies on Default” herein.

### **Servicing and Administration**

The Authority (in such capacity, the “*Servicer*”) will act as a servicer with respect to all of the financed student loans pursuant to a servicing agreement between the Authority, as issuer, and the Authority, as Servicer, to which the Trustee is a third-party beneficiary. The Authority, as a Servicer, will assume responsibility under its servicing agreement for servicing and making collections on the financed student loans serviced by it.

Nelnet Servicing, LLC will act as the initial backup servicer (the “*Backup Servicer*”) and, in such role, will also act as successor Servicer with respect to the financed student loans upon the occurrence of certain events described herein under the caption “SERVICING OF THE FINANCED STUDENT LOANS – Backup Servicer and Backup Servicing Agreement” herein.

The Administrator (initially the Oklahoma Student Loan Authority) will be paid a monthly administration fee for performing the administrative duties under the Indenture and Servicer will be paid a monthly servicing fee for the financed student loans it services as set forth under

the caption “FEES AND EXPENSES” herein. If the Trustee is deemed to have notice (as described below) of a substantial failure by the Authority to perform any of its duties and obligations under the Indenture, and any such substantial failure has not been cured hereunder within 30 days after written notice by the Trustee to the Authority of such substantial failure (or if such cure will take in excess of 30 days, such addition period as is required for such cure so long as the Authority is diligently pursuing such cure), the Trustee shall endeavor to engage, as soon as practicable, a replacement Administrator to administer all, or any necessary portion, of the duties and obligations of the Authority hereunder, pursuant to a written administration agreement among the Authority, the Trustee and the replacement Administrator setting forth the duties and obligations of the replacement Administrator, and the replacement Administrator shall be entitled to receive the Administration Fee as compensation for its services under the written administration agreement. Upon the Trustee’s written request, the Authority shall enter into such written administrative agreement. For purposes of this provision, the Trustee shall solely determine “substantial failure,” “such additional period as is required,” “diligently pursuing such cure,” “as soon as practicable” and “necessary portion,” and such determinations by the Trustee (the “Determinations”) shall be conclusive. Notwithstanding anything to the contrary, the Trustee shall not be liable to any registered owner, the Authority or any other Person for failure to engage a replacement Administrator or for its Determinations. For purposes of this provision, the Trustee shall not be required to take notice or be deemed to have notice of any failure by the Authority to perform any of its duties and obligations under the Indenture, unless the

Trustee shall be specifically notified in writing of such failure by the registered owner of the Series 2010B Bond, the Authority or the registered owners of at least ten percent (10%) of the Outstanding Amount of the Series 2010A Bonds. Any successor Administrator must be approved by the registered owners representing not less than a majority of the Outstanding Amount of the Series 2010A Bonds and the registered owner of the Series 2010B Bond.

The Backup Servicer has agreed to provide backup servicing pursuant to the terms of the Backup Third Party Servicing Agreement in the event that: (1) a Servicer determines that it will no longer service any financed student loans and provides 150 days' written notice to the Backup Servicer, the Authority and the Trustee of such determination; or (2) a Servicer is in material violation of its Servicing Agreement under which the financed student loans are serviced, as determined by the Authority or the Trustee, at the written direction of registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds, which violation has not been cured thereunder within 30 days after written notice of such violation to such Servicer (or if such cure will take in excess of 30 days, such additional period as is required for such cure so long as the Servicer is diligently pursuing such cure), and the Trustee (at the written direction of the Authority or the registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds) provides 150 days' written notice to the Authority and Backup Servicer of the determination that all of the financed student loans then directly serviced by such Servicer shall be serviced under the Backup Servicing Agreement. The Authority covenants to maintain a Backup Servicing Agreement with a third party servicer with respect to any financed student

loans directly serviced by the Servicer, including the Authority, while any Series 2010 Bonds remain Outstanding unless the Authority receives the consent of the registered owners of a majority of the Outstanding Amount of the Series 2010A Bonds and the written consent of the Series 2010B Bond to the termination of the Backup Servicing Agreement.

### **Optional Purchase**

The Authority may, but is not required to, purchase the remaining financed student loans in the trust estate ten business days prior to any quarterly distribution date when the Pool Balance is equal to or less than 10% of the initial Pool Balance. If this purchase option is exercised, the financed student loans will be released from the lien of the Indenture and the proceeds will be used on the corresponding quarterly distribution date to repay all outstanding Series 2010 Bonds, which will result in early retirement of the Series 2010 Bonds.

If the Authority exercises its purchase option, the purchase price is subject to a prescribed minimum. The prescribed minimum purchase price is the amount that, when combined with amounts on deposit in the funds and accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of the Series 2010 Bonds then outstanding on the related quarterly distribution date to zero;
- pay to the registered owners of the Series 2010A Bonds the interest payable on the related quarterly distribution date; and
- pay any unpaid administration fees and expenses, servicing fees and expenses, trustee fees and expenses,

Rebatable Arbitrage and Excess Interest.

### **Book-Entry Registration**

The Series 2010A Bonds will be delivered in book-entry form only through The Depository Trust Company. You will not receive a certificate representing your Series 2010A Bonds except in very limited circumstances. See the caption “BOOK-ENTRY REGISTRATION” herein

### **Federal Income Tax Consequences**

In the opinion of Kutak Rock LLP, Bond 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 2010A Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2010A-1 Bonds is a specific preference item for purposes of the federal alternative minimum tax and interest on the Series 2010A-2A Bonds and the Series 2010A-2B Bonds is not a specific preference item and is not included in adjusted current earnings for purposes of the federal alternative minimum tax. The Series 2010A Bonds, and the income therefrom, are exempt from taxation in the State of Oklahoma. For a more complete description, see “TAX MATTERS” herein.

### **Ratings of the Series 2010A Bonds**

The Series 2010A Bonds are expected to be rated as follows:

#### **Rating Agency (S&P/Fitch)**

“AAA (sf)”/“AAA”

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or

withdrawal at any time by the assigning rating agency. See the caption “RATINGS” herein.

### **Policies Affecting Revenues**

We offered various types of borrower incentive benefits in previous years that many of the financed student loans are, or will be, eligible to receive. Except for our automatic electronic payment benefit named EZ Pay Discount, the various borrower benefits were discontinued for student loans first disbursed on and after July 1, 2008. See the caption “THE FINANCED STUDENT LOANS” herein for more information on our borrower benefit programs.

### **Federal Regulation of FFEL Program**

The Health Care and Education Reconciliation Act of 2010 (the “*Reconciliation Act*”) eliminated the FFEL Program origination of new FFELP loans after June 30, 2010. Consequently, beginning July 1, 2010, the Authority and its OSLA Network participants are no longer originating new FFEL Program loans to service or own. All new loans will be originated by the federal government, as lender, under the federal Direct Loan Program. However, the Authority is pursuing qualification as a federal Direct Loan Program servicer under the provisions for eligible not for profit servicers under the Reconciliation Act. The Authority has been determined to meet the basic eligibility requirements as a not for profit servicer by the Department. Determination of whether an entity is qualified under the terms of the Reconciliation Act will be made by the Department as part of a formal solicitation process.

In addition, the education loan industry is highly regulated. The Department of Education is the federal

government department that is the primary regulator. In addition to the federal government's elimination of new FFEL Program loans, the Department of Education competes directly with us through its Direct Loan Program. The future effect of that competition will be the potential for the Direct Loan Program to consolidate the Stafford and PLUS loans that we own.

#### **References to Web Sites**

Internet or web site addresses herein are provided as a convenience for purchasers of the Series 2010A Bonds. The Authority does *not* adopt any information that may be provided at these addresses and disclaims any responsibility for such information. The information at such addresses is not to be construed as part of this Official Statement.

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## RISK FACTORS

Potential investors in the Series 2010A Bonds should consider the following risk factors together with all other information in this Official Statement in deciding whether to purchase the Series 2010A 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 2010A Bonds and does not necessarily reflect the relative importance of the various risks.

Additional risk factors relating to an investment in the Series 2010A 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.

### **The Series 2010A Bonds are a long-term investment but are based upon a LIBOR short-term index plus a spread**

The interest rates on the Series 2010A Bonds are based on three-month LIBOR plus a fixed spread, as described herein. As a result, the interest rates on the Series 2010A Bonds are based on a short-term interest rate that is recalculated quarterly on each LIBOR determination date, as described herein, plus a fixed spread. See the caption “DESCRIPTION OF THE SERIES 2010A BONDS – Interest Payments” herein for more information on how interest payments on the Series 2010A Bonds are calculated. Such interest rates on the Series 2010A Bonds may fluctuate significantly over the life of the Series 2010A Bonds.

The Series 2010A Bonds, however, are a long-term investment in that there is currently no secondary market for the Series 2010A Bonds, and they are not subject to any optional tender or liquidity devices. Furthermore, there are no assurances that a secondary market will develop or, if it does develop, that it will continue or be available at any time in the future.

### **You may have difficulty selling your Series 2010A Bonds**

There currently is no secondary market for the Series 2010A Bonds. There are no assurances that any market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. If a secondary market for the Series 2010A Bonds does develop, the spread between the bid price and the asked price for the Series 2010A Bonds may widen, thereby reducing the net proceeds to you from the sale of your Series 2010A Bonds.

The Authority does not intend to list the Series 2010A Bonds on any exchange, including any exchange in either Europe or the United States. Under current market conditions, you may not be able to sell your Series 2010A Bonds when you want to do so (you may be required to bear the financial risks of an investment in the Series 2010A Bonds for an indefinite period of time) or you may not be able to obtain the price that you wish to receive. The market values of the Series 2010A Bonds may fluctuate and movements in price may be significant.

**The Series 2010A Bonds are not a suitable investment for all investors**

The Series 2010A Bonds are not a suitable investment if you require a regular or predictable schedule of payments or payment on any specific date. The Series 2010A 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 prepayment, reinvestment, default and market risk, the tax consequences of an investment, and the interaction of these factors.

**The Series 2010A Bonds are payable solely from the trust estate and you will have no other recourse against the Authority**

Interest and principal on the Series 2010A Bonds will be paid solely from the funds and assets held in the discrete trust estate created under the Indenture. The only financed student loans to be pledged to the Trustee are those to be pledged on the date of issuance, and there will be no subsequent acquisitions of or recycling of financed student loans into the trust estate. No insurance or guarantee of the Series 2010A Bonds will be provided by any government agency or instrumentality, by any insurance company or by any other person or entity. Therefore, your receipt of payments on the Series 2010A Bonds will depend solely on:

- the amount and timing of payments and collections on the financed student loans and interest paid or earnings on the funds held in the accounts established pursuant to the Indenture; and
- amounts on deposit in the Collection Account, the Debt Service Reserve Account and other funds and accounts held in the trust estate (other than the Rebate Fund and the Excess Interest Fund).

You will have no recourse against any party if the trust estate is insufficient for repayment of the Series 2010A Bonds.

**Funds available in the Debt Service Reserve Account are limited and, if depleted, there may be shortfalls in payments to registered owners**

The Debt Service Reserve Account will be funded at the Specified Debt Service Reserve Account Balance on the Date of Issuance.

Amounts on deposit in the Debt Service Reserve Account will be replenished to the extent of available funds so that the amount on deposit in the Debt Service Reserve Account will be maintained at the specified Debt Service Reserve Account balance. Funds may be transferred out of the Debt Service Reserve Account from time to time as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS” herein.

In the event that the funds on deposit in the Debt Service Reserve Account are exhausted and there are insufficient available funds in the Collection Account, the Series 2010A Bonds will bear any risk of loss.

**Payment priorities among the Series 2010A Bonds may result in a greater risk of loss**

Except in the case of an Event of Default, the payment of principal on the Series 2010A Bonds will be sequential, with the Series 2010A-1 Bonds receiving principal payments before the Series 2010A-2A Bonds and the Series 2010A-2B Bonds. Consequently, holders of Series 2010A-2A Bonds and Series 2010A-2B Bonds and the may bear a greater risk of loss.

In addition, payment of principal on a quarterly basis is to be accomplished by partial redemptions, with holders to be selected by lot, which will further result in some Series 2010A Bonds paid prior to others. Potential purchasers of the Series 2010A Bonds should consider this before making an investment decision.

**Certain amendments to the Indenture and other actions may be taken with Rating Agency Confirmation/Notification or by less than all of the registered owners of the Series 2010A Bonds and without your approval**

The Indenture permits the Authority and the Trustee to take certain actions based upon the receipt of a rating confirmation or rating notification (each as defined in Appendix A – GLOSSARY OF TERMS herein), without the consent of the registered owners of the Series 2010A Bonds. Changes may be made to the Indenture or other actions taken without the consent of the registered owners of the Series 2010A Bonds. See the caption “SUMMARY OF THE INDENTURE PROVISIONS – Supplemental Indentures – Supplemental Indentures Not Requiring Consent of Registered Owners” herein.

Under the Indenture, holders of specified percentages of the Outstanding Amount of the Highest Priority Bonds may amend or supplement or waive provisions of the Indenture without the consent of the other holders. You have no recourse if the holders vote and you disagree with the vote on these matters. The holders may vote in a manner which impairs the ability to pay principal and interest on your Series 2010A Bonds.

**The rate of payments on the financed student loans and selection of Series 2010A Bonds to be redeemed by lot may affect the maturity and yield of the Series 2010A Bonds**

Financed student loans may be prepaid at any time without penalty. If the Authority receives prepayments on the financed student loans, those amounts will be used to make principal payments as described below under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS – Collection Account; Flow of Funds” herein, which could shorten the average life of the Series 2010A Bonds. Factors affecting prepayment of loans include general economic conditions, prevailing interest rates and changes in the borrower’s job, including transfers and unemployment. Refinancing opportunities that may provide more favorable repayment terms, including those offered under the Direct Loan Program consolidation loan program and borrower incentive programs, also affect prepayment rates.

Scheduled payments with respect to the financed student loans disbursed may be reduced and the maturities of financed student loans may be extended as authorized by the Higher Education Act. Also, periods of deferment and forbearance may lengthen the remaining term of the student loans and the average life of the Series 2010A Bonds.

The rate of principal payments to you on the Series 2010A Bonds will be directly related to the rate of payments of principal on the financed student loans and, as previously noted, the time your Series 2010A Bonds is redeemed as selected by lot. Changes in the rate of prepayments and the random nature of redemptions may significantly affect your actual yield to maturity, even if the average rate of principal prepayments is consistent with your expectations.

In general, the earlier a prepayment of principal of a loan, the greater the effect may be on your yield to maturity. The effect on your yield as a result of principal payments occurring at a rate higher or lower than the rate anticipated by you during the period immediately following the issuance of the Series 2010A Bonds may not be offset by a subsequent like reduction, or increase, in the rate of principal payments on the Series 2010A Bonds. You will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of the financed student loans or as a result of redemption by lot.

**The Series 2010A Bonds may have basis risk which could affect payment of principal and interest on the Series 2010A Bonds**

There is a degree of basis risk associated with the Series 2010A Bonds. Basis risk is the risk that shortfalls might occur because the interest rates of the financed student loans and those of the Series 2010A Bonds adjust on the basis of different indexes or at different times and have a fixed spread component. Most student loan revenue bonds are sensitive to spreads between commercial paper rates, the index for most of the financed student loans, and LIBOR rates, the index for the Series 2010A Bonds. Such spreads have been more volatile than historical levels



since the credit market disruption began in 2007. If a shortfall were to occur, payment of principal or interest on the Series 2010A Bonds could be adversely affected.

**Different rates of change in interest rate indexes may affect trust estate cash flow**

The interest rates on the Series 2010A Bonds may fluctuate from one interest accrual period to another in response to changes in the specified index rates. The student loans that will be financed with the proceeds from the sale of the Series 2010A Bonds bear interest either at fixed rates or at rates which are generally based upon the bond-equivalent yield of the 91-day U.S. Treasury Bill rate. In addition, the financed student loans may be entitled to receive special allowance payments from the Department of Education based upon the 91-day U.S. Treasury Bill rate or a three-month commercial paper rate. See the captions “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” herein and in APPENDIX B - “DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM”.

If there is a decline in the rates payable on financed student loans, the amount of funds representing interest deposited into the Collection Account may be reduced. If the interest rate payable on the Series 2010A Bonds does not decline in a similar manner and time, the Authority may not have sufficient funds to pay interest on the Series 2010A Bonds when due. Even if there is a similar reduction in the rate applicable to the Series 2010A Bonds, there may not necessarily be a reduction in the other amounts required to be paid by the Authority, such as administrative and servicing fees and expenses, causing interest payments to be deferred to future periods.

Similarly, if there is a rapid increase in the interest rate payable on the Series 2010A Bonds without a corresponding increase in rates payable on the financed student loans, the Authority may not have sufficient funds to pay interest on the Series 2010A Bonds when due. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the Series 2010A Bonds or expenses of the trust estate.

As of the statistical cut-off date, approximately 71.7% of the financed student loans described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” were disbursed prior to April 1, 2006. For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level.

However, lenders are *not* allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006 and before July 1, 2010, and are required to rebate any such “excess interest” to the federal government on a quarterly basis. This modification effectively limits lenders’ returns to the special allowance support level and could require a lender to rebate excess interest accrued but not yet received. For fixed rate loans, the excess interest owed to the federal government will be greater when 91-day U.S. Treasury Bill rates and commercial paper rates are relatively low, causing the special allowance support level to fall below the loan rate.

Furthermore, FFELP loans disbursed on or after October 1, 2007, and before July 1, 2010, are also subject to a reduced special allowance payment formula. As of the statistical cut-off date, only approximately 3.7% of the financed student loans described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” were disbursed on or after October 1, 2007. See “DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM” in Appendix B hereto for more information on the special allowance payment formulas applicable with respect to FFELP loans. There can be no assurance that such factors or other types of factors will not occur or that, if they occur, such occurrence will not materially adversely affect the sufficiency of the trust estate to pay the principal of and interest on the Series 2010A Bonds, as and when due.

### **Turmoil in the credit markets**

There have been changes in the national credit markets since the fall of 2007 that have dramatically changed the way that the Authority does business. Since its inception, the Authority regularly financed its student loan purchases on a long-term basis through the issuance of revenue bonds secured by the student loans it had purchased with the proceeds of such bonds. Due to the turmoil in the credit markets, the cost of asset-backed securities financings has increased and their availability has decreased. Some of the issues that have made asset-backed borrowings more difficult include: the collapse of the auction rate securities market, the downgrade of national bond insurers, limited availability of credit support and liquidity in the market, the requirement by those credit and liquidity providers that are in the market of increasingly higher amounts of equity and higher fees payable to such credit and liquidity providers in financings, and the establishment by the credit rating agencies of significantly more rigorous assumptions and requirements.

This difficulty in obtaining long-term financing has severely limited the Authority’s ability to purchase student loans and has negatively impacted the Authority’s business relationships with its long-time lender partners.

Due to the limited recourse nature of the trust estate for the Series 2010A Bonds, the turmoil in the credit markets should not impact the payment of the Series 2010A Bonds unless it causes: (1) erosion in the finances of the Authority to such an extent that it cannot honor any repurchase, administration, or similar obligations under the Indenture; or (2) causes the interest rates on the Series 2010A Bonds to increase more than the interest rates and subsidies received by the Authority on the financed student loans.

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**Changes to the Higher Education Act, including the recent enactment of the Health Care and Education Reconciliation Act of 2010, changes to other applicable law and other Congressional action may affect your notes and the financed student loans**

On March 30, 2010, the Reconciliation Act was enacted into law. Effective July 1, 2010, the Reconciliation Act eliminated the origination of new FFELP loans after June 30, 2010. Beginning July 1, 2010, all loans made under the Higher Education Act are originated under the Federal Direct Student Loan Program (the “*Direct Loan Program*”). The terms of existing FFELP loans are not materially affected by the Reconciliation Act.

In addition to the passage of the Reconciliation Act, Title IV of the Higher Education Act and the regulations promulgated by the Department of Education thereunder have been the subject of frequent and extensive amendments and reauthorizations in recent years. See APPENDIX B - “DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM” for more information on the Higher Education Act and various amendments thereto.

There can be no assurance that the Higher Education Act or other relevant federal or state laws, rules and regulations may not be further amended or modified in the future in a manner that could adversely affect the Authority or its student loan programs, the trust estate created under the Indenture, the financed student loans, or the financial condition of or ability of the Authority, the Servicers or the guarantee agencies to comply with their obligations under the various transaction documents or the notes offered hereby.

Future changes could also have a material adverse effect on the revenues received by the guarantors that are available to pay claims on defaulted financed student loans in a timely manner. In addition, if legislation were to be passed in the future requiring the sale of the financed student loans held in the trust estate to the federal government, proceeds from such sale would be deposited to the Collection Fund and used to pay the notes in advance of their current expected maturity date. No assurance can be given as to the amount that would be received from such sale or whether such amount would be sufficient to pay all principal and accrued interest due on the notes, as there is no way to know what purchase price would be paid by the federal government for the financed student loans.

The Authority cannot predict the effects of the Reconciliation Act or whether any other changes will be made to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the Secretary of Education in future legislation, or the effect of such legislation on the Authority, the Servicers, the guarantee agencies, the financed student loans or the Authority’s loan programs.

## **The Authority may be subject to student loan industry investigations**

Since 2007, a number of state attorneys general have announced or are reportedly conducting broad investigations of possible abuses in the student loan industry by various lenders and higher education institutions (“*institutions*”). The primary issues under review appear to include revenue sharing arrangements between lenders and institutions, the limiting by institutions of a borrower’s ability to borrow from the lender of his or her choice, lenders’ undisclosed plans to sell student loans to other lenders, undisclosed agreements between lenders and institutions regarding “opportunity loans” to students with little or no credit history, potential conflicts of interest in connection with the placement of lenders on “preferred lender” lists at institutions, and other arrangements between lenders and institutions which could adversely affect student borrowers. “Preferred lender lists” are lists of lenders recommended by the institutions’ financial aid departments or other organizations to students and parents seeking financial aid.

The Attorney General of New York was the first official to conduct such investigations and has reported agreements with dozens of institutions and several lenders. Other states followed quickly thereafter. Settlements have followed with certain institutions and several lenders; often, the settlements require the institutions and lenders to adhere to a school code of conduct (collectively, the “*School Codes of Conduct*”) intended to prevent potential conflicts of interest. Generally, these School Codes of Conduct prohibit institutions, as well as their employees, from receiving remuneration from lenders and employees from participating on lender advisory boards in exchange for compensation. Further, the employees of a lender are not allowed to staff the financial aid office of an institution, and lenders may not provide opportunity loans that might prejudice other student loan borrowers. The School Codes of Conduct go into great detail regarding the composition of preferred lender lists and required disclosure regarding the institution’s decision-making process with respect to the lists and any agreements of lenders on the preferred lender lists to sell student loans to another lender.

Most of the Authority’s student loans have been made to students in Oklahoma, or in Arkansas. However, the Authority has acquired loans made to students across the country, but it has not been contacted by the Attorney General of the State of Oklahoma or other state attorneys general to respond to such investigations. Since such processes are typically confidential, the Authority will not necessarily be able to advise of any such contacts or its involvement in such matters. The activity and number of investigations nationally appears to have greatly diminished.

The Department of Education has adopted regulations that impact the practices which are the subject of the foregoing investigations. The Authority believes it is in material compliance with the regulations. See the caption “Changes to the Higher Education Act, including the recent enactment of the Healthcare and Education Reconciliation Act of 2010, changes to other applicable law and other Congressional action may affect your notes and the financed student loans” above.

## **General economic conditions**

The United States economy has experienced a downturn or slowing of growth that started in the last five or six months of 2008. Although there were some indications in early 2010 that the downturn may be slowing or reversing, it is unclear at this time whether the downturn or slower growth has ended or if it may return, continue or worsen. A downturn in the economy resulting in substantial layoffs either regionally or nationwide may result in an increase in delays by borrowers in paying financed student loans, thus causing increased default claims to be paid by guarantee agencies. It is impossible to predict the status of the economy or unemployment levels or at which point a downturn in the economy would significantly reduce revenues to the Authority or the guarantee agencies' ability to pay default claims. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Certain such events may have other effects, the impacts of which are difficult to project.

### **The United States military build-up may result in delayed payments from borrowers called to active military service**

The build-up of the United States military in the past decade, plus the extensive activation of national guard units, has increased the number of citizens who are in active military service. The Servicemembers Civil Relief Act limits the ability of a lender under the FFELP to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter.

The Authority does not know how many student loans have been or may be affected by the application of the Servicemembers Civil Relief Act. Payments on financed student loans may be delayed as a result of these requirements, which may reduce the funds available to the Authority to pay principal and interest on the Series 2010A Bonds.

### **Higher Education Relief Opportunities for Students Act of 2003 may result in delayed payments from borrowers**

The Higher Education Relief Opportunities for Students Act of 2003 ("*HEROS Act of 2003*") signed into law on August 18, 2003 authorizes the Secretary of Education to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary for the benefit of "affected individuals" who:

- are serving on active military duty or performing qualifying national guard duty during a war or other military operation or national emergency;
- reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or

- suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary.

The Secretary is authorized to waive or modify any provision of the Higher Education Act to ensure that:

- such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance;
- administrative requirements in relation to that assistance are minimized;
- calculations used to determine need for such assistance accurately reflect the financial condition of such individuals;
- provision is made for amended calculations of overpayment; and
- institutions of higher education, eligible lenders, guarantee agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable.

The number and aggregate principal balance of student loans that may be affected by the application of the HEROS Act of 2003 is not known at this time. Accordingly, payments the Authority receives on financed student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers become eligible for the relief provided under the HEROS Act of 2003, there could be an adverse effect on the total collections on the financed student loans and the Authority's ability to pay principal and interest on the Series 2010A Bonds.

**Consumer protection laws may affect enforceability of financed student loans**

Numerous federal and state consumer protection laws, including various state usury laws and related regulations, impose substantial requirements upon lenders and servicers involved in consumer finance. Some states impose finance charge ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liability that could affect an assignee's ability to enforce consumer finance contracts such as the student loans. In addition, the remedies available to the Trustee or the registered owners upon an event of default under the Indenture may not be readily available or may be limited by applicable state and federal laws.

**You will rely on the Authority, as Servicer, or the Backup Servicer for the servicing of the financed student loans**

You will be relying on the Authority to service all of the financed student loans. The Authority also will engage the Backup Servicer as of the date of issuance to act upon the occurrence of certain events described herein under the caption “SERVICING OF THE FINANCED STUDENT LOANS-- Backup Servicer ” herein. The Authority also acts as custodian with respect to the financed student loans.

The cash flow projections relied upon by the Authority in structuring the issuance of the Series 2010 Bonds were based upon assumptions with respect to servicing costs of the Authority and the Backup Servicer’s costs to act as Backup Servicer. The cash flow projections assume an annual rate of inflation of 3% for loan servicing fees. However, no assurance can be made that the costs to the Authority and the Backup Servicer for servicing the financed student loans serviced by it will not increase, or that the Authority would be successful in entering into servicing agreements with other servicers that would be acceptable to the rating agencies at the assumed level of servicing cost if the current servicing agreement or the Backup Servicing Agreement is terminated.

Although the Authority is obligated to service the financed student loans in accordance with the terms of its servicing agreement, and the Backup Servicer is obligated to service the financed student loans, if necessary, in accordance with the terms of the Backup Servicing Agreement, the timing of payments to be actually received with respect to the financed student loans will be dependent upon the ability of the Authority, and, if necessary, the Backup Servicer to adequately service the financed student loans serviced by each entity. In addition, the registered owners will be relying on the compliance by the Authority and the Backup Servicer with applicable federal and state laws and regulations.

**Bankruptcy or insolvency of a Servicer could result in payment delays to you**

The Authority will act as the Servicer with respect to the financed student loans pursuant to a servicing agreement and the Backup Servicer will standby, and act in certain events, with respect to servicing the financed student loans pursuant to the Backup Servicing Agreement. In the event of a default by the Servicer or the Backup Servicer resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer and delays in collections in respect of those affected financed student loans may occur. Any delay in the collections of financed student loans may delay payments to you.

**A default by a Servicer could adversely affect the Series 2010A Bonds**

If the Authority, as Servicer, defaults on its obligations to service the financed student loans, the Backup Servicer would become the successor Servicer for those financed student loans. If the Backup Servicer defaults on its obligations to service the financed student loans, the Authority or the Trustee may remove the Backup Servicer without the consent of any other party, subject to satisfaction of the conditions set forth in the Indenture. In the event of the removal of the Servicer or the Backup Servicer and the appointment of a successor servicer, there may be additional costs associated with the transfer of servicing to the successor servicer, including but not limited to, an increase in the servicing fees the successor servicer charges. In addition, the Authority cannot predict the ability of the successor servicer to perform the obligations and duties under any servicing agreement.

**If the Authority or a Servicer fails to comply with the Department of Education's regulations, payments on the Series 2010A Bonds could be adversely affected**

The Department of Education regulates each servicer of federal student loans. Under these regulations, a third-party servicer is jointly and severally liable with its client lenders (including the Authority) for liabilities to the Department of Education arising from its violation of applicable requirements. In addition, if any lender or servicer fails to meet standards of financial responsibility or administrative capability included in the regulations, or violates other requirements, the Department of Education may impose penalties or fines and limit, suspend, or terminate the lender's ability to participate in or a servicer's eligibility to contract to service loans originated under FFELP before July 1, 2010.

If the Authority (as lender) were so fined, or its FFELP eligibility were limited, suspended or terminated, payment on the Series 2010A Bonds could be adversely affected. If any Servicer were so fined or held liable, or its eligibility were limited, suspended, or terminated, its ability to properly service the financed student loans and to satisfy any remedies owed by it to the Authority under a servicing agreement relating to financed student loans could be adversely affected. In addition, if the Department of Education terminates a Servicer's eligibility, a servicing transfer will take place and there may be delays in collections and temporary disruptions in servicing. Any servicing transfer may temporarily adversely affect payments to you.



**Failure to comply with loan origination and servicing procedures for financed student loans may result in loss of guarantee and other benefits**

The Authority and the entities servicing its loans must meet various requirements in order to maintain the federal guarantee on the financed student loans. These requirements establish servicing requirements and procedural guidelines and specify school and borrower eligibility criteria.

A Guarantee Agency may reject a loan for claim payment due to a violation of the FFEL Program due diligence collection and servicing requirements. In addition, a Guarantee Agency may reject claims under other circumstances, including, for example, if a claim is not timely filed or adequate documentation is not maintained. Once a financed student loan ceases to be guaranteed, it is ineligible for federal interest benefit and special allowance payments.

If a financed student loan is rejected for claim payment by a guarantee agency, the Authority, through its servicers, continues to pursue the borrower for payment or institute a process to reinstate the guarantee. Guarantee Agencies may reject claims as to portions of interest for certain violations of the due diligence collection and servicing requirements even though the remainder of a claim may be paid.

Examples of errors that cause claim rejections include isolated missed collection calls or failures to send collection letters as required. Violations of due diligence collection and servicing requirements can result from human error. Violations can also result from computer processing system errors or from problems arising in connection with the implementation of a new computer platform or the conversion of additional loans to a servicing system.

The Department of Education has implemented school eligibility requirements, including default rate limits. In order to maintain eligibility in the FFEL Program, schools must maintain default rates below specified levels and both guarantee agencies and lenders are required to insure that loans are made to students attending schools that meet default criteria. If the Authority fails or the Servicer fails to comply with any of the above requirements, the Authority could incur penalties or lose the federal guarantee on some or all of the financed student loans.

**The inability of the Authority, a Servicer or a Selling Lender to meet their respective purchase obligations may result in losses on your Series 2010A Bonds**

Under some circumstances, the Authority may have the right to require a Servicer or the lender selling a financed student loan to purchase, a financed student loan. This right against the Servicer arises generally if a financed student loan ceases to be guaranteed or insured (and a guarantee or insurance claim is not paid by a guarantee agency or by the United States) and if the same is not cured within the applicable cure period. This right against a Servicer or a selling lender arises generally as the result of a breach of certain covenants with respect to such student

loan, in the event such breach materially adversely affects the interests of the Authority in that financed student loan and is not cured within the applicable cure period. There is no guarantee that a Servicer or a selling lender will have the financial resources to make a purchase or substitution. In this case, you will bear any resulting loss.

In addition, the Authority assigned and pledged to the Trustee its rights and remedies under any student loan purchase agreement under which financed student loans were acquired. The Trustee could pursue any rights of the Authority against these third parties with respect to the financed student loans. Any limitations on the rights and remedies specified in these agreements may impair the Authority's ability to pay principal and interest on your Series 2010A Bonds, and there is no guarantee that any third-party to any of the above referenced agreements will have the financial resources to honor their respective obligations under those agreements.

**Limitation on enforceability of remedies against the Authority could result in payment delays or losses**

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, the remedies provided in the Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2010A 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 of creditors generally.

In addition, the Higher Education Act provides that a security interest in FFELP loans may be perfected by the filing of notice of such security interest in the manner in which security interests in accounts may be perfected by applicable state law, which, under the Oklahoma Uniform Commercial Code, is accomplished by filing a financing statement with the Oklahoma County Clerk. Nonetheless, if through fraud, inadvertence or otherwise, a third-party lender or purchaser acting in good faith were to obtain possession of any of the promissory notes evidencing the financed student loans (or, in the case of a master promissory note, a copy thereof), any security interest of the Trustee in the related financed student loans could be preempted. The Authority currently maintains control and shall continue to maintain control of all financed student loans that are evidenced by an electronically signed note in compliance with applicable federal and state laws. Custody of all other promissory notes relating to financed student loans will be maintained by the Authority, or a custodial agent on its behalf, or by the Servicer.

**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 acquires most of its student loans by purchasing such loans from other lenders. When purchasing student loans, the Authority customarily obtains warranties from the sellers as to certain matters, including that the loans were originated in accordance with the Higher Education Act and that the loans will be transferred to the Authority free of any liens. Notwithstanding the foregoing, under applicable law, security interests in such loans may exist which may not be ascertainable from available sources. Therefore, no absolute assurance can be given that liens other than the lien of the Indenture do not and will not exist.

**The use of master promissory notes for the financed student loans may compromise the Trustee's security interest**

Loans made under the FFEL Program may be evidenced by a master promissory note. Once a borrower executes a master promissory note with a lender, additional student loans made by the lender to such borrower are evidenced by a confirmation sent to the borrower, and all student loans are governed by the single master promissory note.

A student loan evidenced by a master promissory note may be sold independently of the other student loans governed by the master promissory note. If the Authority acquires a student loan governed by a master promissory note and does not obtain possession of the master promissory note, other parties could claim an interest in the student loan. This could occur if the holder of the master promissory note were to take an action inconsistent with the Authority's rights to a financed student loan, such as delivery of a duplicate copy of the master promissory note to a third-party for value. Although such action would not defeat the Authority's rights to the financed student loan or impair the security interest held by the Trustee for your benefit, it could delay receipt of principal and interest payments on the loan.

**You may incur losses or delays in payment on your Series 2010A Bonds if borrowers do not make timely payments or default on their financed student loans**

For a variety of economic, social and other reasons, all the payments that are actually due on financed student loans may not be made at all or may not be made in a timely fashion. Borrowers' failures to make timely payments of the principal and interest due on the financed student loans will affect the revenues of the trust estate for the Authority which may reduce the amounts available to pay principal and interest due on the Series 2010A Bonds.

The cash flow from the financed student loans and the Authority's ability to make payments due on the Series 2010A Bonds will be reduced to the extent interest is not currently payable on the financed student loans. The borrowers on most student loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter, as described in the Higher Education Act. The Department of Education will make all

interest payments while payments are deferred under the Higher Education Act on certain subsidized student loans first disbursed before July 1, 2010 that qualify for interest benefit payments. For all other student loans first disbursed before July 1, 2010, interest generally will be capitalized and added to the principal balance of the student loans. The financed student loans will consist of student loans for which payments are deferred as well as student loans for which the borrower is currently required to make payments of principal and interest. The proportions of the financed student loans for which payments are deferred and currently in repayment will vary during the period that the Series 2010A Bonds are outstanding.

In general, a guarantee agency reinsured by the Department of Education will guarantee 100% of each student loan originated before October 1, 1993, 98% of each student loan originated on or after October 1, 1993 and before July 1, 2006, and 97% of each student loan originated on or after July 1, 2006 and before July 1, 2010. As a result, if a borrower of a financed student loan defaults, the Authority may, with respect to certain loans, experience a loss of approximately 2% or 3% of the outstanding principal and accrued interest on each of the defaulted loans depending upon when it was first disbursed. The Authority does not have any right to pursue the borrower for the remaining portion that is not subject to the guarantee. If defaults occur on the financed student loans and the credit enhancement described herein is not sufficient, you may suffer a delay in payment or a loss on your investment.

**The Trustee may be forced to sell the financed student loans at a loss after an event of default**

Generally, if an event of default occurs under the Indenture, the Trustee may sell, and, at the direction of registered owners (in varying percentages as specified in the Indenture), must sell the financed student loans. However, the Trustee may not find a purchaser for the financed student loans or the market value of the financed student loans plus other assets in the trust estate might not equal the principal amount of outstanding Series 2010A Bonds plus accrued interest. Competition currently existing in the secondary market for student loans made under the FFEL Program before July 1, 2010 also could be reduced, resulting in fewer potential buyers of the financed student loans and lower prices available in the secondary market for the financed student loans. You may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the financed student loans sufficient to pay the principal amount of the Series 2010A Bonds plus accrued interest.

**The Series 2010A-2A Bonds and the Series 2010A-2B Bonds may be repaid early due to an optional purchase, which may affect your yield, and you will bear reinvestment risk**

The Series 2010A-2A Bonds and the Series 2010A-2B Bonds may be repaid before you expect them to be in the event of an optional purchase (when the Pool Balance is equal to or less than 10% of the initial Pool Balance) of the financed student loans as described under “DESCRIPTION OF THE SERIES 2010A BONDS -- Optional Purchase” herein. Such an event would result in the early retirement of the Series 2010A-2A Bonds and the Series 2010A-2B Bonds

outstanding on that date. If this happens, your yield on the Series 2010A-2A Bonds and the Series 2010A-2B Bonds may be affected and you will bear the risk that you cannot reinvest the money you receive in comparable investments at an equivalent yield.

**The characteristics of the portfolio of financed student loans may change**

The characteristics of the pool of student loans expected to be pledged to the Trustee on the date of issuance are described herein as of the statistical cut-off date. However, the actual characteristics of the student loans at any given time will change due to factors such as the repayment of the student loans in the normal course of business or the occurrence of delinquencies or defaults. The characteristics that may differ include the composition of the student loans, the distribution by loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining terms. You should consider potential variances when making your investment decision concerning the Series 2010A Bonds. See the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” herein.

**Student loans are unsecured and the ability of the guarantee agencies to honor their guarantees may become impaired**

The Higher Education Act requires that all student loans be unsecured. As a result, the only security for payment of the financed student loans are the guarantees provided by the guarantee agencies.

A deterioration in the financial status of a guarantee agency and its ability to honor guarantee claims on defaulted financed student loans could delay or impair that guarantee agency’s ability to make claims payments to the Trustee. The financial condition of a guarantee agency can be adversely affected if it submits a large number of reimbursement claims to the Department of Education, which results in a reduction of the amount of reimbursement that the Department of Education is obligated to pay a guarantee agency.

The Department of Education may also require a guarantee agency to return its Reserve Accounts to the Department of Education upon a finding that the reserves are unnecessary for that guarantee agency to pay its program expenses or to serve the best interests of the federal student loan program. The inability of any guarantee agency to meet its guarantee obligations could reduce the amount of money available to pay principal and interest to you as the owner of the Series 2010A Bonds or delay those payments past their due date.

If the Department of Education has determined that a guarantee agency is unable to meet its guarantee obligations, the student loan holder may submit claims directly to the Department of Education and the Department of Education is required to pay the full guarantee claim amount due with respect to such claims. See the caption “GUARANTEE AGENCIES” herein. However, the Department of Education’s obligation to pay guarantee claims directly in this fashion is contingent upon the Department of Education making the determination that a guarantee agency is unable to meet its guarantee obligations. The Department of Education may not ever make

this determination with respect to a guarantee agency and, even if the Department of Education does make this determination, payment of the guarantee claims may not be made in a timely manner.

**Payment offsets by a guarantee agency or the Department of Education could prevent the Authority from paying you the full amount of the principal and interest due on your Series 2010A Bonds**

The Authority may use the same Department of Education lender identification number for the financed student loans to be included in the trust estate as it uses for other student loans it holds. If so, the billings submitted to the Department of Education and the claims submitted to guarantee agencies for the financed student loans will be consolidated with the billings and claims for payments for student loans that are not included in the trust estate but use the same lender identification number. Payments on those billings by the Department of Education as well as claim payments by the applicable guarantee agencies will be made to the Authority, or to a Servicer on behalf of the Authority, in lump sum form. Those payments must be allocated by the Authority to the trust estate and to other trust estates of the Authority that reference the same lender identification number.

If the Department of Education or a guarantee agency determines that the Authority owes it a liability on any student loan held by it, the Department of Education or the applicable guarantee agency may seek to collect that liability by offsetting it against payments due to the Authority in respect of the financed student loans pledged to secure your Series 2010A Bonds. Any offsetting or shortfall of payments due to the Authority could adversely affect the amount of funds available to the trust estate and thus the Authority's ability to pay you principal and interest on the Series 2010A Bonds. The Authority has entered into a "joint sharing agreement" with the Bank of Oklahoma, N.A., as trustee under the Indenture and certain other bond resolutions of the Authority, and Bank of America, N.A. in order to allocate payments from, and liabilities to, the Department of Education on student loans among the trust estate established by the Authority under the Indenture and the trust estates established by the Authority under the other bond resolutions and financing arrangements.

**Commingling of payments on student loans could prevent the Authority from paying you the full amount of the principal and interest due on your Series 2010A Bonds**

Payments received on the financed student loans generally are deposited into an account in the name of the Authority or the applicable Servicer each business day. Payments received on the financed student loans may not always be segregated from payments the Authority, or the applicable Servicer, receives on other student loans it owns (with respect to the Authority) or services (with respect to a Servicer), and payments received on the financed student 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 student loans once identified by the Authority or applicable Servicer as such are transferred to the Trustee for deposit into the Collection Account within two business days of receipt. If the Authority or applicable Servicer fails to transfer such funds to the Trustee, registered owners may suffer a loss. See the caption "SERVICING OF THE FINANCED STUDENT LOANS" herein.

**Incentive or borrower benefit programs may affect your Series 2010A Bonds**

The financed student loans may be subject to various borrower incentive programs. Any incentive program that effectively reduces borrower payments or principal balances on financed student loans may result in the principal amount of financed student loans amortizing faster than anticipated. The Authority cannot accurately predict the number of borrowers that will utilize the borrower benefits provided under the borrower benefit programs currently offered by the Authority. The greater the number of borrowers that utilize such benefits with respect to financed student loans, the lower the total loan receipts on such financed student loans.

**The Series 2010A Bonds are expected to be issued only in book-entry form**

The Series 2010A Bonds are expected to be initially represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in your name or the name of your nominee. Unless and until definitive securities are issued, holders of the Series 2010A 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 2010A Bonds will only be able to exercise the rights of registered owners indirectly through DTC and its participating organizations. See the caption "BOOK-ENTRY REGISTRATION" herein.

**The ratings of the Series 2010A Bonds are not a recommendation to purchase and may change**

It is a condition to issuance of the Series 2010A Bonds that they be rated as indicated on the cover hereof. Ratings are based primarily on the creditworthiness of the underlying financed student loans, the amount of credit enhancement and the legal structure of the transaction.

The ratings are not a recommendation to you to purchase, hold or sell the Series 2010A Bonds inasmuch as the ratings do not comment as to the market price or suitability for you as an investor. An additional rating agency may rate the Series 2010A 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 the rating agency's judgment circumstances so warrant. A downgrade in the rating of your Series 2010A Bonds is likely to decrease the price a subsequent purchaser will be willing to pay for your Series 2010A Bonds.

Certain actions affecting the financed student loans and the trust estate, including actions relating to the servicing of the financed student loans and the administration of the trust estate, including changes in the fees for such servicing and administration, may be taken by the Authority or the Trustee with a rating confirmation or rating notification. The definition of “Rating Notification” permits the Authority to take certain actions if it provides notice to the rating agencies, other than S&P, regarding such action and the rating agencies do not indicate within the specified time period that such action would cause a downgrade of the applicable rating. Such inaction by a rating agency cannot, however, be viewed as an approval of the requested action of the Authority by any rating agency. Furthermore, such inaction would not limit the ability of the rating agency to downgrade its rating on the basis of such action by the Authority.

The Authority cannot predict the timing of any ratings actions, nor can the Authority predict whether the ratings assigned to the Authority’s outstanding student loan revenue bonds or the Series 2010A Bonds offered hereby will be downgraded.

### **Termination of new FFEL Program student loan originations**

Beginning July 1, 2010, eligible lenders, including the Authority and its OSLA Network Lenders, were no longer allowed to originate FFEL Program student loans as a result of the Reconciliation Act. Beginning July 1, 2010, all federal student loans are originated solely by the federal government pursuant to the Direct Loan Program. This occurrence is likely to reduce the Authority’s servicing revenues and increase its unit servicing costs as the loan portfolio being serviced diminishes over time.

If circumstances necessitate a transfer of servicing of financed student loans to the Backup Servicer, a disruption could occur that results in reductions or delays in cash flow to the Trust Estate. To the extent the Debt Service Reserve Account is insufficient to cover any shortfalls, the Authority’s ability to make payments of principal and interest on the Series 2010A Bonds and pay servicing fees and administrative costs may be adversely affected.

### **New Loan Servicing Plans**

The Student Aid and Fiscal Responsibility Act of 2009 (“*SAFRA*”), Title II of the Reconciliation Act, became law on March 30, 2010. *SAFRA* requires the Secretary of the Department of Education to contract with each eligible and qualified not-for-profit servicer (“*NFP servicers*”) to service loans. The Authority responded to a request for information and was among the first twelve NFP servicers that the Department determined met the NFP servicer eligibility criteria under *SAFRA*.

The next step in the process for the Authority to become a qualified NFP servicer is meeting the certain information and physical security standards for servicing Direct Loan Program federal assets and specific government contracting regulations. Information concerning qualification standards is expected from the Department of Education early in the fall of 2010.

The Authority has also performed significant due diligence on third party remote user Direct Loan Program servicing platforms provided by organizations that have already been



awarded federal servicing contracts with the Department. We expect that utilizing a Department approved Direct Loan servicing platform as a remote user will significantly reduce the required capital expenditures and streamline the process of becoming a qualified NFP servicer.

The Department is expected to allocate 100,000 borrower accounts to each qualified NFP servicer. An allocation of 100,000 borrower accounts represents a significant increase to the Authority, which is currently servicing approximately 114,000 borrowers in its existing FFELP servicing portfolio. No assurance can be given that we will become a NFP servicer, or that if we do become a NFP servicer, that it will be a sustainable business model.

### **Internal Revenue Service Audits of Tax-Exempt Issuers**

In 2008, the Internal Revenue Service announced that it was beginning a program of randomly examining tax-exempt student loan bond transactions. Published reports have described various investigations, audits and other actions with respect to the student loan industry. None of the Authority's bonds or notes have been selected for examination; however, the Authority is not able to predict whether the Series 2010 Bonds or any other bonds or notes of the Authority will not be selected for such examinations. If the Series 2010 Bonds, or any other bonds or notes of the Authority are selected for such examination, no assurance can be given that such an examination will not have an adverse effect on the Series 2010 Bonds or on the financial condition of the Authority.

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## OKLAHOMA STUDENT LOAN AUTHORITY

### General

We are an express trust created in accordance with the Oklahoma Trusts for Furtherance of Public Functions Act by a Trust Indenture dated August 2, 1972 for the benefit of the State of Oklahoma pursuant to the provisions of the Oklahoma Student Loan Act, Title 70 Oklahoma Statutes 2001, Sections 695.1 *et seq.*, as amended (the “*Student Loan Act*”).

We are an eligible not-for-profit holder for purposes of receiving Special Allowance Payments on student loans at the not-for-profit holder’s rate provided for in the Higher Education Act. This status was confirmed by the Department of Education for the quarter ending December 31, 2007, and subsequently confirmed for billing quarters beyond the quarter ending December 31, 2007, assuming that specific conditions continue to be met.

For a description of us, see Appendix C – GENERAL DESCRIPTION OF THE OKLAHOMA STUDENT LOAN AUTHORITY (OSLA).

Definitions of certain terms used in this Official Statement are included in Appendix A – GLOSSARY OF TERMS, or elsewhere herein.

### New Discrete Trust Estate

The Series 2010A Bonds will be issued pursuant to the provisions of the Student Loan Act and an Amended and Restated Series 2010 Bond Resolution adopted by the trustees of the Authority on October 4, 2010 (the “*Bond Resolution*”). The Bond Resolution will provide, among other things, for the execution and delivery of an Indenture of Trust dated as of September 1, 2010 (the “*Indenture*”) between the Authority and Bank of Oklahoma, N.A., as the “*Trustee*”, to create a sequential pay, senior-subordinate discrete trust.

The Indenture will create a pledge of revenues, funds, FFEL Program financed student loans and other assets to the Trustee, as a Trust Estate for the benefit of the registered owners of all Series 2010 Bonds. In addition, the Indenture will grant a security interest in the Trust Estate to the Trustee for the benefit of those parties.

### Recent Financial Situation

During the Fall of 2007 and to date, financial markets have been disrupted significantly. Aspects of this disruption have adversely impacted asset backed securities, including student loan asset backed securities. The disruptions affect bonds and notes issued by us in the past, due to severe deterioration for obligations credit enhanced by monoline bond insurers and to very limited market availability of credit and liquidity support. These events have caused us to suffer significantly increased debt service costs and a need to defease our Series 1996 Insured Bond Resolution debt as a response to market conditions by issuing new obligations under the new Bond Resolution and Indenture, separate from three other master trusts outstanding already. These three other master trusts are:

- the senior-subordinate 1995 Master Bond Resolution, as Supplemented, which includes numerous parity supplemental bond resolutions; and
- the letter of credit backed 2008II Master Bond Resolution, as Supplemented which includes our Variable Rate Demand Obligations, Series 2008IIA-1; and
- the Straight-A Funding conduit financing note trust estate backed by a Federal Financing Bank liquidity facility and loan puts to the Department.

These three master trusts described above will continue to be outstanding after the adoption of the Bond Resolution, execution of the Indenture and issuance of the Series 2010 Bonds.

Each master trust is a separate limited obligation of ours, with separate assets and obligations; and each existing master trust will be a separate master trust from the Indenture. We may create additional new master trusts in the future with assets and obligations separate from the Indenture and the three existing master trusts.

**The Series 2010A Bonds, and the interest thereon, are not obligations of the State of Oklahoma. Neither the faith and credit nor the taxing power of the State of Oklahoma is pledged to the payment of the principal of, or interest on, the Series 2010A Bonds. The Series 2010A Bonds, and the interest thereon, are not personal obligations of the trustees of the Authority and are not general obligations of the Authority. The Authority has no taxing power.**

#### **Availability of Documentation**

The descriptions in this Official Statement of the Series 2010 Bonds and of the documents authorizing and securing the Series 2010 Bonds do not purport to be definitive or comprehensive. All references herein to those documents are qualified in their entirety by reference to the Series 2010 Bonds and the documents.

A copy of the Indenture is available during the initial offering period upon request to the Authority or the Trustee at the addresses shown below:

Bank of Oklahoma, N.A., as Trustee	Oklahoma Student Loan Authority
9520 North May Avenue, Suite 100	525 Central Park Drive, Suite 600
Oklahoma City, Oklahoma 73120	Oklahoma City, Oklahoma 73105-1706
Attention: Corporate Trust Services; or	Attention: President

#### **Initial Collateralization**

After application of the proceeds of the Series 2010 Bonds as described herein, and the deposit of equity contributions and payment of costs of issuance, it is expected that the pledge of the financed student loans (including Consolidation Loans to be contributed by the Authority) expected to be made to the Trustee on the date of issuance plus the monies on deposit in the funds and accounts under the Indenture, including the Specified Debt Service Reserve Account

Balance, will provide an initial collateralization of Trust Estate assets to the Outstanding Amount of the Series 2010A Bonds at approximately 105.8%.

The Indenture does not require that any particular level of collateralization be maintained.

### **Cash Flow Projections**

We do not expect to issue the Series 2010A Bonds unless we believe, based on our analysis of cash flow projections, that Available Funds will be sufficient to pay principal of and interest on the Series 2010 Bonds when due, and also to pay all related expenses, including, without limitation, all amounts owed to the Department of Education, all rebate and excess interest amounts and all administration, servicing and trustee fees and expenses until the final maturity or redemption of the Series 2010 Bonds.

The Underwriter prepared the cash flow projections for us based on information that we provided to the Underwriter.

The cash flow projections utilize assumptions, that we believe are reasonable, and various limitations or requirements under the Indenture, including:

- the composition of, yield on and prepayment and collection experience for the financed student loans;
- the expenses we incur in the FFEL Program;
- the rate of return on monies to be invested in various Funds and Accounts;
- borrower behavioral incentive loan programs that we offer; and
- the occurrence of future events and conditions.

While the assumptions are, and will be, derived from our experience in the administration of the FFEL Program, actual circumstances can and most likely will differ from the assumptions. Such differences may be material.

See "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein for information and certain assumptions about the financed student loans that we expect to transfer from the trust estate for the Refunded Bonds and to hold in the Trust Estate.

**We cannot assure you that we will receive interest and principal payments from the financed student loans as anticipated, that we will realize the reinvestment rates assumed on amounts in the various Funds and Accounts, or that we will receive Interest Benefit Payments or Special Allowance Payments in the amounts and at the times anticipated. Furthermore, future events over which we have no control may adversely affect our actual receipt of Available Funds. Read the information under the caption "RISK FACTORS" carefully.**

## **Recycling**

The Indenture is a discrete trust estate and does not permit recycling of Available Funds to purchase additional student loans.

## **Termination of the FFEL Program and the Authority's Transition Plans for Direct Loan Servicing**

SAFRA, Title II of the Reconciliation Act, became law on March 30, 2010. Beginning July 1, 2010, eligible lenders, including the Authority, were no longer allowed to originate FFEL Program student loans as a result of the legislation. Beginning July 1, 2010, all federal student loans are solely originated by the federal government pursuant to the Direct Loan Program.

At the time of enactment of SAFRA, the only student loans originated by the Authority were FFEL Program student loans. The Authority has a small portfolio of private, credit based education loans, but discontinued its SHELF™ private student loan origination effective July 1, 2008. Based on these circumstances and facts the impact of the SAFRA legislation on the Authority could be materially adverse as its FFELP portfolio is paid off by existing borrowers without replacement of new loans to service.

SAFRA requires the Secretary of the Department of Education to contract with eligible and qualified NFP servicers to service loans. The Department began the process to identify eligible NFP servicers by issuing a sources sought notice, the SAFRA Not For Profit Eligibility Information Request – Solicitation Number: NFP-SS-2010, requesting interested organizations to submit information demonstrating eligibility against the criteria specified in SAFRA (e.g., the organization was a NFP servicer entity and serviced FFELP loans on July 1, 2009).

The Authority responded to the information request and was among the first twelve NFP servicers that the Department determined met the NFP servicer eligibility criteria under SAFRA. The Department's determination of the Authority's eligibility is evidenced by the initial and subsequent USDE publication of the SAFRA – Not For Profit Eligibility Information Request List of Eligible Organizations.

The next step in the process for the Authority to become a qualified NFP servicer is meeting the certain information and physical security standards for servicing Direct Loan Program federal assets and specific government contracting regulations. To this end, the Authority executive, operational, and information technology staff have attended multiple informational, training, and government contracting conference calls, conference events, and other related educational opportunities during 2010.

The Authority has also performed significant due diligence on third party remote user Direct Loan Program servicing platforms provided by organizations that have already been awarded federal servicing contracts with the Department. We expect that utilizing a Department approved Direct Loan Program servicing platform as a remote user will significantly reduce the required capital expenditures and streamline the process of becoming a qualified NFP servicer.

In information published by the Department, a formal solicitation is expected from the Department in late September, 2010. The Department has stated that it expects to enter into Memorandums of Understanding with eligible NFP servicers who demonstrate a reasonable and executable plan to become qualified. The Memorandum of Understanding will detail what requirements must be completed by the parties before a contract can be awarded. Once the requirements have been met and an entity is deemed both eligible and qualified, a formal contract will be signed with the NFP servicer, which will then begin to receive borrower accounts according to a proposed schedule. The Department has stated that experience indicates NFP servicers should expect at least a three to twelve month timeframe before they are ready to service Direct Loan Program loans.

We expect the revenue from servicing Direct Loan Program assets to be no less than the fees the Department is currently paying the four additional servicers already awarded contracts. Those fees are set at \$1.05 per month per borrower account in school or grace and \$2.11 per month per borrower account in repayment. Delinquent loans are paid at a decreasing rate per month per borrower account as the days past due increase. The current contracts with the additional servicers are for an initial term of five years. We expect that contracts with NFP servicers would initially carry a similar multi-year term, but not extending beyond 2019. Award of a multi-year agreement will not guarantee or entitle awardees to continue to receive borrower accounts to service if they are not in compliance, or are otherwise not performing against the stated terms and condition of the contract.

The Department is expected to allocate 100,000 borrower accounts to each qualified NFP servicer. An allocation of 100,000 borrower accounts represents a significant increase to the Authority, which is currently servicing approximately 114,000 borrowers in its existing FFELP servicing portfolio.

#### **USE OF PROCEEDS**

We will use the proceeds of the Series 2010 Bonds, together with an equity contribution to the Trust Estate: (1) to current refund various series of our outstanding obligations issued under our 1996 Insured Bond Resolution; (2) to fund the initial Specified Debt Service Reserve Account Balance; and (3) to pay underwriting fees and other costs of issuance.

There is an aggregate outstanding principal amount of \$243,265,000 in nine series of bonds and notes outstanding under the 1996 Insured Bond Resolution, and are collectively referred to as the “*Refunded Bonds*”. Each series of Refunded Bonds will be redeemed at par plus accrued interest on various redemption dates upon, or shortly after the issuance of the Series 2010 Bonds. Funds for payment of accrued interest will be paid from the related trust accounts of the Refunded Bonds and other amounts available to the Authority.

The expected sources and uses of funds are shown in the Table that follows:

***Estimated Sources of Funds***

Principal Amount of the Series 2010A Bonds	\$ 228,000,000	
Less: Original Issue Discount on Series 2010A-2B Bonds	<u>(929,715)</u>	
Proceeds of the Series 2010A Bonds		\$ 227,070,285
Proceeds of the Series 2010B Bond		2,655,655
Additional Equity Contribution		<u>13,248,586</u>
Total Sources of Funds		<u>\$ 242,974,526</u>

***Estimated Uses of Funds***

Financed Student Loans <sup>1</sup>		\$ 239,961,859
Debt Service Reserve Account Deposit <sup>2</sup>		570,000
Monies in other Fund Accounts under the Indenture <sup>3</sup>		692,141
Costs of issuance, including underwriting fees <sup>4</sup>		<u>1,750,526</u>
Total Uses of Funds		<u>\$ 242,974,526</u>

<sup>1</sup> Approximate balance of eligible student loans as of September 30, 2010. The financed student loans will be released from the lien of the 1996 Insured Bond Resolution trust estate upon the provision for payment of the \$243,265,000 outstanding principal amount of bonds and notes under the 1996 Insured Bond Resolution with the proceeds of the Series 2010 Bonds and other amounts available to the Authority. In addition to the transfer of student loan principal and accrued borrower interest from the 1996 Insured Bond Resolution, approximately \$1,750,526 of Federal Consolidation Loans will be contributed by the Authority.

<sup>2</sup> The initial Specified Debt Service Reserve Account Balance will be 0.25% of the principal amount of the Series 2010A Bonds, which is an amount equal to \$570,000.

<sup>3</sup> Deposit to the Collections Account created by the Indenture for liquidity.

<sup>4</sup> Estimated assets in the Trust Estate, after payment of costs of issuance, is expected to provide an initial collateralization of approximately 105.8% of the principal amount of the Series 2010A Bonds.

**SERVICING OF THE FINANCED STUDENT LOANS**

**General**

The Authority, as a Servicer, will service all of the financed student loans expected to be pledged as part of the trust estate under the Indenture on the date of issuance. The loan servicing will be pursuant to the Authority's, as Servicer, servicing agreement with the Authority, as Issuer of the Series 2010 Bonds, to which the Trustee is a third-party beneficiary. Furthermore, Nelnet Servicing LLC will act as Backup Servicer with respect to the financed student loans.

A FFEL Program loan servicer is required under the Higher Education Act, the rules and regulations of the guarantee agencies and the Indenture to cause the servicing and collection of the financed student loans to be conducted with due diligence and with collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt.

The Higher Education Act also requires the exercise of reasonable care and diligence in the making and servicing of student loans originated under the Higher Education Act and provides that the Secretary may disqualify an “eligible lender” (which could include the Trustee as holder of student loans acquired under the Higher Education Act) from further federal insurance if the Secretary is not satisfied that the foregoing standards have been or will be met. An eligible lender may not relieve itself of its responsibility for meeting these standards by delegation of its responsibility to any servicing agent and, accordingly, if any servicer fails to meet such standards, the Authority’s ability to realize the benefits of insurance may be adversely affected.

The Higher Education Act requires that a guarantee agency ensure that due diligence will be exercised by an eligible lender in making and servicing student loans originated under the Higher Education Act guaranteed by such guarantee agency. Each guarantee agency establishes procedures and standards for due diligence to be exercised by the servicer and by eligible lenders which service loans subject to such guarantee agencies’ guarantee. If a Servicer does not comply with the established due diligence standards, the Authority’s ability to realize the benefits of any guarantee may be adversely affected.

### **OSLA as a Servicer**

We service our own loans and those of other eligible lenders. We are required to perform all services and duties customary to the servicing of education loans in compliance with all standards and procedures provided for in the Higher Education Act. We have serviced FFEL Program loans since 1994.

We service education loans internally using loan servicing system software licensed to us on a perpetual basis by Idaho Financial Associates, Inc., now 5280 Solutions LLC, Boise, Idaho, a wholly owned subsidiary of Nelnet, Inc., and hardware and other software owned, developed or licensed by us. We began originating education loans using that system on January 28, 2002 and converted servicing of the portfolio that we serviced remotely as of March 1, 2002.

See the caption “Loan Servicing” in Appendix C for additional information about our loan servicing activities.

We also perform loan servicing for 43 other eligible lenders that are members of the OSLA Student Lending Network (the “*OSLA Network*”). The OSLA Network members offer the loans that we service to us for purchase.

The Authority may from time to time enter into other servicing agreements and arrangements in accordance with the terms of the Indenture; provided, that the Authority has covenanted in the Indenture to have a Backup Servicing Agreement with a third-party servicer while any Series 2010 Bonds remain Outstanding unless the Authority receives the consent of the registered owners of a majority of the Outstanding Amount of the Series 2010A Bonds and the written consent of the registered owner of the Series 2010B Bond to the termination of the Backup Servicing Agreement.



The following is certain additional information with respect to Authority's Servicing Agreement and the Backup Servicing Agreement.

### **Authority Servicing Agreement**

The Servicing Agreement (the "*Servicing Agreement*") is between the Authority, as Issuer, and the Authority, in its capacity as Servicer, to which the Trustee is a third-party beneficiary, and will be dated as of the date of issuance. The Servicing Agreement will be for a three year term with annual renewals thereafter unless either party terminates the Agreement upon 180 days' written notice. The Servicing Agreement will be assigned to the Trustee as part of the security for the Series 2010 Bonds.

In the Servicing Agreement, the Authority, in its capacity as Servicer, agrees to pay for a loss on a financed student loan which relates to the Servicer's acts or omissions in servicing after a one-year cure period to the extent of losses on rejected default claims by purchase of the financed student loan from the Trust Estate created by the Indenture.

### **Backup Servicer and Backup Servicing Agreement**

Pursuant to the Backup Servicing Agreement to be effective as of the date of issuance, Nelnet Servicing, LLC will act as Backup Servicer with respect to the financed student loans.

The Backup Servicing Agreement is among the Authority, as Issuer, the Authority, in its capacity as Servicer, and the Backup Servicer and will be dated the date of issuance. The Trustee is a third party beneficiary of the Backup Servicing Agreement.

The Backup Servicing Agreement is for a three year term with annual renewals unless any party terminates the Agreement upon 180 days' written notice.

If the Authority decides to no longer service financed student loans or if the Authority is in material violation of its obligations to service the financed student loans serviced by it in accordance with the terms of its servicing agreement and such violation remains uncured after notice thereof and the expiration of any applicable cure period, then at the written direction of the Authority, or the registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds, the Trustee will provide one hundred fifty (150) days' written notice to Nelnet Servicing, LLC of the determination that all of the financed student loans will be serviced under the Backup Servicing Agreement.

Nelnet Servicing, LLC began its education loan servicing operations on January 1, 1978, and provides student loan servicing that includes application processing, underwriting, fund disbursement, customer service, account maintenance, federal reporting and billing collections, payment processing, default aversion, claim filing and recovery/collection services. These activities are performed internally for Nelnet's portfolio and for other third-party clients, including the Department of Education. Nelnet has offices located in, among other cities, Aurora, Colorado and Lincoln, Nebraska. As of June 30, 2010, the company serviced more than \$47.6 billion of FFEL Program and private student loans.

## FEES AND EXPENSES

The annual fees payable by the Authority are set forth in the table below. In addition, the Authority and the Trustee are paid or reimbursed for their expenses. The priority of payment of such fees and expenses is described below under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS – The Collection Account; Flow of Funds” herein.

<u>Fees</u>	<u>Recipient</u>	<u>Amount</u>
Administration Fee	Oklahoma Student Loan Authority	0.10% <sup>1</sup>
Servicing Fee	Oklahoma Student Loan Authority	0.34% <sup>2</sup>
Trustee Fee	Bank of Oklahoma, N.A.	Up to 0.01% <sup>3</sup>
Other Administrative Expenses	Backup Servicer, Rating Agency Surveillance, Rebate, Audit, etc.	\$50,000 per year <sup>4</sup>

<sup>1</sup> As a percentage of the Pool Balance as of the end of the immediately preceding month. One-twelfth of the amount referenced above is payable on each monthly payment date. The minimum annual fee is \$50,000.

<sup>2</sup> Monthly servicing fees paid from the trust estate are paid monthly according to schedules set forth in the Servicing Agreement and may be increased annually beginning in 2012 by the percentage increase in the prior year's consumer price index (with a further 3% rolling average limitation from the date of issuance). For the first full month of the transaction, the servicing fees will be approximately 0.34% per annum of the principal balance of the student loans.

<sup>3</sup> Amount referenced above is the maximum trustee fee per annum permitted unless, in connection with a successor Trustee and in the judgment of the Trustee, an increase is not to the material prejudice of the registered owners. The initial trustee fee will be 0.007% per annum of the principal amount of the Series 2010 Bonds outstanding at the end of the immediately preceding quarterly distribution date and is payable on each quarterly distribution date, with a minimum annual fee of \$2,000.

<sup>4</sup> Such amount may be increased with the written consent of the registered owner of the Series 2010B Bond if, in the judgment of the Trustee, such increase is not to the material prejudice of the registered Owners of the Series 2010A Bonds.

## THE FINANCED STUDENT LOANS

The financed student loans will be guaranteed as provided for in the Higher Education Act. Currently, the guarantee percentage ranges from 97% to 100% of the outstanding principal amount of the loans depending upon the first disbursement dates on such loans. We expect that substantially all of the financed student loans will be guaranteed at 98% or 97%. See the caption titled “Insurance and Guarantees” in Appendix B – DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM.

We have previously acquired or originated a portfolio of student loans in the trust estate for the Refunded Bonds. Upon the defeasance of the Refunded Bonds, this portfolio of student loans will be transferred to the Trust Estate established pursuant to the Indenture. In addition, we expect to deposit additional Federal Consolidation Loans that were first disbursed on or after October 1, 2007 which will be contributed by us as part of the initial over-collateralization. See

"CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein for additional information about the characteristics of the financed student loans.

A substantial amount (approximately 85.2%) of the financed student loans will be Federal Consolidation Loans. Under the Higher Education Act, we are required to pay monthly to the federal government an annualized rebate of 1.05% of the principal and accrued interest amount of Federal Consolidation Loans that we hold. Federal Consolidation Loans made on or after July 1, 2003, and on or before June 30, 2008, are eligible for the Reduction of Eligible Account Principal ("*REAP*") program. *REAP* provides a non-recurring 1.00% principal reduction if the eligible borrower makes the first six payments of principal and interest on time. Federal Consolidation Loans that we hold are not eligible for the *TOP*<sup>TM</sup> Program described below.

Except for Federal Consolidation Loans, substantially all other financed student loans that were first disbursed on or before June 30, 2008, will be eligible for our Timely on Payments ("*TOP*<sup>TM</sup>") program. *TOP* is the identifying trademark for our behavioral incentive loan program for borrowers who can qualify for savings on their loans in repayment. *TOP* has two types of borrower savings -

- *TOP* 1-2-3 Principal Reduction is available under certain conditions if the eligible borrower makes the first three payments of principal and interest on time. Once achieved, the borrower receives a non-recurring reduction of 1.00% of the eligible principal amount.
- *TOP* Interest Rate Discount is available under certain conditions if the eligible borrower makes the first 12 payments of principal and interest on time. Once achieved, the borrower receives a 1.50% interest rate discount. The interest rate discount is permanent.

In addition, we offer repayment borrowers our *EZ Pay*<sup>TM</sup> *Discount* if they agree to recurring automatic debits to make their monthly loan payments. The *EZ Pay* Discount plan gives the borrower a 1.00% interest rate discount if the loan was first disbursed on or before June 30, 2008, and an interest rate discount of 0.25 of 1% if the borrower's loan was first disbursed on or after July 1, 2008. The borrower can be disqualified for the *EZ Pay* Discount under certain circumstances.

To the extent borrowers qualify for our borrower savings programs, Available Funds will be reduced. Based on information provided by us, these borrower benefit programs have been accounted for in the cash flow projections prepared by the Underwriter. See the information below under the caption "OKLAHOMA STUDENT LOAN AUTHORITY - Cash Flow Projections" herein and the caption "RISK FACTORS" herein for additional information.

**CHARACTERISTICS OF THE FINANCED STUDENT LOANS  
(As of the Statistical Cut-Off Date)**

As of July 31, 2010, the statistical cut-off date, the characteristics of the pool of student loans the Authority expects to pledge to the Trustee pursuant to the Indenture on the date of issuance were collectively as described below. The aggregate outstanding principal balance of the student loans in each of the following tables includes the principal balance due from borrowers, but does not include total accrued interest of approximately \$1,227,679 that is expected to be capitalized upon commencement of repayment. The percentages set forth in the tables below may not always add to 100% and the balances shown may not always add to the total shown due to rounding.

The aggregate characteristics of the entire pool of student loans expected to be pledged on the date of issuance, including the composition of the student loans and the related borrowers, the related guarantors, the distribution by student loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from the information presented below since the information presented below is as of the statistical cut-off date, and the date that the financed student loans will be pledged to the Trustee under the Indenture will occur after that date.

The Authority offers a variety of borrower incentive programs for student loans originated or acquired by it that, among other things, provide for an interest rate reduction for borrowers that make payments on their loans electronically. See the caption “THE FINANCED STUDENT LOANS” herein.

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The following material was supplied by the Underwriter based on its analysis of the financed student loan portfolio.

**Composition of the Financed Student Loan Portfolio  
(As of the Statistical Cut-off Date)**

**Summary**

Aggregate Outstanding Principal Balance	\$242,790,463
Accrued Interest to be Capitalized	\$1,227,679
Number of Borrowers <sup>1</sup>	17,260
Average Outstanding Principal Balance Per Borrower	\$14,067
Number of Loans	32,331
Average Outstanding Principal Balance Per Loan	\$7,510
Weighted Average Remaining Term to Scheduled Maturity (Months) <sup>2</sup>	214
Weighted Average Payments Made (Months)	33
Weighted Average Annual Borrower Interest Rate <sup>3</sup>	4.35%
Weighted Average Special Allowance Payment Repayment Margin to 3-Month Commercial Paper	2.59%
Weighted Average Special Allowance Payment Repayment Margin to 91-Day Treasury Bill	3.02%

<sup>1</sup> A single borrower can have more than one loan.

<sup>2</sup> The weighted average remaining term to scheduled maturity shown in the table above was determined from the statistical cut-off date to the scheduled maturity date of the applicable student loan, including any current deferral or forbearance periods, but without giving effect to any deferral or forbearance periods that may be granted in the future.

<sup>3</sup> The weighted average annual borrower interest rate shown in the table above was determined without including any special allowance payments or any rate reductions that may be earned by borrowers in the future.

**Distribution of the Financed Student Loans by Loan Type  
(As of the Statistical Cut-off Date)**

<u>Loan Type</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Consolidation - Unsubsidized	8,117	\$110,165,220	45.37%
Consolidation - Subsidized	8,132	96,801,041	39.87
Stafford - Subsidized	10,353	20,667,679	8.51
Stafford - Unsubsidized	5,447	14,330,315	5.90
PLUS	255	755,029	0.31
SLS	<u>27</u>	<u>71,179</u>	<u>0.03</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

**Distribution of the Financed Student Loans by Range of Annual Borrower Interest Rate  
(As of the Statistical Cut-off Date)**

<b><u>Range of Annual Borrower Interest Rate</u></b>	<b><u>Number of Loans</u></b>	<b><u>Outstanding Principal Balance</u></b>	<b><u>Percent of Loans by Outstanding Principal Balance</u></b>
Less than or equal to 2.00%	15	\$ 106,182	0.04%
2.01% - 3.00%	16,574	69,460,037	28.61
3.01% - 4.00%	5,887	53,267,152	21.94
4.01% - 5.00%	4,365	53,406,482	22.00
5.01% - 6.00%	2,175	24,614,814	10.14
6.01% - 7.00%	1,520	16,534,920	6.81
7.01% - 8.00%	1,330	18,273,701	7.53
Greater than 8.00%	<u>465</u>	<u>7,127,176</u>	<u>2.94</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

**Distribution of the Financed Student Loans by School Type  
(As of the Statistical Cut-off Date)**

<b><u>School Type</u></b>	<b><u>Number of Loans</u></b>	<b><u>Outstanding Principal Balance</u></b>	<b><u>Percent of Loans by Outstanding Principal Balance</u></b>
Unknown (Consolidation Loans) <sup>1</sup>	16,249	\$206,966,261	85.24%
4-Year Institution	9,787	23,454,357	9.66
2-Year Institution	3,859	6,921,354	2.85
Proprietary	<u>2,436</u>	<u>5,448,491</u>	<u>2.24</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

<sup>1</sup> The Authority's loan servicing system does not track Federal Consolidation Loans by school type.

**Distribution of the Financed Student Loans by SAP Interest Rate Index  
(As of the Statistical Cut-off Date)**

<b><u>SAP Interest Rate Index</u></b>	<b><u>Number of Loans</u></b>	<b><u>Outstanding Principal Balance</u></b>	<b><u>Percent of Loans by Outstanding Principal Balance</u></b>
90-day CP Index	27,339	\$224,062,572	92.29%
91-day T-Bill Index	<u>4,992</u>	<u>18,727,890</u>	<u>7.71</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

**Distribution of the Financed Student Loans by Borrower Payment Status  
(As of the Statistical Cut-off Date)**

<b><u>Borrower Payment Status</u></b>	<b><u>Number of Loans</u></b>	<b><u>Outstanding Principal Balance</u></b>	<b><u>Percent of Loans by Outstanding Principal Balance</u></b>
In School	262	\$ 601,864	0.25%
Grace	105	272,931	0.11
Deferment	6,753	40,962,125	16.87
Forbearance	3,016	29,586,357	12.19
Repayment (First Year)	4,552	30,801,861	12.69
Repayment (Second Year)	2,023	20,578,816	8.48
Repayment (Third Year)	2,711	23,955,444	9.87
Repayment (More than 3 Years)	12,490	93,707,761	38.60
Claims Filed	<u>419</u>	<u>2,323,303</u>	<u>0.96</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

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**Distribution of the Financed Student Loans by Number of Days Delinquent  
(As of the Statistical Cut-off Date)**

<u>Number of Days Delinquent</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Less than or equal to 30	27,113	\$210,735,978	86.80%
31 – 60	1,200	8,473,813	3.49
61 – 90	878	5,481,369	2.26
91 – 120	607	3,749,394	1.54
121 – 150	500	2,593,909	1.07
151 – 180	480	2,674,087	1.10
181 – 210	340	2,425,474	1.00
211 – 240	322	2,133,951	0.88
Greater than 240	<u>891</u>	<u>4,522,487</u>	<u>1.86</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

**Distribution of the Financed Student Loans by Date of Disbursement  
(Dates Correspond to Changes in Guarantee Percentages)  
(As of the Statistical Cut-off Date)**

<u>Date of Disbursement<sup>1</sup></u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
July 1, 2006 and prior to July 1, 2010	4,381	\$ 54,270,829	22.35%
October 1, 1993 – June 30, 2006	27,722	188,176,534	77.51
Pre October 1, 1993	<u>228</u>	<u>343,100</u>	<u>0.14</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

<sup>1</sup> FFEL Program loans disbursed prior to October 1, 1993 are 100% guaranteed by the guarantee agency. FFEL Program loans disbursed on or after October 1, 1993 and before July 1, 2006 are 98% guaranteed by the applicable guarantee agency. FFEL Program loans for which the first disbursement is made on or after July 1, 2006 and before July 1, 2010 are 97% guaranteed by the applicable guarantee agency. See Appendix B – “DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM”.

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**Distribution of the Financed Student Loans by Date of Disbursement  
(Dates Correspond to Changes in Special Allowance Payment)  
(As of the Statistical Cut-off Date)**

<u>Date of Disbursement<sup>1</sup></u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Pre April 1, 2006	26,679	\$174,043,558	71.68%
April 1, 2006 – September 30, 2007	5,154	59,788,826	24.63
October 1, 2007 and prior to July 1, 2010	<u>498</u>	<u>8,958,078</u>	<u>3.69</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

<sup>1</sup> For FFEL Program loans disbursed on or after April 1, 2006 and before July 1, 2010, if the stated interest rate is higher than the rate applicable to such FFEL Program loan including Special Allowance Payments, the holder of the loan must credit the difference to the Department of Education. FFEL Program loans disbursed on or after October 1, 2007 have a higher Special Allowance Payment margin for eligible not-for-profit lenders, such as the Authority, than for for-profit lenders, but have a 40 bps to 70 bps lower Special Allowance Payment margin than loans originated on or after January 1, 2000 and before October 1, 2007. See Appendix B – “DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM”.

**Distribution of the Financed Student Loans by  
Range of Outstanding Principal Balance  
(As of the Statistical Cut-off Date)**

<u>Range of Outstanding Principal Balance</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Less than or equal to \$2,000.00	10,588	\$ 10,807,936	4.45%
\$2,000.01 - \$4,000.00	7,501	21,727,992	8.95
\$4,000.01 - \$6,000.00	3,413	16,930,538	6.97
\$6,000.01 - \$8,000.00	2,001	13,859,934	5.71
\$8,000.01 - \$10,000.00	1,586	14,224,798	5.86
\$10,000.01 - \$15,000.00	2,626	32,119,313	13.23
\$15,000.01 - \$20,000.00	1,645	28,387,992	11.69
\$20,000.01 - \$25,000.00	1,036	23,165,664	9.54
\$25,000.01 - \$30,000.00	648	17,681,109	7.28
\$30,000.01 - \$40,000.00	633	21,848,191	9.00
\$40,000.01 - \$50,000.00	278	12,330,437	5.08
\$50,000.01 - \$60,000.00	125	6,796,771	2.80
Greater than \$60,000.00	<u>251</u>	<u>22,909,787</u>	<u>9.44</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

**Distribution of the Financed Student Loans by  
Range of Remaining Term to Scheduled Maturity  
(As of the Statistical Cut-off Date)**

<b><u>Range of Remaining Term to Scheduled Maturity (in months)</u></b>	<b><u>Number of Loans</u></b>	<b><u>Outstanding Principal Balance</u></b>	<b><u>Percent of Loans by Outstanding Principal Balance</u></b>
Less than or equal to 24	391	\$ 273,788	0.11%
25 – 36	941	765,764	0.32
37 – 48	1,152	1,377,271	0.57
49 – 60	1,286	2,092,413	0.86
61 – 72	1,442	2,895,163	1.19
73 – 84	1,661	3,868,236	1.59
85 – 96	2,341	6,978,381	2.87
97 – 108	2,418	7,731,636	3.18
109 – 120	8,748	27,593,382	11.37
121 – 144	2,433	17,075,908	7.03
145 – 168	1,700	16,025,187	6.60
169 – 192	2,082	23,359,643	9.62
193 – 216	1,427	20,528,637	8.46
217 – 240	1,548	26,231,605	10.80
241 – 300	1,820	41,342,080	17.03
Greater than 300	<u>941</u>	<u>44,651,369</u>	<u>18.39</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

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The following Table shows the geographic distribution of the student loans based on the permanent billing addresses of the borrowers as shown on the Authority's records:

**Distribution of the Financed Student Loans by Geographic Location  
(As of the Statistical Cut-off Date)**

<b><u>Geographic Location</u></b>	<b><u>Number of Loans</u></b>	<b><u>Outstanding Principal Balance</u></b>	<b><u>Percent of Loans by Outstanding Principal Balance</u></b>
Oklahoma	20,665	\$150,333,262	61.92%
Texas	3,344	28,776,117	11.85
Arkansas	1,999	11,928,182	4.91
California	580	4,421,968	1.82
Missouri	476	3,712,486	1.53
Kansas	448	3,504,698	1.44
Colorado	371	3,066,501	1.26
Florida	330	3,036,903	1.25
Georgia	261	2,513,636	1.04
Virginia	239	2,031,362	0.84
Arizona	239	2,016,671	0.83
Illinois	291	1,896,277	0.78
North Carolina	165	1,476,621	0.61
Michigan	94	1,439,547	0.59
Louisiana	239	1,344,610	0.55
Washington	170	1,331,389	0.55
Tennessee	202	1,326,538	0.55
Maryland	118	1,216,016	0.50
Ohio	140	1,197,361	0.49
New York	137	1,160,629	0.48
Other	<u>1,823</u>	<u>15,059,690</u>	<u>6.20</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

**Distribution of the Financed Student Loans by Servicer  
(As of the Statistical Cut-off Date)**

<b><u>Servicer</u></b>	<b><u>Number of Loans</u></b>	<b><u>Outstanding Principal Balance</u></b>	<b><u>Percent of Loans by Outstanding Principal Balance</u></b>
Oklahoma Student Loan Authority	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

**Distribution of the Financed Student Loans by Guarantee Agency  
(As of the Statistical Cut-off Date)**

<u>Guarantee Agency</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Oklahoma Guaranteed Student Loan Program	29,714	\$220,843,798	90.96%
Texas Guaranteed Student Loan Corporation	706	11,499,268	4.74
Student Loan Guarantee Foundation of Arkansas	1,777	10,016,658	4.13
Louisiana Student Financial Assistance Comm.	55	228,889	0.09
USA Funds	55	144,469	0.06
National Student Loan Program	<u>24</u>	<u>57,381</u>	<u>0.02</u>
Total	<u>32,331</u>	<u>\$242,790,463</u>	<u>100.00%</u>

**INFORMATION REPORTS**

For each collection period, the Authority will post on its web site a report setting forth information with respect to the Series 2010 Bonds and financed student loans as of the end of such period, including the following:

- descriptions of portfolio characteristics;
- identification of remaining Series 2010 Bonds balances;
- description of amounts applied from the Collection Account, including the distribution allocable to principal and interest for the Series 2010 Bonds;
- current fees payable by the trust estate; and
- limited descriptions of activity in the Available Funds.

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## GUARANTEE AGENCIES

**The material in this Section of the Official Statement is a brief overview. It does not purport to be complete information on the Guarantee Agencies, including the Oklahoma State Regents for Higher Education, Guaranteed Student Loan Program that is the primary guarantor of education loans held by us.**

**Reference is made to “APPENDIX E – GENERAL DESCRIPTION OF THE OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM” for descriptive information on the Oklahoma State Guarantee Agency and to the “Insurance and Guarantees” section of “APPENDIX B – DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM”.**

### **Guarantee of Loans**

Pursuant to a contract (a “*Guarantee Agreement*”) with each Guarantee Agency, we are entitled to a claim payment from the Guarantee Agency for 98% (97% for loans first disbursed on or after July 1, 2006) to 100% of any proven loss resulting from default, death, permanent and total disability, or discharge in bankruptcy of the borrower.

However, in servicing a portfolio of education loans, we are required to use due diligence in the servicing and collection of loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions in order to maintain the guarantee on the loan. In order to satisfy the due diligence requirements in servicing loans, we must adhere to specific activities in a timely manner beginning with the receipt of the loan application and continuing throughout the life of the loan. See the section “Loan Servicing” in Appendix C.

Under the Higher Education Act, a Guarantee Agency deems default to mean the borrower’s failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder may reasonably conclude that the borrower no longer intends to honor the repayment obligation and in which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments.

### **Reinsurance of Loans**

Each respective Guarantee Agency has entered into a guarantee agreement and a supplemental guarantee agreement pertaining to the Secretary’s reimbursement for amounts expended by the Guarantee Agency to discharge its guarantee obligation. The supplemental guarantee agreement is subject to annual renegotiation and to termination for cause by the Secretary.

The formula for reinsurance amounts ranges from 100% to 75% depending on the time the student loan was made, the claims “trigger rate” of the applicable guarantee agency, whether it is a lender of last resort loan, and whether the claim is for default, bankruptcy, death or disability.

### **Federal Payment of Claims**

If the Secretary determines that a Guarantee Agency is unable to meet its obligations, the holder of loans guaranteed by the Guarantee Agency may submit insurance claims directly to the Secretary. The Secretary will pay the holder the full insurance obligation of the Guarantee Agency. Such arrangements will continue until the Secretary is satisfied that the guarantee obligations have been transferred to another guarantee agency who can meet those obligations or a successor will assume the outstanding obligations. However, there can be no assurance that the Secretary will make such a determination or will do so in a timely manner.

The Higher Education Act also provides that the Secretary is authorized, on terms and conditions satisfactory to the Secretary, to make advances to a guarantee agency in order to assist the guarantee agency in meeting its immediate cash needs and to ensure uninterrupted payment of default claims by lenders.

### **Oklahoma Guaranteed Student Loan Program**

Approximately 91.0% of the financed student loans are guaranteed by the Oklahoma State Regents for Higher Education (the “*State Regents*”) acting as the Oklahoma State Guarantee Agency and operating the Oklahoma Guaranteed Student Loan Program (“*OGSLP*”). The State Regents administer and utilize the Guarantee Fund established in the State Treasury by Title 70 Oklahoma Statutes 2001, Sections 622 and 623, as amended (the “*Guarantee Fund*”) to guarantee FFEL Program loans.

Numerous eligible lenders make education loans guaranteed by the State Regents’ OGSLP. The Guarantee Fund administered by the State Regents is not a reserve for our bonds or notes or our education loans only, but is an insurance reserve established in respect to any claims that might be submitted by any participating eligible lender with regard to education loans Guaranteed by the State Regents’ OGSLP.

The State Regents’ OGSLP is a separate legal entity from us, and the members of the State Regents and the trustees of the Authority do not overlap. In addition, our administrative management and the management of the OGSLP are separate. For a description of the State Regents’ OGSLP, see Appendix E hereto.

## **CREDIT ENHANCEMENT**

Credit enhancement for the Series 2010A Bonds includes overcollateralization, cash on deposit in the Debt Service Reserve Account and other funds and accounts in the trust estate and the subordination of the Series 2010B Bond. The sequential payment of principal on the

Series 2010A Bonds (other than in an event of default) will provide a certain amount of credit support to the Series 2010A-1 Bonds.

As described under the caption “USE OF PROCEEDS” herein, on the date of issuance, the Specified Debt Service Account Balance will be deposited to the credit of the Debt Service Reserve Account. Certain of the remaining proceeds, and other amounts available to the Authority, will be used to release FFELP loans presently pledged by the Authority under a separate trust estate. Such released FFELP loans, together with other FFELP loans that are expected to be pledged by the Authority on the date of issuance, will be pledged to the Trustee upon such release or pledge, as applicable.

After the issuance of the Series 2010 Bonds and the deposit of the proceeds thereof and certain other amounts made available to the Authority, and the deposit to the Debt Service Reserve Account; the pledge of the financed student loans to the Trustee expected to be made on the date of issuance; and the payment of the costs of issuance, the ratio of the initial Pool Balance and the amounts on deposit in the Debt Service Reserve Account and other funds and accounts of the Trust Estate to the aggregate principal amount of the Series 2010A Bonds outstanding on the date of the issuance is expected to be as shown in the caption “OKLAHOMA STUDENT LOAN AUTHORITY – Initial Collateralization” herein. All the FFELP loans expected to be released or pledged on the date of issuance have been identified as of the statistical cut-off date and are described herein under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” herein.

On the date of issuance, a deposit in an amount equal to the Specified Debt Service Reserve Account Balance will be made to the Debt Service Reserve Account. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” herein. The Debt Service Reserve Account is intended to enhance the likelihood of timely distributions of interest to the registered owners of the Series 2010A Bonds and to decrease the likelihood that the registered owners of the Series 2010A Bonds will experience losses. To the extent of available funds, the Debt Service Reserve Account will be replenished so that amounts on deposit therein do not fall below the specified Debt Service Reserve Account balance.

Credit enhancement will not provide protection against all risks of loss and may not guarantee payment to registered owners of the Series 2010A Bonds of all amounts to which they are entitled. If losses or shortfalls occur that exceed the amount covered by the credit enhancement or that are not covered by the credit enhancement, registered owners of the Series 2010A Bonds will bear their allocable share of deficiencies.

Except in the case of an event of default, the payment of principal on the Series 2010A Bonds will be sequential, with the Series 2010A-1 Bonds receiving principal payments before the Series 2010A-2A Bonds and the Series 2010A-2B Bonds. Consequently, holders of the Series 2010A-1 Bonds with a shorter maturity are provided with some credit support from the Series 2010A-2A Bonds and the Series 2010A-2B Bonds with longer maturities, and the Series 2010A-2A Bonds and the Series 2010A-2B Bonds with longer maturities may bear a greater risk of loss.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS

### General

The Series 2010 Bonds, including the Series 2010A Bonds, will be special, limited obligations of the Authority secured by and payable solely from the discrete trust estate pledged by the Authority to the Trustee under the Indenture. The following assets will serve as security for the Series 2010 Bonds:

- student loans deposited to the Acquisition Account and pledged to the Trustee;
- revenues, consisting of all principal and interest payments, proceeds, charges and other income received by the Trustee or the Authority on account of any financed student loan, including payments of and any insurance proceeds with respect to, interest, interest benefit payments and any special allowance payments with respect to any financed student loan, and investment income from all funds created under the Indenture and any proceeds from the sale or other disposition of the financed student loans; and
- all moneys and investments held in the funds created under the Indenture (other than the moneys and investments held in the Rebate Fund and the Excess Interest Fund).

### Funds

The following funds will be created by the Trustee under the Indenture for the benefit of the registered owners:

- Acquisition Account;
- Collection Account;
- Department Rebate Fund; and
- Debt Service Reserve Account.

The Indenture also directs the Trustee to create a Rebate Fund upon receiving an Authority order to do so, which Rebate Fund is to be held by the Trustee for the benefit of the United States of America; the registered owners shall have **no** right, title or interest in the Rebate Fund.

The Indenture also directs the Trustee to create an Excess Interest Fund upon receiving an Authority order to do so, which Excess Interest Fund is to be held by the Trustee; the registered owners shall have **no** right, title or interest in the Excess Interest Fund.

Financed student loans, evidenced by promissory notes, will be owned in the name of the Authority and will be pledged to the Trustee and credited to the trust estate in the books and records of the applicable Servicer.

Money transferred from a Servicer to the Trustee on account of the financed student loans will be deposited into the Collection Account for distribution in accordance with the terms of the



Indenture. The Trustee will invest money held in funds created under the Indenture in investment securities (as defined in the Indenture) at the direction of the Authority. Investment securities may be purchased by or through the Trustee and its affiliates. Money in any fund created under the Indenture may be pooled for purposes of investment.

### **Fund Deposits**

As described under the caption “USE OF PROCEEDS” herein, certain of the proceeds from the sale of the Series 2010 Bonds will be used to make the initial deposit to the Debt Service Reserve Account described below. Certain of the remaining proceeds and other amounts available to the Authority will be used to release certain FFELP loans presently pledged by the Authority under a separate trust estate. Such released FFELP loans, together with certain other FFELP loans, will be pledged to the Trustee and credited to the Trust Estate in the books and records of the applicable Servicer. All such FFELP loans expected to be released or pledged on the date of issuance have been identified and are described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” herein.

### **Acquisition Account; Pledge of Student Loans**

On the date of issuance, cash will be deposited into the Acquisition Account created under the Indenture to pay cost of issuing the Series 2010 Bonds, and financed student loans released and pledged to the Trustee as described under the caption “USE OF PROCEEDS” herein will be transferred to the Acquisition Account. All funds remaining on deposit in the Acquisition Account after October 31, 2010 will be transferred to the Collection Account.

### **Debt Service Reserve Account**

On the date of issuance, a deposit will be made to the Debt Service Reserve Account in an amount equal to the Specified Debt Service Reserve Account Balance. On each quarterly distribution date or monthly payment date, to the extent that money in the Collection Account is not sufficient to pay certain of the Authority’s operating expenses, including amounts owed to the Department of Education, the guarantee agencies, or under any applicable joint sharing agreement, administration fees and expenses, servicing fees and expenses, trustee fees and expenses and the interest then due on the Series 2010A Bonds, the amount of the deficiency will be transferred from the Debt Service Reserve Account.

Money withdrawn from the Debt Service Reserve Account will be restored through transfers from the Collection Account as available. The Debt Service Reserve Account is subject to the Specified Debt Service Reserve Account Balance.

The Debt Service Reserve Account is intended to enhance the likelihood of timely distributions of interest to the registered owners of the Series 2010A Bonds and to decrease the likelihood that the registered owners of the Series 2010A Bonds will experience losses. In some circumstances, however, the Debt Service Reserve Account could be reduced to zero. Amounts on deposit in the Debt Service Reserve Account in excess of the specified Debt Service Reserve Account balance will be transferred to the Collection Account. Other than such excess amounts, principal payments due on a Series 2010A Bond will be made from the Debt Service Reserve Account only (a) on a final maturity date for such Series 2010A Bond or (b) on any quarterly

distribution date when the market value of securities and cash in the Debt Service Reserve Account is sufficient to pay the remaining principal amount of and accrued interest on the Series 2010A Bonds.

### **Department Rebate Fund**

The Trustee will establish the Department Rebate Fund as part of the trust estate. The Higher Education Act requires holders of student loans first disbursed on or after April 1, 2006 and before July 1, 2010 to rebate to the Department of Education interest received from borrowers on such loans that exceeds the applicable special allowance support levels. The Authority expects that the Department of Education will reduce the special allowance and interest benefit payments payable to the Authority by the amount of any such rebates owed by the Authority. However, in certain circumstances, the Authority may owe a payment to the Department of Education. If the Authority believes that it is required to make any such payment, the Authority will direct the Trustee to deposit into the Department Rebate Fund from the Collection Account the estimated amounts of any such payments. Money in the Department Rebate Fund will be transferred to the Collection Account to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Authority or the balance in the Department Rebate Fund exceeds the expected rebate obligation, or will be paid to the Department of Education if necessary to discharge the Authority's rebate obligation. See the caption "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM — Special Allowance Payments" in Appendix B hereto.

### **Collection Account; Flow of Funds**

The Trustee will credit to the Collection Account all Available Funds, including revenues derived from financed student loans; all proceeds of any sale of financed student loans; all amounts received under any joint sharing agreement; any amounts transferred from the Acquisition Account, the Debt Service Reserve Account, and the Department Rebate Fund; any earnings on investment of moneys held in such funds; and any other amounts the Authority instructs to be deposited therein.

Servicing fees and expenses and administration fees and expenses will be paid to the Servicers and the Administrator (initially the Oklahoma Student Loan Authority) on each monthly payment date from money available in the Collection Account. The amount of the initial servicing fee and administration fee payable in the third and fourth bullet points below is specified under the caption "FEES AND EXPENSES" herein and each such fee is subject to increase only upon the Trustee determining that such increase is not materially adverse to the bondholders. Each month, money available in the Collection Account will also be used to pay: (i) amounts due to the Department of Education, any guarantee agency, or the trustee under another trust indenture if required pursuant to the joint sharing agreement; (ii) amounts required to be deposited to the Department Rebate Fund, the Rebate Fund, and the Excess Interest Fund; and (iii) amounts needed to repurchase student loans or pay other administrative expenses specified under the caption "FEES AND EXPENSES" herein. On each quarterly distribution date, prior to an event of default, money in the Collection Account will be used to make the following deposits and distributions, to the extent funds are available;

- to make any payments (other than servicing fees and administration fees) permitted to be made on a monthly basis as described above, on a pro rata basis;
- to the Trustee, the trustee fees and expenses and any prior unpaid trustee fees and expenses;
- to the Servicer (initially the Oklahoma Student Loan Authority), the servicing fees and expenses and any prior unpaid servicing fees and expenses;
- to the Administrator (initially the Oklahoma Student Loan Authority), the administration fees and expenses, and any prior unpaid administration fees and expenses;
- to the registered owners of the Series 2010A Bonds, to pay interest due on such Series 2010A Bonds, on a *pro rata* basis;
- to the Debt Service Reserve Account, the amount, if any, necessary to restore the Debt Service Reserve Account to the Specified Debt Service Reserve Account Balance;
- to the registered owners of the Series 2010A Bonds, the senior principal distribution amount, rounded down to the nearest \$5,000 increment, in the following order:
  - to redeem the Series 2010A-1 Bonds until the Series 2010A-1 Bonds have been paid in full; and
  - to redeem the Series 2010A-2A Bonds and the Series 2010A-2B Bonds, on a pro rata basis, until the Series 2010A-2A Bonds and the 2010A-2B Bonds have been paid in full;
- to the registered owner of the Series 2010B Bond, in the following order:
  - interest due on the Series 2010B Bond; and
  - principal on the Series 2010B Bond until the Series 2010B Bond is paid in full; and
- to the Authority, any excess.

### **Rebate Fund**

No later than forty-five days after each Computation Date, the Authority will deliver to the Trustee a calculation of Rebatable Arbitrage made by a competent person independent of the Authority. The first time such calculation shows the existence of Rebatable Arbitrage, the Authority will direct the Trustee to establish a Rebate Fund and transfer an amount equal to such Rebatable Arbitrage from the Collection Account and deposit it to the Rebate Fund. Thereafter, within forty-five days after each Computation Date, the Authority will take the following

actions: (i) if the amount on deposit in the Rebate Fund is less than the Rebatable Arbitrage as of the preceding Computation Date, the Authority will notify the Trustee, who will transfer sufficient funds from the Collection Account to the Rebate Fund so that the amount on deposit is equal to Rebatable Arbitrage and (ii) if the amount on deposit in the Rebate Fund is greater than the Rebatable Arbitrage, the Authority will instruct the Trustee to transfer to the Collection Account money sufficient to cause the amount on deposit in the Rebate Fund to be equal to the Rebatable Arbitrage as of such Computation Date.

Unless the Authority obtains an opinion of Bond Counsel to the effect that such payments are not required in order to preserve the exclusion from gross income of interest on the of the Series 2010 Bonds, the Authority has agreed to direct the Trustee to withdraw from the Rebate Fund and remit to the United States Treasury the amounts required by Section 148(f) of the Code to be rebated to the United States.

Within 45 days of the maturity of the last of the Series 2010 Bond, the Authority will determine or cause to be determined the Rebatable Arbitrage as of the date of such maturity and will deliver its calculations to the Trustee. On the date of receipt of such calculation, the Trustee will transfer any required Rebatable Arbitrage to the Rebate Fund from any accounts held under the Indenture specified by the Authority.

### **Excess Interest Fund**

On each Excess Interest Calculation Date, the Authority will determine whether as of such date any Excess Interest has occurred. The first time such calculation shows the existence of Excess Interest, the Authority will direct the Trustee to establish an Excess Interest Fund and to transfer an amount equal to such Excess Interest from the Collection Account to the Excess Interest Fund, unless the Authority intends to forgive interest or principal on the Financed Eligible Loans at a later date which will eliminate such Excess Interest. If the amount on deposit in the Excess Interest Fund is greater than the Excess Interest, the Authority may instruct the Trustee to transfer to the Collection Account money sufficient to cause the amount on deposit in the Excess Interest Fund to be equal to the Excess Interest as of such Excess Interest Calculation Date.

Unless the Authority obtains an opinion of Bond Counsel to the effect that such payments are not required in order to preserve the exclusion from gross income of interest on the Series 2010 Bonds the Authority has agreed to direct the Trustee to withdraw from the Excess Interest Fund and remit to the United States Treasury yield adjustment payments in such manner and amounts and on such dates as may be required or permitted by Section 148 of the Code.

Amounts in the Excess Interest Fund will only be used for the purposes described herein, and will not be available for any other purpose, including, but not limited to, payment of principal or interest on the of the Series 2010A Bonds. The money in the Excess Interest Fund may be invested in student loans or investment securities, and any earnings on or income from such investments will be retained therein. If amounts in the Excess Interest Fund are invested in student loans, and it is necessary to make any payment, the Trustee will transfer such student loans to the Authority in exchange for money in an amount equal to the principal amount of such student loans plus accrued, unpaid interest on such student loans.

Within 45 days of the maturity of the last Series 2010 Bond, the Authority will determine or cause to be determined the Excess Interest as of the date of such maturity and will deliver its calculations to the Trustee. On the date of receipt of such calculation, the Trustee will transfer any Excess Interest to the Excess Interest Fund. The Trustee will transfer the required amounts from the accounts held under the Indenture specified by the Authority.

### **Flow of Funds After Events of Default**

Following the occurrence of an event of default that results in an acceleration of the maturity of the Series 2010 Bonds, and after the payment of certain fees and expenses, but before the payment of any interest or principal on the Series 2010B Bond, payments of interest on the Series 2010A Bonds will be made, *pro rata*, without preference or priority of any kind, and then payments of principal on the of the Series 2010A Bonds will be made, *pro rata*, without preference or priority of any kind, until all of the Series 2010A Bonds are paid in full. See the caption “SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default” herein.

### **Investment of Funds Held by Trustee**

The Trustee will invest amounts credited to any fund established under the Indenture in investment securities described in Appendix A hereto pursuant to orders received from the Authority. In the absence of an order, and to the extent practicable, the Indenture requires the Trustee to invest amounts held under the Indenture in money market funds.

The Trustee is not responsible or liable for any losses of either principal or interest on investments made by it or for keeping all funds held by it fully invested at all times. Its only responsibility is to comply with investment instructions of the Authority or its designee in a non-negligent manner.

## **DESCRIPTION OF THE SERIES 2010 BONDS**

### **General**

The Series 2010 Bonds will be issued pursuant to the terms of the Indenture between the Authority and the Trustee. The Indenture and the Series 2010 Bonds will each be governed by the laws of the State of Oklahoma. The following summary describes the material terms of the Series 2010 Bonds and related provisions of the Indenture. However, it is not complete and is qualified in its entirety by the actual provisions of the Indenture and the Series 2010 Bonds. Certain other provisions of the Indenture are described under the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS” and “SUMMARY OF THE INDENTURE PROVISIONS” herein.

### **Interest Payments**

Interest will accrue on the Series 2010A Bonds at their respective interest rates during each interest accrual period. The initial interest accrual period for the Series 2010A Bonds begins on the date of issuance and ends on November 30, 2010. For all other quarterly

distribution dates, the interest accrual period will begin on the prior quarterly distribution date and end on the day before such quarterly distribution date.

Interest on the Series 2010A Bonds will be payable to the registered owners on each quarterly distribution date commencing December 1, 2010. Subsequent quarterly distribution dates for the Series 2010A Bonds will be on the first Business Day of each March, June, September and December. Interest accrued but not paid on any quarterly distribution date will be due on the next quarterly distribution date together with an amount equal to interest on the unpaid amount at the applicable rate per annum described below.

The interest rate on the Series 2010A-1 Bonds for each interest accrual period, except for the initial interest accrual period, will be equal to 100% of the three-month LIBOR plus the spread shown on the cover hereof, but not in excess of the Maximum Rate. The interest rate on the Series 2010A-2A Bonds for each interest accrual period, except for the initial interest accrual period, will be equal to 100% of the three-month LIBOR plus the spread shown on the cover hereof, but not in excess of the Maximum Rate. The interest rate on the Series 2010A-2B Bonds for each interest accrual period, except for the initial interest accrual period, will be equal to 100% of the three-month LIBOR plus the spreads shown on the cover hereof, but not in excess of the Maximum Rate. The LIBOR rate for the Series 2010A-1 Bonds, the Series 2010A-2A Bonds and the Series 2010A-2B Bonds for the initial interest accrual period will be calculated by reference to the following formula and may not exceed the Maximum Rate:

$x + [(a/b * (y-x))]$  plus 0.75% with respect to the Series 2010A-1 Bonds, 1.20% with respect to the Series 2010A-2A Bonds and 1.00% with respect to the Series 2010A-2B Bonds, as calculated by the Trustee, where:

x = one-month LIBOR;

y = two-month LIBOR;

a = 23 (the actual number of days from the maturity date of two-month LIBOR to the first quarterly distribution date); and

b = 28 (the actual number of days from the maturity date of one-month LIBOR to the maturity date of two-month LIBOR).

The Trustee will calculate the rate of interest on each Series 2010A Bonds on the LIBOR determination date described below. Interest on the Series 2010A Bonds will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360.

The Maximum Rate of interest on the Series 2010A Bonds will not exceed an average rate of 14% per annum from the date of issuance.

### ***Calculation of LIBOR***

For each interest accrual period, LIBOR will be obtained by the Trustee by reference to the London interbank offered rate for deposits in U.S. Dollars having the relevant index maturity which appears on Reuters Screen LIBOR01 Page, or another page of this or any other financial

reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related LIBOR determination date. LIBOR, for purposes of calculating interest on the Series 2010A Bonds is equal to 100% of the applicable LIBOR. The LIBOR determination date will be the second business day before the beginning of each interest accrual period. If this rate does not appear on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. Dollars, having the relevant maturity and in a principal amount of not less than U.S. \$1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR determination date, to prime banks in the London interbank market by four major banks selected by the Trustee. The Trustee will request the principal London office of each of the four banks to provide a quotation of its rate. If the banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Trustee, at approximately 11:00 a.m., New York City time, on that LIBOR determination date, for loans in U.S. Dollars to leading European banks having the relevant maturity and in a principal amount of not less than U.S. \$1,000,000. If the banks selected as described above are not providing quotations, the relevant maturity of LIBOR in effect for the applicable interest accrual period will be such relevant maturity of LIBOR in effect for the previous accrual period.

“*Business day*” means:

- for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business; and
- for all other purposes, any day other than a Saturday, Sunday, holiday or other day on which the Federal Reserve Bank or banks located in Oklahoma City, Oklahoma, or the city in which the applicable corporate trust office of the Trustee is located (initially, Oklahoma City, Oklahoma), are authorized or permitted by law or executive order to close.

The Series 2010B Bond does not bear interest until the Series 2010A Bonds are no longer outstanding.

### **Principal Distributions**

The aggregate outstanding principal balance will be due and payable on the Series 2010A Bonds on the respective quarterly distribution date set out in the table below:

<u>Series</u>	<u>Final Maturity Date</u>
2010A-1	September 3, 2024
2010A-2A	September 1, 2037
2010A-2B	September 1, 2037

The actual dates on which the final distribution on the Series 2010A Bonds will be made may be earlier than the maturity date set forth above as a result of a variety of factors.

Principal payments will be made to the registered owners through the redemption of Series 2010A Bonds selected for redemption on each quarterly distribution date in an aggregate amount generally equal to the senior principal distribution amount for that quarterly distribution date. The “senior principal distribution amount” is equal to all Available Funds remaining in the Collection Account after the payment of amounts owed to the U.S. Department of Education, to the guarantee agencies or under any applicable joint sharing agreement, administration fees, servicing fees, trustee fees, interest on the Series 2010A Bonds and replenishment of the Debt Service Reserve Account. Except upon an event of default under the Indenture and an acceleration of the Series 2010A Bonds, the principal will be paid through partial redemptions, *first*, on the Series 2010A-1 Bonds until paid in full and, *second*, on the Series 2010A-2A Bonds and the Series 2010A-2B Bonds, on a pro rata basis, until paid in full. Other than amounts in excess of the specified Debt Service Reserve Account balance transferred to the Collection Account, principal payments due on a Series 2010A Bond will be made from the Debt Service Reserve Account only (a) on a final maturity date for such Series 2010A Bond or (b) on any quarterly distribution date when the market value of securities and cash in the Debt Service Reserve Account is sufficient to pay the remaining principal amount of and accrued interest on the Series 2010A Bonds.

Principal distributions will be effected by a redemption of Series 2010A Bonds in a principal amount equal to the senior principal distribution amount, but rounded down to the nearest \$5,000 increment for each series to be redeemed. The particular Series 2010A Bonds to be redeemed will, subject to all Series 2010A-1 Bonds being redeemed prior to any Series 2010A-2A Bonds and Series 2010A-2B Bonds, be selected by lot. This means that on any quarterly distribution date, only holders selected by lot will receive principal distributions and different principal amounts will be distributed to different holders based upon selection by lot.

The Series 2010A-2A Bonds and the Series 2010A-2B Bonds are also subject to mandatory sinking fund redemption, on a pro rata basis, on December 1, 2034 in the principal amount of \$34,535,000 and on March 1, 2036 in the principal amount of \$58,385,000, together with interest accrued thereon to the date fixed for redemption without premium; provided, however, if, prior to giving notice of redemption as described below, the Authority has redeemed Series 2010A-2A Bonds or Series 2010A-2B Bonds pursuant to the preceding paragraph, such Series 2010A-2A Bonds and Series 2010A-2B Bonds so redeemed shall be applied, to the extent of the full principal amount thereof, to reduce the principal amounts required to be redeemed by mandatory sinking fund redemption pursuant to this paragraph sequentially by scheduled mandatory sinking fund redemption date.

The Series 2010A Bonds will be redeemed in integral multiples of \$5,000. In selecting for redemption portions of Series 2010A Bonds in denominations greater than \$5,000, each such Series 2010A Bond will be treated as representing that number of Series 2010A Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2010A Bond by \$5,000. While a book-entry registration system is used for the Series 2010A Bonds, principal will be payable to those persons in whose name the Series 2010A Bonds selected for redemption are registered on the Record Date, which is the close of business on the day preceding a quarterly



distribution date. If a book-entry registration system is not used, principal will be payable upon surrender of the Series 2010A Bonds selected for redemption.

The Trustee will give notice of any mandatory redemption at least five (5) business days prior to the date required for redemption in the method required by the clearing agency so long as a book-entry registration is used for the Series 2010A Bonds or, if the Series 2010A Bonds are subsequently issued in certificated form, by first-class mail to the registered owner of each Series 2010A Bond to be redeemed in whole or in part at the address shown on the registration books kept by the Trustee.

When the Series 2010A Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as described in the Indenture, the Series 2010A Bonds or portions thereof so redeemed will no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the right of the owners to collect interest which would otherwise accrue after the redemption date on any Series 2010A Bond or portion thereof called for redemption will terminate on the date fixed for redemption.

The principal on each Series 2010A Bond on the bond final maturity date for each Series 2010A Bond will be payable only upon presentation and surrender of such Series 2010A Bond.

No principal will be paid on the Series 2010B Bond until the Series 2010A Bonds are no longer outstanding. The Series 2010B Bond matures on September 1, 2040.

### **Optional Purchase**

The Authority may, but is not required to, purchase from the trust estate the remaining financed student loans ten business days prior to any quarterly distribution date when the Pool Balance is equal to or less than 10% of the initial Pool Balance. If this purchase option is exercised, the financed student loans will be sold to the Authority free from the lien of the Indenture, and the proceeds will be used on the succeeding quarterly distribution date to repay all outstanding Series 2010 Bonds, including the Series 2010B Bond, which will result in early retirement of the Series 2010 Bonds.

If the Authority exercises its purchase option, the purchase price is subject to a prescribed minimum purchase price. The prescribed minimum purchase price is the amount that, when combined with amounts on deposit in the funds and accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of the Series 2010 Bonds then outstanding on the related quarterly distribution date to zero;
- pay to the registered owners the interest payable on the related quarterly distribution date; and
- pay any unpaid administration fees and expenses, servicing fees and expenses, Rebutable Arbitrage, Excess Interest and trustee fees and expenses.

“*Pool Balance*” for any date means the aggregate principal balance of the student loans held by the Authority on that date, including accrued interest that is expected to be capitalized, after giving effect to the following, without duplication:

- all payments received by the Authority through that date from borrowers;
- all amounts received by the Authority through that date from purchases of financed student loans released from the lien of the Indenture;
- all liquidation proceeds and realized losses on the financed student loans through that date;
- the amount of any adjustment to balances of the financed student loans that any Servicer makes under a servicing agreement through that date; and
- the amount by which guarantor reimbursements of principal on defaulted student loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

### **Prepayment, Yield and Maturity Considerations**

Generally, all of the financed student loans are pre-payable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower’s default, death, disability or bankruptcy and subsequent liquidation or collection of guarantee payments with respect to such loans. The rates of payment of principal on the Series 2010A Bonds and the yield on the Series 2010A Bonds may be affected by prepayments of the financed student loans. Because prepayments generally will be paid through to registered owners as distributions of principal, it is likely that the actual final payments on the Series 2010A Bonds will occur prior to the final maturity dates for the Series 2010A Bonds. Accordingly, in the event that the financed student loans experience significant prepayments, the actual final payments on the Series 2010A Bonds may occur substantially before their respective final maturity dates, causing a shortening of the weighted average life of such Series 2010A Bonds. Weighted average life refers to the average amount of time that will elapse from the date of issuance of a Series 2010A Bond until each dollar of principal of such Series 2010A Bond will be repaid to the investor.

The rate of prepayments on the financed student loans cannot be predicted and may be influenced by a variety of economic, social and other factors. Generally, the rate of prepayments may tend to increase to the extent that alternative financing becomes available on more favorable terms or at interest rates significantly below the interest rates payable on the financed student loans. A Servicer is obligated to purchase any financed student loan as a result of a breach of certain covenants with respect to such student loan, in the event such breach materially adversely affects the interests of the Authority in that financed student loan and is not cured within the applicable cure period.

However, scheduled payments with respect to the financed student loans may be reduced and the maturities of financed student loans may be extended, including pursuant to grace periods, deferral periods and forbearance periods. The rate of payment of principal on the

Series 2010A Bonds and the yield on such Series 2010A Bonds may also be affected by the rate of defaults resulting in losses on the financed student loans that may have been liquidated, by the severity of those losses and by the timing of those losses, which may affect the ability of the guarantee agencies to make guarantee payments on such financed student loans. In addition, the maturity of certain of the financed student loans may extend beyond the final maturity date for the Series 2010A Bonds.

More information on weighted average lives, expected maturities and percentages of original principal remaining at each quarterly distribution date is set forth in Appendix D - "PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE SERIES 2010A BONDS".

## **BOOK-ENTRY REGISTRATION**

### **General**

The Depository Trust Company, New York, NY, will act as the securities depository for the Series 2010A Bonds. The Series 2010A Bonds will be issued as fully registered securities registered in the name of Cede & Co., the partnership nominee of The Depository Trust Company, or such other name as may be requested by an authorized representative of The Depository Trust Company. One fully registered certificate will be issued for each series of the Series 2010A Bonds, in the aggregate principal amount of thereof, and will be deposited with The Depository Trust Company.

### **The Depository Trust Company**

The Depository Trust Company, 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.

The Depository Trust Company 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 The Depository Trust Company's participants ("*Direct Participants*") deposit with it. The Depository Trust Company 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.

The Depository Trust Company is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for The Depository Trust Company, 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 Depository Trust Company 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*”). The Depository Trust Company has Standard & Poor’s highest rating: AAA. The Depository Trust Company rules applicable to its participants are on file with the Securities and Exchange Commission. More information about The Depository Trust Company can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2010A Bonds under The Depository Trust Company system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on The Depository Trust Company’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from The Depository Trust Company 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 2010A 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 the Series 2010A Bonds, except in the event that use of the book-entry system for the Series 2010A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010A Bonds deposited by Direct Participants with The Depository Trust Company are registered in the name of The Depository Trust Company’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of The Depository Trust Company. The deposit of Series 2010A Bonds with The Depository Trust Company, and their registration in the name of Cede & Co. or such other nominee, do not effect any change in beneficial ownership. The Depository Trust Company has no knowledge of the actual Beneficial Owners of the Series 2010A Bonds; its records reflect only the identity of the Direct Participants to whose accounts the Series 2010A 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 The Depository Trust Company 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 Series 2010A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2010A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2010A documents. For example, Beneficial Owners may wish to ascertain that the nominee holding the Series 2010A 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 notices be provided directly to them.

Redemption notices will be sent to The Depository Trust Company. If less than all of the Series 2010A Bonds are being redeemed, The Depository Trust Company's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither The Depository Trust Company nor Cede & Co. (nor any other The Depository Trust Company nominee) will consent or vote with respect to the Series 2010A Bonds unless authorized by a Direct Participant in accordance with The Depository Trust Company's MMI (Money Market Instrument) procedures. Under its usual procedures, The Depository Trust Company 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 the Series 2010A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and interest payments on the Series 2010A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of The Depository Trust Company. The Depository Trust Company's practice is to credit Direct Participants' accounts, upon The Depository Trust Company's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on The Depository Trust Company's records. Payments by Direct or Indirect 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 Direct or Indirect Participant and not of The Depository Trust Company, nor its nominee, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of The Depository Trust Company) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of The Depository Trust Company, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Depository Trust Company may discontinue providing its services as depository with respect to the Series 2010A 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, Series 2010A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through The Depository Trust Company (or a successor securities depository). In that event, Series 2010A Bond certificates will be printed and delivered to The Depository Trust Company.

## Disclaimer

The information in this section concerning The Depository Trust Company and its book-entry system have been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof. The Authority, Bond Counsel, the Trustee and the Underwriter, or any of their counsel, will have no responsibility or obligation to any of The Depository Trust Company, the Direct or Indirect Participants or the persons who are acting as their nominees, with respect to –

- the accuracy of any records maintained by The Depository Trust Company or any Direct or Indirect Participant;
- the payment by The Depository Trust Company or any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal amount of or interest on the Series 2010A Bonds;
- the delivery by The Depository Trust Company or any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to holders of the Series 2010A Bonds; or
- any other action taken by The Depository Trust Company.

## TRUSTEE

We will issue the Series 2010 Bonds pursuant to the Indenture. The Indenture will be between the Authority and Bank of Oklahoma, N.A., as Trustee.

We maintain banking product relationships, such as lockbox services for loan payments, with the Trustee. The Trustee is also the trustee for the 1996 Insured Bond Resolution for which the outstanding series will be refunded and the 1996 Insured Bond Resolution will be defeased. In addition, the Trustee is the corporate trustee for our 1992 General Student Loan Fund Trust, our 1995 Master Bond Resolution and our Series 2008II Master Bond Resolution, which are separate trust estates that will remain outstanding after the defeasance of the 1996 Insured Bond Resolution. The Trustee serves as the custodian for our 2009 Master Participation Agreement with the Department of Education under the Ensuring Continuing Access to Student Loans Act and contracts with us for servicing of those loans.

**The Trustee has provided the following information about its organization for use in this Official Statement. The Authority does not guarantee or make any representation about the accuracy or completeness thereof, or the absence of material adverse change in such information or in the condition of the Trustee subsequent to the date hereof.**

The Trustee is an affiliate of BOK Financial Corporation (“*BOKF*”). BOKF is a \$24 billion regional financial services company based in Tulsa, Oklahoma. The company's stock is publicly traded on NASDAQ under the Global Select market listings (symbol: BOKF). Assets

of the organization are centered in seven bank subsidiaries, Bank of Oklahoma, Bank of Texas, Bank of Albuquerque, Bank of Arkansas, Bank of Arizona, Colorado State Bank and Trust and Bank of Kansas City. BOKF has full-service banks located in eight states. BOKF's broker-dealer subsidiary provides brokerage services in 10 states. BOKF's Bank of Oklahoma, N.A. affiliate operates an electronic funds transfer network that spans 14 states.

One of BOKF's notable strengths is its diverse revenue stream that provides stability throughout varying economic cycles. Fees and commissions consistently represent over 40% of total revenue. BOKF offers a broad range of financial products and services, including cash management services, mortgage banking, and brokerage and trading services to middle-market and small businesses, financial institutions and retail clients. BOKF's vision is to provide sophisticated nationally competitive products with personal responsive client service.

BOKF has a full service Wealth Management Division that provides fiduciary and non-fiduciary services to corporate, employee benefit, and individual customers through the Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Bank of Oklahoma, N.A., Bank of Texas, N.A., Colorado State Bank and Trust Company, N.A., Bank of Arizona, N.A., Bank of Kansas City, N.A. and Southwest Trust Company, N.A.

Bank of Oklahoma, N.A. has over 30 years of experience in the administration of taxable and tax-exempt debt issues and their related trust accounts. Currently, the Trustee and its affiliates are responsible for over 6,900 trust and agency accounts and relationships amounting to over \$30 billion in trust assets, including over \$11 billion in discretionary trust assets. The Corporate Trust Group of the Trustee administers over 600 municipal and corporate bond issues, amounting to over \$24 billion in debt outstanding. The Trustee has served as trustee to the Authority for over \$1 billion of various student loan issues, including tax-exempt and taxable auction rate bonds, variable rate notes, fixed rate bonds and floating rate notes.

Subject to the terms of the Indenture, the Trustee will act on behalf of the bondholders and represent their interests in the exercise of its rights under the Indenture. See "SUMMARY OF THE INDENTURE PROVISIONS - The Trustee" for additional information regarding the responsibilities of the Trustee. Except in an Event of Default, the Trustee will have no obligation to administer, service or collect the Financed Student Loans or to maintain or monitor the administration, servicing or collection of those loans.

## **SUMMARY OF PROVISIONS OF THE INDENTURE**

The following is a summary of some of the provisions in the Indenture. This summary does not cover every detail contained in the Indenture and is subject to all of the terms and conditions of the Indenture in its entirety. Reference should be made to the Indenture for a full and complete statement of its provisions.

### **Parity and Priority of Lien**

The provisions of the Indenture are generally for the equal benefit, protection and security of the registered owners of the of the Series 2010 Bonds.

The Available Funds and other money, financed student loans and other assets the Authority pledges under the Indenture will be free and clear of any pledge, lien, charge or encumbrance, other than that created by the Indenture.

Except as otherwise provided in the Indenture, the Authority:

- will not create or voluntarily permit to be created any debt, lien or charge on the financed student loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture;
- will not take any action or fail to take any action that would result in the lien of the Indenture or the priority of that lien for the Series 2010 Bonds thereby secured being lost or impaired; and
- will 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 student loans.

### **Representations and Warranties**

The Authority will represent and warrant in the Indenture that:

- it is duly authorized to issue the Series 2010 Bonds and to execute and deliver the Indenture and to make the pledge to the payment of the Series 2010 Bonds under the Indenture;
- all necessary action for the issuance of the Series 2010 Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and
- the Series 2010 Bonds in the hands of the registered owners are and will be valid and enforceable obligations of the Authority secured by and payable solely from the trust estate.

### **Sale of Financed Student Loans**

Except under limited circumstances described in the Indenture (including, but not limited to, the repurchase obligations described herein under the caption “—Servicing and Enforcement of the Servicing Agreements” below), financed student loans may not be sold, transferred or otherwise disposed of by the Authority while any Series 2010 Bonds are outstanding. However, if necessary for administrative purposes, the Authority may sell financed student loans free from the lien of the Indenture, so long as the sale price for any financed student loan is not less than the amount required to prepay in full such financed student loan under the terms thereof, including all accrued interest thereon and any unamortized premium, the collective aggregate principal balance of all such sales does not exceed 5.00% of the initial Pool Balance and the collective aggregate principal balance of all such sales in any calendar year does not exceed 1.00% of the Pool Balance as of January 1 of such calendar year (or as of the date of issuance with respect to the first calendar year). Notwithstanding the foregoing, the Authority may not



sell, transfer or otherwise dispose of financed student loans if such disposition would have an adverse effect on the exclusion from gross income of interest on the Series 2010 Bonds for federal income tax purposes.

### **Further Covenants**

The Authority will cause financing statements to be filed in any jurisdiction necessary to perfect the security interest it grants under the Indenture. The Trustee will cause continuation statements to be filed in any jurisdiction necessary to maintain the security interest granted by the Authority under the Indenture.

Upon written request of the Trustee, the Authority will permit the Trustee or its agents, accountants and attorneys to, at the expense of the Authority, examine and inspect the property, books of account, records, reports and other data relating to the financed student loans, and will furnish the Trustee such other information as it may reasonably request. The Trustee will be under no duty to make any examination unless requested in writing to do so by the registered owners of 66-2/3% of the Outstanding Amount of the Highest Priority Bonds, and unless those registered owners have offered the Trustee security and indemnity satisfactory to it against any costs, expenses and liabilities which might be incurred in making any examination.

The Authority will keep and maintain proper books of account relating to its Program including all dealings or transactions of or in relation to the business and affairs of the Authority which relate to the Series 2010 Bonds. Within 180 days of the close of each fiscal year, the Authority will receive an audit of the Authority by an independent certified public accountant. A copy of each audit report showing in reasonable detail the financial condition of the Authority as at the close of each fiscal year will be filed with the Trustee within 180 days after the end of each Fiscal Year and will be available for inspection by any registered owner.

### **Servicing and Enforcement of the Servicing Agreements**

The Authority will at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Authorizing Act and the Program and will establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel. All persons employed by the Authority will be qualified for their respective positions.

The Authority will cause to be diligently enforced and taken all reasonable steps, actions and proceedings necessary for the enforcement of all material terms, covenants and conditions of all servicing agreements, including, without limitation, the prompt payment of all principal and interest payments and all other amounts due the Authority thereunder. Except to the extent expressly permitted by the Indenture, the Authority:

- (a) will not permit the release of any material obligations of any Servicer under the related servicing agreement, except in conjunction with amendments or modifications permitted by the Indenture and will defend, enforce, preserve and protect the material rights of the Authority and the Trustee thereunder;

(b) will not consent or agree to or permit any amendment or modification of any servicing agreement which will materially adversely affect the rights or security of the Trustee or the registered owners; and

(c) will duly and punctually perform and observe each of its obligations to each Servicer under the related servicing agreement in accordance with the terms thereof.

Notwithstanding the foregoing, the Indenture does not prevent the Authority from taking any action to replace any Servicer or from consenting or agreeing to, or permitting, any amendments, modifications to, or waivers with respect to, any servicing agreement, subject to the conditions set forth in the Indenture.

If at any time any Servicer fails in any material respect to perform its obligations under its servicing agreement or under the Higher Education Act or if any servicing audit shows any material deficiency in the servicing of financed student loans by any Servicer, the Authority will, or will cause the Servicer to, cure the failure to perform or the material deficiency or remove such Servicer and appoint another Servicer.

The Backup Servicer, if applicable, has agreed to provide backup servicing pursuant to the terms of the Backup Servicing Agreement in the event that (1) a Servicer determines that it will no longer service any financed student loans and provides 150 days' written notice to the Backup Servicer, the Authority and the Trustee of such determination; or (2) a Servicer is in material violation of its Servicing Agreement under which the financed student loans are serviced, as determined by the Authority or the Trustee, at the written direction of registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds, which violation has not been cured thereunder within 30 days after written notice of such violation to such Servicer (or if such cure will take in excess of 30 days, such addition period as is required for such cure so long as the Servicer is diligently pursuing such cure), and the Trustee (at the written direction of the Authority or the registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds) provides 150 days' written notice to the Authority and Backup Servicer of the determination that all of the financed student loans then directly serviced by such Servicer shall be serviced under the Backup Servicing Agreement.

The Authority covenants to maintain a Backup Servicing Agreement with a third-party Servicer with respect to any financed student loans directly serviced by a Servicer, including the Authority, while any Series 2010 Bonds remain Outstanding unless the Authority receives the written consent of the registered owners of a majority of the Outstanding Amount of the Series 2010A Bonds and the written consent of the registered owner of the Series 2010B Bond to the termination of the Backup Servicing Agreement.

#### **Additional Covenants With Respect to the Higher Education Act**

The Trustee is an eligible lender under the Higher Education Act and covenants in the Indenture to maintain its status as an eligible lender.

The Authority is responsible for the following actions, among others, with respect to the Higher Education Act:

- administering, operating and maintaining the Authority's program with respect to student loans in such manner as to ensure that the Program and the financed student loans will benefit from the benefits available under the Higher Education Act and the federal program of reimbursement for student loans pursuant to the Higher Education Act, or from any other federal statute providing for such federal program;
- entering into any guarantee agreement, maintaining such guarantee agreement and diligently enforcing its rights thereunder and not voluntarily consenting to or permitting any rescission of or consenting to any amendment to or otherwise taking any action under or in connection with any guarantee agreement which in any manner would materially adversely affect the rights of the registered owners under the Indenture;
- causing to be diligently enforced, and causing to be taken all reasonable steps necessary or appropriate for the enforcement of all terms, covenants and conditions of all financed student loans and agreements in connection with the financed student loans, including the prompt payment of all principal and interest payments and all other amounts due to the Authority thereby and not releasing the obligations of any borrower or agreeing to, permitting, allowing or causing any amendment or modification of any financed student loan except to the extent permitted by the Indenture;
- maintaining the benefits of the guarantee agreements, certificates of insurance, the interest benefit payments and the special allowance payments to be held for the benefit of the Trustee and enforcing its rights under the guarantee agreements and not voluntarily permitting or consenting to any amendment or rescission or taking any action that would adversely affect the registered owners;
- complying with all United States and state statutes, rules, and regulations which apply to the Program and to the financed student loans; and
- taking all actions reasonably necessary to enforce all material provisions of any of its student loan purchase agreements requiring the seller to repurchase student loans which have lost or never had their guarantee due to actions or omissions of the seller.

### **Continued Existence; Successor**

The Authority will preserve and keep in full force and effect its existence as a trust for the benefit of the State except as may otherwise be permitted by the Indenture. The Authority will not sell, transfer or otherwise dispose of all or substantially all of its assets (except financed student loans if such sale, transfer or disposition will discharge the Indenture in accordance therewith), consolidate with or merge into another entity, or permit one or more other entities to consolidate with or merge into it. These restrictions do not apply to a transaction where the transferee or the surviving or resulting entity, if other than the Authority, irrevocably and

unconditionally assumes the obligation to perform and observe the Authority's agreements and obligations under the Indenture.

### **Tax Covenants**

The Authority will at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series 2010 Bonds shall, 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 Series 2010 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 Series 2010 Bond to be or become an "arbitrage bond" as defined in Section 148 of the Code.

### **Events of Default**

The Indenture will define the following events as events of default:

- default in the due and punctual payment of any interest on any Series 2010A Bond when the same becomes due and payable and such default will continue for a period of five days; provided, however, that the failure to pay interest on the Series 2010B Bond while the Series 2010A Bonds are outstanding shall not be a default hereunder;
- default in the due and punctual payment of the principal of any Series 2010 Bond when the same becomes due and payable on the final maturity date of a Series 2010 Bond;
- default in the performance or observance of any other of the Authority's covenants, agreements or conditions contained in the Indenture or in the Series 2010 Bonds, and continuation of such default for a period of 90 days after written notice thereof is given to the Authority by a responsible officer of the Trustee;
- the occurrence of an event of bankruptcy; and
- any event of default under any tax certificate and agreement of the Authority.

### **Remedies on Default**

***Possession of Trust Estate.*** Upon the happening of any event of default relating to the Authority, the Trustee may (other than with respect to solely a covenant default), and, at the written direction of the registered owners of at least a majority of the Outstanding Amount of the Highest Priority Bonds, will enter into and upon and take possession of any portion of the trust estate of the Authority that may be in the custody of others, and all property comprising the trust estate, exclude the Authority wholly therefrom and have, hold, use, operate, manage and control

those assets. The Trustee may also, in the name of the Authority or otherwise, conduct such Authority's business and collect and receive all charges, income and revenues of the trust estate. After deducting all expenses incurred and all other proper outlays authorized in the Indenture, and all payments which may be made as reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Trustee will apply the rest and residue of the money received by the Trustee as follows:

FIRST, to the Department of Education, any department rebate interest amount and monthly rebate fee due and owing thereto, to any guarantee agency amounts due and owing to such guarantee agency and to any party to any joint sharing agreement to which the Authority may be a party, any amounts due and owing thereto;

SECOND, to the Trustee for fees and any costs and out-of-pocket expenses of the Trustee due and owing;

THIRD, to the Administrator and the Servicers, any administrative fees and servicing fees due and payable;

FOURTH, to the registered owners of the Series 2010A Bonds for amounts due and unpaid on the Series 2010A Bonds for interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Series 2010A Bonds for such interest;

FIFTH, to registered owners of the Series 2010A Bonds for amounts due and unpaid on the Series 2010A Bonds for principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the Series 2010A Bonds for principal;

SIXTH, to the registered owner of the Series 2010B Bond for amounts due and unpaid on the Series 2010B Bond for interest;

SEVENTH, to the registered owner of the Series 2010B Bond for amounts due and unpaid on the Series 2010B Bond for principal; and

EIGHTH, to the Authority.

***Sale of Trust Estate.*** Upon the happening of any event of default and if the principal of all of the outstanding Series 2010 Bonds will have been declared due and payable, then the Trustee may, and at the written direction of the registered owners of at least a majority of the Outstanding Amount of the Highest Priority Bonds will, sell the trust estate to the highest bidder in accordance with the requirements of applicable law; provided, however, that no such sale will be made unless the Trustee has received an opinion of bond counsel stating that such transfer will not affect adversely the exclusion from federal income taxation of interest on the Series 2010 Bonds afforded by Section 103 of the Code. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee and the registered owners in the 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 therein granted, 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 of these actions if requested to do so in writing by the registered owners of at least a majority of the Outstanding Amount of the Highest Priority Bonds.

Notwithstanding the foregoing and whether or not the principal of all outstanding Series 2010 Bonds has been declared due and payable, the Trustee is prohibited from selling the financed student loans following an event of default, other than a default in the payment of any principal or any interest on any Series 2010 Bond, unless:

- The registered owners of all of the Series 2010 Bonds outstanding consent to such sale;
- The proceeds of such sale are sufficient to pay in full all outstanding Series 2010 Bonds at the date of such sale pursuant to terms of the Indenture describing discharge of the Indenture; or
- The Trustee determines that the collections on the financed student loans would not be sufficient on an ongoing basis to make all payments on such Series 2010 Bond as such payments would have become due if such Series 2010 Bonds had not been declared due and payable, and the Trustee obtains the consent of the registered owners of at least 66-2/3% in aggregate principal amount of the Series 2010 Bonds outstanding to such sale.

***Appointment of Receiver.*** If an event of default occurs, if all of the outstanding Series 2010 Bonds under the Indenture have been declared due and payable, and if 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 will be entitled to the appointment of a receiver for the trust estate.

***Accelerated Maturity.*** If an event of default occurs and is continuing, the Trustee or the registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds may declare all the outstanding Series 2010 Bonds to be immediately due and payable, together with accrued and unpaid interest thereon through the date of acceleration. Such declaration of acceleration may be rescinded before a judgment or decree for the payment of the money due has been obtained by the Trustee if (a) the registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds provide written notice to the Authority and the Trustee, (b) the Authority has paid or deposited with the Trustee amounts sufficient to pay (i) all principal and interest due on all Series 2010 Bonds and all other amounts that would then be due under the Indenture or upon such Series 2010 Bonds if the event of default giving rise to such acceleration had not occurred and (ii) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, any Servicer, and their agents and counsel and (c) any other event of default has been cured or waived.

***Direction of Trustee.*** If an event of default occurs, the registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds, upon indemnifying the Trustee for its fees and expenses, will have the right 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 discontinued or delayed.

***Right to Enforce in Trustee.*** No registered owner will have any right as a 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 thereunder or for the appointment of a receiver or for any other remedy under the Indenture. All rights of action under the Indenture are vested exclusively in the Trustee, unless and until the Trustee fails for 30 days to institute an action, suit or proceeding after the registered owners of the requisite Outstanding Amount of the Highest Priority Bonds:

- will have given to the Trustee written notice of a default under the Indenture, and of the continuance thereof;
- will have made written request upon the Trustee and the Trustee will have been afforded reasonable opportunity to institute such action, suit or proceeding in its own name; and
- will have offered indemnity and security satisfactory to the Trustee against the costs, expenses, and liabilities to be incurred in or by an action, suit or proceeding in its own name.

***Waivers of Events of Default.*** The Trustee will waive an event of default under the Indenture and its consequences and rescind any declaration of acceleration of the Series 2010 Bonds due under the Indenture upon the written request of the registered owners of at least a majority of the Outstanding Amount of the Highest Priority Bonds. However, any event of default in the payment of the principal of or interest due on any Series 2010 Bond issued under the Indenture may not be waived unless prior to the waiver or rescission, provision has been made for payment of all arrears of interest or principal and all expenses of the Trustee in connection with such default. A waiver or rescission of one default will not affect any subsequent or other default, or impair any rights or remedies consequent to any subsequent or other default.

## **The Trustee**

***Acceptance of Trust.*** The Trustee will accept the trusts imposed upon it by the Indenture and will perform those trusts, but only upon and subject to the following terms and conditions:

- except during the continuance of an event of default, the Trustee undertakes to perform only those duties as are specifically set forth in the Indenture;
- except during the continuance of an event of default, the Trustee, in the absence of bad faith on its part, 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 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 will

be under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture and whether or not they contain the statements required under the Indenture;

- in case an event of default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, will use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; and
- before taking any action under the Indenture requested by registered owners, the Trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the registered owners, as applicable, for the reimbursement of all fees, costs and expenses (including those of its counsel and agents) to which it may be put and to protect it against liability arising from any action taken by the Trustee, except liability which results from the negligence or willful misconduct of the Trustee and negligence with respect to moneys deposited and applied pursuant to the Indenture, by reason of any action so taken by the Trustee.

***Indenture Trustee May Act Through Agents.*** The Trustee may execute any of the trusts or powers under the Indenture and perform any duty thereunder, either itself or by or through its attorneys, agents, or employees. The Trustee will not be answerable or accountable for any default, neglect or misconduct of any such attorneys, agents or employees, if reasonable care has been exercised in the appointment. The Authority will pay all reasonable costs incurred by the Trustee and all reasonable compensation to all such persons as may reasonably be employed in connection with the trusts of the Indenture.

***Duties of the Trustee.*** The Trustee will not make any 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 or sufficiency of the Indenture or the Series 2010 Bonds issued thereunder. If no event of default as defined in the Indenture has occurred, the Trustee is required to perform only those duties specifically required of it under the Indenture. The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, appraisal, opinion, or document of the Authority, the Administrator or a Servicer or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with experts and with counsel (who may but need not be counsel for the Authority, for the Trustee, or for a registered owner or who may be Bond Counsel), and the opinion of such counsel 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.

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; provided, however, that the Trustee will be liable for its negligence or willful misconduct in taking such action. The Trustee is 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 error of judgment made in good faith by a



responsible officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee will not be liable with respect to any action taken, suffered or omitted to be taken in good faith in accordance with the Indenture or any other transaction document or at the direction of the registered owners evidencing the appropriate percentage of the aggregate principal amount of the outstanding Series 2010 Bonds 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 or any other transaction document.

***Indemnification of Trustee.*** The Trustee is generally under no obligation or duty to perform any act at the request of registered owners or to institute or defend any suit to protect the rights of the registered owners under the Indenture unless properly indemnified and provided with security to its satisfaction. The Trustee is not required to take notice, or be deemed to have knowledge, of any default or event of default of the Authority under the Indenture (other than an event of default described in the first two bullet points under the caption “—Events of Default” above) unless and until a responsible officer of the Trustee has been specifically notified in writing of the default or event of default by the registered owners of the required percentages in Outstanding Amount of the Highest Priority Bonds or 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. In that case, the Trustee will be reimbursed or indemnified by the registered owners requesting that action, if any, or, to the extent permitted by law, by the Authority in all other cases, for all reasonable and documented fees, expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred unless such reasonable and documented fees, expenses, liabilities, outlays and counsel fees and other reasonable disbursements are adjudicated to have resulted from the negligence or willful misconduct of the Trustee or any other Trustee indemnified party (as defined below). To the extent permitted by law, the Trustee will not be liable for, and will be held harmless by the Authority from, any liability arising from following any Authority orders, instructions or other directions upon which it is authorized to rely under the Indenture or other agreement to which it is a party. The Trustee and its officers, directors, employees and agents (the “Trustee indemnified parties”) will further, to the extent permitted by law, be indemnified for and held harmless by the Authority from and against any loss, liability or expense incurred without negligence or willful misconduct on the part of the Trustee or any other Trustee indemnified parties arising out of or in connection with the Trustee’s acceptance or administration of the trust or its duties under the Indenture, including the reasonable costs and expenses of the Trustee indemnified parties in defending themselves against any claim or liability in connection with the exercise or performance of any of the Trustee’s duties under the Indenture. The obligations of the Authority under the Indenture are limited to amounts held under the Indenture and available therefore. If the Authority or the registered owners, as appropriate, fail to make such reimbursement or indemnification, the applicable Trustee indemnified party may reimburse itself, subject to the provisions of the Indenture, from any money in its possession under the provisions of the Indenture (other than the Rebate Fund and the Excess Interest Fund), subject only to the prior lien of the Series 2010 Bonds for the payment of the principal thereof and interest thereon from the Collection Account.

In no event will the Trustee be responsible or liable for any special, indirect, punitive or consequential loss or damages of any kind whatsoever (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 such action. The rights, privileges, immunities and benefits given to the Trustee under the Indenture, including, without limitation, its right to be indemnified, are extended to, and will be enforceable by the Trustee. The provisions in the Indenture regarding indemnification of the Trustee will survive the resignation or removal of the Trustee and the termination of the Indenture.

***Compensation of Trustee.*** Except as otherwise provided in the Indenture, the Authority will pay to the Trustee reasonable compensation for the services rendered by it under the Indenture, and also all of its advances, counsel fees and other expenses reasonably made or incurred in and about the execution and administration of the trust created by the Indenture. The Trustee and the Authority will agree to a trustee fee prior to the issuance of the Series 2010 Bonds, which trustee fee will be applicable so long as the Series 2010 Bonds are outstanding. Any successor Trustee may not materially increase the trustee fee unless, in the judgment of the Trustee, such increase is not to the material prejudice of the registered owners. If not paid by the Authority, the Trustee will have a lien on all money held pursuant to the Indenture (other than the Rebate Fund and the Excess Interest Fund), subject only to the prior lien of the Series 2010 Bonds for the payment of the principal and interest thereon from the Collection Account, unless the Trustee is adjudicated to have incurred liability in connection with its services under the Indenture due to the negligence or willful misconduct of the Trustee or any other Trustee indemnified party.

***Resignation of Trustee.*** The Trustee and any successor to the Trustee may resign and be discharged by giving the Authority notice in writing specifying the date on which the resignation is to take effect; provided, however, that such resignation will only take effect on the day specified in such notice if a qualified successor Trustee has been appointed pursuant to the Indenture. If no successor Trustee has been appointed by that date or within 90 days of the Authority receiving the Trustee's notice, whichever is longer, then the Trustee may either (a) appoint a temporary successor Trustee meeting the eligibility requirements of a trustee under the Indenture; or (b) request a court of competent jurisdiction to (i) require the Authority to appoint a successor Trustee within three days of the receipt of citation or notice by the court or (ii) appoint a successor Trustee itself meeting the eligibility requirements of the Indenture.

***Removal of Trustee.*** The Trustee or any successor to the Trustee may be removed:

- at any time by the registered owners of a majority of the Outstanding Amount of the Highest Priority Bonds;
- by the Authority for cause or upon the sale or other disposition of the Trustee or its trust functions; or
- by the Authority without cause so long as no event of default exists or has existed within the last 90 days.

In the event the Trustee is removed, removal will not become effective until:

- a successor Trustee has been appointed; and
- the successor Trustee has accepted that appointment.

***Successor Trustee.*** If the Trustee or any successor to the Trustee resigns, is dissolved, is removed or otherwise is disqualified to act or is incapable of acting, or in case control of the Trustee or of any successor to the Trustee or of its officers is taken over by any public officer or officers, the Authority may appoint a successor Trustee. The Authority will cause notice of the appointment of a successor Trustee to be mailed to the registered owners of the Series 2010 Bonds at the address of each registered owner appearing on the bond registration books maintained by the Trustee, as registrar.

Every successor Trustee will be required to meet the following eligibility criteria (which also apply to the initial Trustee):

- will 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;
- have a reported capital and surplus of not less than \$50,000,000;
- will be authorized under the law to exercise corporate trust powers in the State, be subject to supervision or examination by a federal or state authority; and
- will be an eligible lender under the Higher Education Act so long as such designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the financed student loans.

***Merger of the Trustee.*** Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee will be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of the Trustee, will be the successor of the Trustee under the Indenture, provided such corporation or association is otherwise qualified and eligible under the Indenture, without the execution or filing of any paper of any further act on the part of any other parties thereto.

### **Supplemental Indentures**

***Supplemental Indentures Not Requiring Consent of Registered Owners.*** The Authority can agree with the Trustee to enter into any indentures supplemental to the Indenture for any of the following purposes without notice to or the consent of registered owners (except as provided below):

- to cure any ambiguity or formal defect or omission in the Indenture;

- 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;
- to subject to the Indenture additional revenues, properties or collateral;
- to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Indenture or any indenture supplemental thereto under the Trust Indenture Act of 1939 or any similar federal statute or to permit the qualification of the Series 2010 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 thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- 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, or any additional or substitute guarantee agency or Servicer;
- to add such provisions to or to amend such provisions of the Indenture as may be necessary or desirable to implement the student loan business in conformance with the Higher Education Act so long as such additions or amendments are, in the judgment of the Authority, not to the material prejudice of the registered owners of any outstanding Series 2010 Bonds;
- to make any change as may be necessary in order to obtain and maintain for any of the Series 2010 Bonds an investment grade rating from a nationally recognized rating service, so long as such changes are, in the judgment of the Authority and the Trustee, not to the material prejudice of the registered owners of any outstanding Series 2010 Bonds;
- to make any changes necessary to comply with or to obtain more favorable treatment under any current or future law, rule or regulation, including, but not limited to, the Higher Education Act;
- to create any additional funds or accounts or subaccounts under the Indenture deemed by the Trustee to be necessary or desirable;
- to amend the Indenture to provide for use of a surety bond or other financial guarantee instrument in lieu of cash and/or investment securities in all or any portion of the Debt Service Reserve Account, so long as such action will not adversely affect the ratings of any of the Series 2010A Bonds; or
- to make any other change which, in the judgment of the Trustee, is not to the material prejudice of the registered owners of any Series 2010 Bond outstanding under the Indenture.

***Supplemental Indentures Requiring Consent of Registered Owners.*** Any amendment of the Indenture other than those listed above must be approved by the registered owners of not less than a majority of the Outstanding Amount of the Series 2010 Bonds then outstanding under the Indenture, provided that the changes described below may be made in a supplemental indenture only with the consent of the registered owners of all affected Series 2010 Bonds:

- an extension of the stated maturity date of the principal of or the interest on any Series 2010 Bonds;
- a reduction in the principal amount of any Series 2010 Bonds or the rate of interest thereon;
- a privilege or priority of any Series 2010 Bond or Series 2010 Bonds under the Indenture over any other Series 2010 Bond or Series 2010 Bonds except as otherwise provided in the Indenture;
- a reduction in the aggregate principal amount of the Series 2010 Bonds required for consent to such supplemental indenture; or
- the creation of any lien other than a lien ratably securing all of the Series 2010 Bonds at any time outstanding under the Indenture except as otherwise provided in the Indenture.

No amendment requiring the consent of the registered owners may be made without the written consent of the registered owner of the Series 2010B Bond unless the Trustee has determined that such amendment is not to the prejudice of the registered owner of the Series 2010B Bond; provided, however, that no amendment may be made to the provisions of the flow of funds within the Collection Account or the provisions regarding amending the Indenture without the written consent of the registered owner of the Series 2010B Bond.

***Additional Limitation on Modification of Indenture.*** None of the provisions of the Indenture will permit an amendment to the provisions of the Indenture which permits the transfer of all or part of the financed student loans or the granting of an interest therein to any person other than an eligible lender under the Higher Education Act or a Servicer, unless the Higher Education Act is modified so as to permit the same. No amendment or supplement to the Indenture will be effective unless there is delivered to the Trustee an opinion of Bond Counsel to the effect that an amendment or supplement to the Indenture was adopted in conformance with the Indenture.

### **Trusts Irrevocable**

The trust created by the Indenture is irrevocable until the Series 2010 Bonds and interest thereon and all other payment obligations under the Indenture are fully paid or provision is made for their payment as provided in the Indenture.

## **Satisfaction of the Indenture**

If the registered owners are paid all the principal of and interest due on their Series 2010 Bonds at the times and in the manner stipulated in the Indenture and (i) if the Rebatable Arbitrage and Excess Interest required to be paid under the tax documents have been paid and (ii) if all other persons are paid any other amounts payable and secured under the Indenture, then the pledge of the trust estate will thereupon terminate and be discharged. The Trustee will execute and deliver to the Authority instruments to evidence the discharge and satisfaction, and the Trustee will pay all money held by it under the Indenture to the party entitled to receive it under the Indenture.

Series 2010 Bonds will be considered to have been paid if money for their payment or redemption has been set aside and is being held in trust by the Trustee. Any outstanding Series 2010 Bond will be considered to have been paid if the Series 2010 Bond is to be redeemed on any date prior to its stated maturity and notice of redemption has been given as provided in the Indenture and on said date there will have been deposited with the Trustee either money or certain non-callable governmental obligations which are unconditionally and fully guaranteed by the United States of America or any agency or instrumentality thereof, the principal of and the interest on which when due will provide money which, together with any money deposited with the Trustee at the time, will be sufficient to pay when due the principal of and interest to become due on the Series 2010 Bond on and prior to the redemption date or stated maturity, as the case may be.

## **ABSENCE OF LITIGATION**

There is no litigation of any nature now pending or threatened, or in any way contesting or affecting the validity of the Series 2010 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof. Also, there is no such action contesting the pledge or application of any monies or security provided for the payment of the Series 2010 Bonds or the existence or powers of the Authority.

## **LEGALITY OF INVESTMENT**

The Oklahoma Student Loan Act provides in Title 70 Oklahoma Statutes, Section 695.3, as follows:

All bonds issued under the Oklahoma Student Loan Act are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the State of Oklahoma and any of its political subdivisions, departments, institutions and agencies. When accompanied by all unmatured coupons appurtenant thereto, the bonds are sufficient security for all deposits of state funds and of all funds of any board in control at the par value of the bonds.

## LEGAL MATTERS

The issuance of the Series 2010A Bonds is subject to approval of validity by Kutak Rock LLP, Bond Counsel, whose approving opinion will state, among other things, that under existing law:

- A. The Authority is an express trust duly created and established for public purposes, and has full power and authority to issue the Series 2010A Bonds and to adopt the Bond Resolution and enter into the Indenture, the Servicing Agreement, the Backup Servicing Agreement, the Escrow Agreement, the Tax Certificate and Agreement, the Joint Sharing Agreement and the other documents contemplated thereby and perform its obligations thereunder;
- B. The Bond Resolution, the Indenture, the Servicing Agreement, the Backup Servicing Agreement, the Escrow Agreement, the Tax Certificate and Agreement and the Joint Sharing Agreement have been duly authorized, executed and delivered, are in full force and effect and constitute legal, valid and binding agreements of the Authority enforceable in accordance with their terms;
- C. The Series 2010A Bonds have been duly authorized and issued by the Authority, are entitled to the benefits of the Indenture and are valid and binding limited and special revenue obligations of the Authority secured by and payable solely from the revenues, funds and accounts of the Authority pledged as the trust estate therefor pursuant to the Indenture.

Bond Counsel's approving opinion also will address certain items regarding the tax status of the Series 2010A Bonds. In this regard, see the section "TAX MATTERS" herein. Bond Counsel will not pass upon any matters relating to the business, properties, affairs or condition, financial or otherwise, of the Authority. No inference should be drawn that they have expressed an opinion on matters relating to the financial ability of the Authority to perform its obligations under the Series 2010A Bonds and the documents described herein.

The opinions expressed by Bond Counsel with respect to the enforceability of the Series 2010A Bonds and the documents described herein are qualified to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally, by the application of general principles of equity, and by the exercise of judicial discretion in appropriate cases.

See Appendix G in this Official Statement for the form of Bond Counsel's opinion on the Series 2010A Bonds.

In addition, Bond Counsel will deliver a supplemental opinion to the Authority, the Underwriter, the Trustee and the Rating Agencies regarding the fair and accurate description of certain provisions of the Series 2010A Bonds and the Indenture in this Official Statement, the exemption from securities registration of the Series 2010A Bonds and the creation of a first perfected security interest in the Trust Estate which secures the Series 2010A Bonds, subject to certain standard exceptions.

Certain legal matters will be passed on for the Authority by its special counsel, Durrell PLLC, Oklahoma City, Oklahoma; for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas; and for the Trustee by its counsel, Riggs, Abney, Neal, Turpen, Orbison & Lewis, Inc., Tulsa, Oklahoma.

Also, certain legal matters will be passed on by the Attorney General of the State of Oklahoma in approving the transcript of legal proceedings.

## **TAX MATTERS**

### **General**

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2010A Bonds is excludable from gross income for federal income tax purposes. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be met subsequent to the issuance of the Series 2010A Bonds. Failure to comply with such requirements could cause interest on the Series 2010A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010A Bonds. The Authority has covenanted to comply with such requirements. Bond Counsel is further of the opinion that interest on the Series 2010A-1 Bonds is a specific preference item for purposes of the federal alternative minimum tax, and interest on the Series 2010A-2A Bonds and the Series 2010A-2B Bonds is not a specific preference item and is not included in adjusted current earnings for purposes of the federal alternative minimum tax.

Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2010A Bonds.

### **Tax Matters Related to the Series 2010A Bonds**

The accrual or receipt of interest on the Series 2010A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2010A Bonds. The extent of these other tax consequences will depend upon such owner’s particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2010A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts, or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, 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 2010A Bonds.

***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 2010A Bonds



is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any registered owner who 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 new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2010A 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 federal and state tax matters referred to above or adversely affect the market value of the Series 2010A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Series 2010A 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 2010A 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 2010A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2010A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2010A Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## **State Taxes**

Bond Counsel is further of the opinion that, pursuant to the Authorizing Act, the Series 2010A Bonds and the income therefrom are exempt from taxation in the State of Oklahoma.

## **RATINGS**

The Authority expects that Fitch will assign the Series 2010A Bonds a long-term rating of “AAA”; and that Standard & Poor’s will assign the Series 2010A Bonds a long-term rating of “AAA (sf)”.

The Ratings reflect only the view of the Rating Agencies. The Ratings are not a recommendation to buy, sell or hold the Series 2010A Bonds. An explanation of the significance of the Ratings may be obtained from Standard & Poor's and Fitch.

The Ratings are subject to change or withdrawal at any time. Any such change or withdrawal may affect the market price or marketability of the Series 2010A Bonds. Neither the Authority nor the Underwriter has undertaken any responsibility either to bring to the attention of the registered owners of the Series 2010A Bonds any proposed change in, or proposed

withdrawal of, the Ratings on the Series 2010A Bonds or to oppose any such change or withdrawal. Any downward revision or withdrawal of such Ratings may have an adverse effect on the market price of the Series 2010A Bonds.

## UNDERWRITING

### General

The Series 2010A Bonds are to be purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Underwriter, pursuant to the terms and conditions of the Bond Purchase Agreement (the “*Bond Purchase Agreement*”) between the Authority and the Underwriter. The Bond Purchase Agreement requires the Underwriter to pay a purchase price of \$227,070,285, which is equal to the par amount of the Series 2010A Bonds, less an original issue discount on the Series 2010A-2B Bonds of \$929,715.

The Bond Purchase Agreement provides that the Underwriter’s obligations are subject to certain conditions and that the Underwriter will purchase all of the Series 2010A Bonds if any are purchased. Upon delivery of, and payment for, the Series 2010A Bonds, the Underwriter will be paid a fee of \$1,311,926, which is approximately 0.575% of the aggregate principal amount of the Series 2010A Bonds, for their services and expenses.

### Offering Prices of the Series 2010A Bonds

The initial prices shown on the cover page hereof may be changed from time to time by the Underwriter without notice. The Underwriter may offer and sell the Series 2010A Bonds to certain dealers (including dealers depositing Series 2010A Bonds into investment trusts) and others at prices lower than the price shown on the cover page hereof.

Until the initial distribution of Series 2010A Bonds is completed, the rules of the Securities and Exchange Commission may limit the ability of the Underwriter to bid for and purchase the Series 2010A Bonds. As an exception to these rules, the Underwriter is permitted to engage in transactions that stabilize the price of the Series 2010A Bonds. These transactions consist of bids of purchase for the purpose of pegging, fixing or maintaining the price of the Series 2010A Bonds.

Purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of those purchases.

Neither the Authority nor the Underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the Series 2010A Bonds. In addition, neither the Authority nor the Underwriter makes any representation that the Underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Related Transactions with the Underwriter and Bank of America**

The Underwriter is the broker-dealer for our \$25,000,000 Oklahoma Student Loan Bonds and Notes, Taxable Auction Rate Obligations, Series 2000A-3 that are presently in a failed auction mode that will be refunded with some of the proceeds of the Series 2010A Bonds. The Underwriter also is the appointed broker-dealer for our \$25,000,000 Senior Taxable Auction Rate Bonds, Series 2001A-3 and the remarketing agent for our \$175,305,000 Oklahoma Student Loan Bonds and Notes, Senior Variable Rate Demand Obligations, Series 2008IIA-1 (the “*Series 2008A Bonds*”).

The Underwriter is an affiliate of Bank of America, N.A. (the “*Bank*”). The Bank is an eligible lender participating in the OSLA Network. This relationship includes loan servicing by us for the Bank, and in the past, ongoing sales of student loans to us by the Bank, including some that may be refinanced into the Trust Estate. Some student loans currently held by the Bank may be sold to us in the future.

The Bank also is the letter of credit provider for the Series 2008A Bonds, for which the Underwriter is the remarketing agent. In addition, we maintain depository, commercial banking and banking product relationships with the Bank.

## **CONTINUING SECONDARY MARKET DISCLOSURE**

We will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the Beneficial Owners of the Series 2010A Bonds. The Undertaking will require us to send certain information annually, and to provide notice of certain events, to information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “*Rule*”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The specific nature of the information to be provided and a summary of other terms of the Undertaking, are set forth in Appendix F – “CONTINUING DISCLOSURE UNDERTAKING”.

We are in compliance in all material respects with our existing undertakings pursuant to the Rule. A failure to comply with the Undertaking will not constitute a default under the Indenture and Beneficial Owners of the Series 2010A Bonds are limited to the remedies described in the Undertaking.

Our failure to comply with the Undertaking must be reported in accordance with the Rule and must be considered by a broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2010A Bonds in the secondary market. Consequently, such a failure may adversely affect the market price, transferability and liquidity of the Series 2010A Bonds.

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APPROVAL

This Official Statement has been approved by the Authority for distribution by the Underwriter to the prospective purchasers and the Registered and Beneficial Owners of the Series 2010A Bonds.



OKLAHOMA STUDENT LOAN AUTHORITY

/s/ Patrick Rooney  
Chairman

ATTEST:

/s/ Hilarie Blaney  
Secretary

## APPENDIX A

### OKLAHOMA STUDENT LOAN AUTHORITY

### OKLAHOMA STUDENT LOAN BONDS AND NOTES TAX-EXEMPT LIBOR FLOATING RATE BONDS, SENIOR SERIES 2010A

#### GLOSSARY OF TERMS

Some of the terms used in this Official Statement are set forth below. The Indenture contains the definition of other terms used in this Official Statement. Reference is made to the Indenture for those definitions.

“*Administrator*” means the Oklahoma Student Loan Authority or any successor appointed by the Authority to perform any administrative duties under the Indenture which has entered into an administration agreement with the Authority and the Trustee following receipt by the Authority of the consent of the registered owners representing not less than a majority of the Outstanding Amount of the Series 2010A Bonds and the written consent of the registered owner of the Series 2010B Bond.

“*Available Funds*” means, with respect to a quarterly distribution date or a monthly servicing and administration payment date, the sum of the following amounts received to the extent not previously distributed: (a) all collections received by any Servicer on the financed student loans (including late fees received by any Servicer with respect to the financed student loans and payments from any guarantee agency received with respect to the financed student loans) but net of (i) any collections in respect of principal on the financed student loans applied by the Authority to recall claims with respect to or repurchase student loans (only to the extent that such student loans were previously financed student loans under the Indenture) from the guarantee agencies or any Servicer; provided, that such claim recall or repurchase is required by the terms of the Guarantee Agreement (including, for this purpose, any claim recall or repurchase which is “strongly encouraged” by the Department’s Common Manual), the related servicing agreement, or such claim recall or repurchase is required by federal law or regulations, including, without limitation, the Higher Education Act and the related regulations, and (ii) amounts required by the Higher Education Act to be paid to the Department (including, but not limited to, any monthly rebate fees and any Department rebate interest amounts to be deposited into the Department Rebate Fund or paid directly to the Department) or to be repaid to borrowers (whether or not in the form of a principal reduction of the applicable financed student loan), with respect to the financed student loans; (b) any interest benefit payments and special allowance payments received by the Trustee or the Authority with respect to financed student loans; (c) all liquidation proceeds from any financed student loans which became liquidated financed student loans in accordance with the related Servicer’s customary servicing procedures, and all other moneys collected with respect to any liquidated financed student loan which was written off, net

of the sum of any amounts expended by the related Servicer in connection with such liquidation and any amounts required by law to be remitted to the obligor on such liquidated financed student loan; (d) the aggregate purchase amounts received for financed student loans repurchased by a seller, a Servicer, the Authority or otherwise released from the lien of this Indenture by the Authority; (e) the aggregate amounts, if any, received from a seller or any Servicer as reimbursement of non-guaranteed interest amounts, or lost interest benefit payments and special allowance payments, with respect to the financed student loans pursuant to a student loan purchase agreement or a servicing agreement, respectively; (f) other amounts received by a Servicer pursuant to its role as Servicer of the financed student loans under the related servicing agreement and payable to the Authority in connection therewith; (g) all interest earned or gain realized from the investment of amounts in any Fund or account other than the Rebate Fund or Excess Interest Fund; and (h) any other amounts deposited to the Collection Account. “Code” means the Internal Revenue Code of 1986, as amended from time-to-time.

“*Collection Period*” means, with respect to the first quarterly distribution date, the period beginning on the Date of Issuance and ending on October 31, 2010, and with respect to each subsequent quarterly distribution date, the Collection Period means the three calendar months immediately following the preceding Collection Period.

“*Computation Date*” means a date as of which Rebatable Arbitrage is calculated, which is no later than the fifth anniversary of the date of issuance of the Series 2010 Bonds, and each fifth year anniversary thereafter continuing while any of the Series 2010 Bonds is outstanding, and the day upon which the last Series 2010 Bond is retired.

“*Consumer Price Index*” means the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items, as published by the Bureau of Labor Statistics of the United States Department of Labor, using the years 1982-84 as a base of 100, or if such index is discontinued, the most comparable index published by any federal governmental agency.

“*Debt Service Reserve Account Balance (Specified)*” means, on the Date of Issuance, \$570,000, and thereafter with respect to any Quarterly Distribution Date as long as the Series 2010A Bonds are outstanding, the greater of (a) 0.25% of the Outstanding Amount of Series 2010A Bonds as of the close of business on the last day of the related Collection Period; or (b) \$340,000; provided that in no event will such balance exceed the sum of the Outstanding Amount of the Series 2010A Bonds.

The Specified Debt Service Reserve Account Balance may be reduced with (i) a Rating Confirmation or Rating Notification from each Rating Agency and (ii) the consent of the registered owners representing not less than a majority of the Outstanding Amount of the Series 2010A Bonds. The Specified Debt Service Reserve Account Balance will be calculated by the Authority and certified to the Trustee. The Trustee may conclusively rely on the Authority certificate with no duty to further examine or determine such information. “*Eligible Lender*” means an entity which is an “eligible lender,” as defined in the Higher Education Act (including but not limited to an “eligible lender trustee”), and which has received an eligible lender number or other designation from the Secretary with respect to loans made under the Higher Education Act.

“*Event of Bankruptcy*” means (a) the Authority 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; or (b) an involuntary case or other proceeding shall have 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.

“*Excess Interest*” means, as of the date of computation, the “excess earnings” as defined in § 1.148-107 of the Treasury Regulations, with respect to the financed student loans.

“*Excess Interest Calculation Date*” means a date as of which excess interest is calculated with respect to the Series 2010 Bonds as provided in the related tax documents.

“*Financed*” when used with respect to student loans, means or refers to (a) student loans acquired or refinanced by the trust estate with balances in the Acquisition Account or otherwise pledged to the Trustee or otherwise constituting a part of the trust estate; and (b) student loans substituted or exchanged for financed student loans, but does not include student loans released from the lien of the Indenture and sold or transferred, to the extent permitted by the Indenture.

“*Fitch*” means Fitch, Inc., Fitch Ratings Ltd., its subsidiaries and its successors and assigns.

“*Guarantee*” or “*Guaranteed*” means, with respect to a student loan, the insurance or guarantee by a guarantee agency pursuant to such guarantee agency’s guarantee agreement of the maximum percentage of the principal of and accrued interest on such student loan allowed by the terms of the Higher Education Act with respect to such student loan at the time it was originated and the coverage of such student loan by the federal reimbursement contracts, providing, among other things, for reimbursement to a guarantee agency for payments made by it on defaulted student loans insured or guaranteed by a guarantee agency of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular student loan.

“*Guarantee Agreements*” means a guarantee or lender agreement between the Authority and a guarantee agency, and any amendments thereto.

“*Higher Education Act*” means the Higher Education Act of 1965, as amended or supplemented from time to time, or any successor federal act and all regulations, directives, bulletins, and guidelines promulgated from time-to-time thereunder.

“*Highest Priority Bonds*” shall mean, (a) at any time when Series 2010A Bonds are Outstanding, the Series 2010A Bonds; and (b) at any time when no Series 2010A Bonds are Outstanding, the Series 2010B Bond.

“*Indenture*” means the indenture of trust between the Authority and the Trustee, including all supplements and amendments thereto.

“*Interest Benefit Payment*” means an interest payment on student loans received pursuant to the Higher Education Act and an agreement with the federal government, or any similar payments.

“*Investment Securities*” means any of the following which are at the time of investment legal investments for the funds of the Authority under the laws of the State, including the Authorizing Act, for the moneys proposed to be invested (provided that the Authority may direct the Trustee in writing to exclude or limit any of the following)

(a) direct obligations of, or obligations on which the timely payment of the principal of and interest on which are unconditionally and fully guaranteed by, the United States of America or any agency or instrumentality thereof, including, but not limited to, direct or fully guaranteed (i) U.S. Treasury obligations, (ii) Farmers Home Administration Certificates of Beneficial Ownership, (iii) General Services Administration participation certificates, (iv) U.S. Maritime Administration guaranteed Title XI financing, (v) Small Business Administration guaranteed participation certificates and guaranteed pool certificates, (vi) U.S. Department of Housing and Urban Development local authority bonds, and (vii) Washington Metropolitan Area Transit Authority guaranteed transit bonds; provided, however, such obligations must be limited to those instruments which have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, not have an “r” suffix attached to any rating, and have interest tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(b) debentures of the Federal Housing Administration;

(c) certain debt instruments of certain government-sponsored agencies, including: (i) Federal Home Loan Mortgage Authority debt obligations, (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-wide bonds and notes, (iii) Federal Home Loan Banks consolidated debt obligations; (iv) the Federal National Mortgage Association debt obligations; (v) Financing Corp. (“FICO”) debt obligations; and (vi) Resolution Funding Corp. (“REFCORP”) debt obligations or any agency or instrumentality of the United States of America which are established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; provided, however, such obligations must be limited to those instruments which have a predetermined fixed dollar amount of principal due at maturity that cannot vary, not have an “r” suffix attached to any rating, and have interest tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(d) federal funds, unsecured certificates of deposit, interest-bearing time or demand deposits, banker’s acceptances, and repurchase agreements or other similar banking arrangements with a maturity of 12 months or less with any domestic commercial banks (including those of the Trustee or any affiliate); provided, however, (i) that, at the time of deposit or purchase, such depository institution has commercial paper which is rated “A 1+”



by S&P and “AA-/F1+” by Fitch, (ii) that ratings of holding companies may not be considered ratings of the banks; and (iii) such banking arrangements must be limited to those instruments which have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, not have an “r” suffix attached to any rating, and have interest tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(e) deposits that are fully insured by the Federal Deposit Insurance Corp. (“FDIC”) which (i) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (ii) if rated, do not have an “r” suffix attached to the rating, and (iii) have interest which is tied to a single interest rate index plus a single fixed spread (if any) and move proportionately with such index;

(f) debt obligations maturing in 365 days or less that are rated at least “AA-” by S&P and “AA-/F1+” by Fitch which (i) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (ii) if rated, do not have an “r” suffix attached to the rating, and (iii) have interest which is tied to a single interest rate index plus a single fixed spread (if any) and move proportionately with such index;

(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 “F1+” by Fitch, and which matures not more than 365 days after the date of purchase; provided, however, such commercial paper must (i) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (ii) if rated, not have an “r” suffix attached to the rating, and (iii) have interest which is tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(h) investments in certain short-term debt, including commercial paper, federal funds, repurchase agreements, unsecured certificates of deposit, time deposits, and banker’s acceptances, of issuers rated “A-1” by S&P and “AA-/F1+” by Fitch or S&P; provided, however, (i) only amounts in the Collection Account may be invested in the investment securities described in this clause, (ii) the total amount of such investments may not represent more than 20% of the outstanding principal amount of the Series 2010 Bonds, (iii) each such investment may not mature beyond 30 days, (iv) such investments are not eligible for the Debt Service Reserve Account, (v) such investments must have a predetermined fixed dollar amount of principal due at maturity that cannot vary, (vi) if such investments are rated, may not have an “r” suffix attached to the rating, and (vii) such investments must have interest which is tied to a single interest rate index plus a single fixed spread (if any) and move proportionately with such index;

(i) investments in a money market fund rated at least “AAAm” or “AAAm-G” by S&P and, “AAA/V1+” by Fitch, if then rated by Fitch, including funds for which the Trustee or an affiliate thereof acts as investment advisor or provides other similar services for a fee; and

(j) any other investment with a rating confirmation or rating notification from each rating agency and the written consent of the registered owner of the Series 2010B Bond.

“*Joint Sharing Agreement*” the Joint Sharing Agreement, dated as of October 1, 2008, among the Authority, the Trustee, Bank of America, N.A. and the trustees or lenders for other trust estates of the Authority to properly allocate payments from, and liabilities to, the U.S. Department of Education on student loans among the Trust Estate and each other trust estate established by the Authority, as amended or supplemented from time to time.

*LIBOR* – “*Three-Month LIBOR*” or “*Two-Month LIBOR*” or “*One-Month LIBOR*” means, with respect to any interest accrual period, the London interbank offered rate for deposits in U.S. dollars having the applicable index maturity as it appears on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related LIBOR determination date as obtained by the Trustee from such source.

If this rate does not appear on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having the applicable index maturity and in a principal amount of not less than U.S. \$1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR determination date, to prime banks in the London interbank market by the reference banks.

The Trustee will request the principal London office of each reference bank to provide a quotation of its rate. If the reference banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the reference banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Trustee at approximately 11:00 a.m., New York City time, on that LIBOR determination date, for loans in U.S. dollars to leading European banks having the applicable index maturity and in a principal amount of not less than U.S. \$1,000,000.

If the banks selected as described above are not providing quotations, Three-Month LIBOR, Two-Month LIBOR or One-Month LIBOR, as the case may be, in effect for the applicable interest accrual period will be Three-Month LIBOR, Two-Month LIBOR or One-Month LIBOR, as the case may be, in effect for the previous interest accrual period.

“*Outstanding Amount*” shall mean, as of any date of determination, the aggregate principal amount of all Series 2010 Bonds or the applicable Series of Series 2010 Bonds, as the case may be, Outstanding at such date of determination.

“*Purchase Amount*” with respect to any financed student loan means the amount required to prepay in full such financed student loan under the terms thereof including all accrued interest thereon and any unamortized premium, it being acknowledged that any accrued and unpaid interest benefit payments or special allowance payments will continue to be payable to the Trustee and constitute part of the trust estate.

“*Rating Agency*” means each of S&P and Fitch and their successors and assigns or any other rating agency requested by the Authority to maintain a rating on any of the Series 2010A Bonds.

“*Rating Confirmation/Notification*” means, (i) a letter, press release or other written communication from S&P and each other rating agency then providing a rating for any of the Series 2010A Bonds, stating that a proposed action, failure to act, or other event specified therein will not, in and of itself, result in a downgrade of any of the ratings then applicable to the Series 2010A Bonds, or cause any rating agency to suspend, withdraw or qualify the ratings then applicable to the Series 2010A Bonds.

“*Rating Notification*” means, with respect to (a) Fitch and (b) any other rating agency that has provided written notification that it will no longer provide rating confirmations for proposed actions, failures to act or other events in student loan financing transactions, but not with respect to S&P (from which a Rating Confirmation must be received), such rating agency shall have been given notice of such event at least ten days prior to the occurrence of such event (or, if ten days’ advance notice of such event is impracticable, as much advance notice as is practicable) and such rating agency shall not have issued any written notice that the occurrence of such event will cause such rating agency to downgrade any of the ratings then applicable to the notes or cause such rating agency to suspend, withdraw or qualify the ratings then applicable to the Series 2010A Bonds.

“*Rebatable Arbitrage*” means the amount computed as of a computation date in accordance with the Code.

“*Registered Owner*” shall mean shall mean the Person in whose name a Series 2010 Bond is registered on the registration records maintained by the Trustee for the Series 2010 Bonds.

“*S&P*” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., its successors and assigns.

“*Secretary*” means the Secretary of the Department of Education or any successor to the pertinent functions thereof under the Higher Education Act.

“*Servicer*” shall mean the Authority, and any additional Servicer or successor Servicer which has entered into a Servicing Agreement with the Authority with respect to the Financed Eligible Loans following receipt by the Authority of a rating confirmation or rating notification from each rating agency and the written consent of the registered owner of the Series 2010B Bond.

“*Special Allowance Payments*” means the special allowance payments authorized to be made by the Secretary by Section 438 of the Higher Education Act, or similar allowances, if any, authorized from time-to-time by federal law or regulation.

“*Specified Debt Service Reserve Account Balance*” means, on the Date of Issuance, \$570,000, and thereafter with respect to any Quarterly Distribution Date as long as the Series 2010A Bonds are outstanding, the greater of (a) 0.25% of the Outstanding Amount of Series 2010A Bonds as of the close of business on the last day of the related Collection Period; or (b) \$340,000; provided that in no event will such balance exceed the sum of the Outstanding Amount of the Series 2010A Bonds.

The Specified Debt Service Reserve Account Balance may be reduced with (i) a rating confirmation or rating notification from each Rating Agency and (ii) the consent of the registered owners representing not less than a majority of the Outstanding Amount of the Senior Bonds. The Specified Debt Service Reserve Account Balance will be calculated by the Authority and certified to the Trustee. The Trustee may conclusively rely on the Authority certificate with no duty to further examine or determine such information.

“*Student Loan*” means any loan made to finance post-secondary education that is made under the Higher Education Act.

“*Supplemental Indenture*” means an agreement supplemental to the Indenture executed pursuant to the Indenture.

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## APPENDIX B

### OKLAHOMA STUDENT LOAN AUTHORITY

#### OKLAHOMA STUDENT LOAN BONDS AND NOTES TAX-EXEMPT LIBOR FLOATING RATE NOTES, SENIOR SERIES 2010A

**Beginning on July 1, 2010, FFEL Program Loans made pursuant to the Higher Education Act can no longer be originated, and new federal student loans will be originated solely under the Direct Loan Program. However, FFEL Program Loans originated under the Higher Education Act prior to July 1, 2010 which have been originated and acquired, or are anticipated to be acquired, by the Authority (including the loans described in this Official Statement under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS”) continue to be subject to the provisions of the FFEL Program.**

**The following description is provided solely to explain certain of the provisions of the FFEL Program applicable to FFELP Loans made on or after July 1, 1998 and prior to July 1, 2010. Notwithstanding anything herein to the contrary, after June 30, 2010, no new FFELP Loans (including Consolidation Loans) may be made, guaranteed or insured under the FFEL Program, and no funds are authorized to be appropriated, or may be expended, under the Higher Education Act to make, guarantee or insure loans under the FFEL Program (including Consolidation Loans) for which the first disbursement is after June 30, 2010, except as expressly authorized by an Act of Congress enacted after the date of enactment of SAFRA.**

**The following summary of the FFEL Program does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the text of the Higher Education Act and the regulations thereunder.**

### DESCRIPTION OF THE FFEL PROGRAM

#### **General**

The Higher Education Act provides for several different educational loan programs (collectively, the “Federal Family Education Loan Program” or “FFEL Program,” and the loans originated thereunder, “Federal Family Education Loans” or “FFELP Loans”). Under the FFEL Program, state agencies or private nonprofit corporations administering student loan insurance programs (“Guarantee Agencies” or “Guarantors”) are reimbursed for portions of losses sustained in connection with FFELP Loans, and holders of certain loans made under such programs are paid subsidies for owning such loans. Certain provisions of the Federal Family Education Loan Program are summarized below. The Higher Education Act has been subject to frequent amendments and federal budgetary legislation, the most significant of which has been the passage of H.R. 4872 (the “Health Care and Education Affordability Reconciliation Act of 2010” or “HCEARA”) which terminates originations of FFELP Loans under the FFEL Program after June 30, 2010 such that all new federal student loans will be originated under the Direct

Loan Program on and after July 1, 2010. A summary of certain recent amendments to the FFEL Program under the Higher Education Act culminating in HCEARA follows:

- September 2007: Congress passed, and former President Bush signed into law, the College Cost Reduction and Access Act of 2007, cutting more than \$20 billion from the FFEL Program.
- May 2008: In response to disruptions in the credit markets and the announcement by several lenders that they will no longer originate FFELP Loans, the Ensuring Continued Access to Student Loans Act of 2008 (the “Ensuring Continued Access to Student Loans Act”) was enacted and signed into law by former President Bush on May 7, 2008. The Ensuring Continued Access to Student Loans Act amended the Higher Education Act to (a) increase annual loan limits and aggregate loan limits on federal unsubsidized loans for dependent and independent undergraduate students; (b) provide deferrals to parent borrowers to begin repayment of PLUS Loans (hereinafter defined) which were first disbursed on or after August 1, 2008 six months and one day after the student ceases to carry at least one half the normal full-time academic workload (this provision was further amended to, among other things, apply to PLUS Loans which were first disbursed on or after July 1, 2008 by the hereinafter discussed Higher Education Opportunity Act which became law on August 14, 2008); (c) provide lenders temporary discretionary authority under extenuating circumstances to exclude mortgage payments that are fewer than 180 days delinquent and/or other debt that is not more than 89 days delinquent from consideration when evaluating parent eligibility for PLUS Loans made to parents of dependent students (this provision was further amended by the Higher Education Opportunity Act to apply to loans first disbursed prior to July 1, 2008 and new temporary authority was given to lenders to deal with extenuating circumstances for loans first disbursed on or after July 1, 2008); and (d) provide temporary authority to the Secretary of the United States Department of Education (the “Secretary”) to purchase certain FFELP Loans first disbursed on or after October 1, 2003 and before July 1, 2009 from any eligible lender on such terms as are, subject to certain other conditions, in the best interest of the United States (this provision was further modified by P.L. 110-350 which became law on October 7, 2008 to allow the Secretary to additionally purchase certain FFELP Loans first disbursed on or after July 1, 2009 but before July 1, 2010 and by P.L. 111-39 which became law on July 1, 2009 to allow the Secretary to purchase certain FFELP Loans rehabilitated pursuant to the Higher Education Act). Through certain “Dear Colleague” letters issued to members of the higher education lending community, the Secretary created three programs (defined and described herein under the heading “Secretary’s Temporary Authority to Purchase Stafford Loans and PLUS Loans”) to utilize its temporary purchasing authority under the Ensuring Continued Access to Student Loans Act and P.L. 110-350: (1) the Put Program, (2) the Purchase of Participation Interests Program and (3) the Asset-Backed Commercial Paper Conduit Program.

- August 2008: The Higher Education Opportunity Act was enacted and signed into law by former President Bush. The Higher Education Opportunity Act amended the Higher Education Act to, among other things: (a) extend the Secretary's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act through September 30, 2014 (however, this provision was further amended by HCEARA to only allow the Secretary authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act before July 1, 2010), (b) allow graduate and professional students to receive, like parent borrowers of PLUS Loans, in-school deferment for PLUS Loans first disbursed on or after July 1, 2008 for a six month period beginning on the day after the date the student ceases to carry at least one-half the normal full-time academic workload, (c) allow FFEL Program borrowers to consolidate their loans under the Direct Loan Program in order to use the no accrual of interest benefit offered to active duty service members under the Direct Loan Program for not more than sixty months for loans first disbursed on or after October 1, 2008, (d) extend the authority to make Consolidation Loans (hereinafter defined) under the Higher Education Act through September 30, 2014 (however, this provision was further amended by HCEARA to only allow the Secretary authority to make Consolidation Loans under the Higher Education Act before July 1, 2010), (e) only allow FFEL Program borrowers to be eligible for loan rehabilitation once and (f) beginning in fiscal year 2012, prohibit an eligible institution from participating in any program under the Higher Education Act if such eligible institution's cohort default rate is 30% or higher (rather than 25% or higher). There are also numerous other administrative changes contained in the Act.
- September 2009: On September 17, 2009, the United States House of Representatives adopted H.R. 3221 ("The Student Aid and Fiscal Responsibility Act of 2009" or "SAFRA"). SAFRA contains language terminating the origination of FFELP Loans under the FFEL Program by July 1, 2010, which language was later amended and enacted through HCEARA.
- March 2010: On March 21, 2010, in connection with the federal budget reconciliation and appropriation process, the United States House of Representatives adopted HCEARA. HCEARA includes a revised version of SAFRA previously adopted by the United States House of Representatives in September 2009. On March 25, 2010, the United States Senate passed an amended version of HCEARA and sent the reconciliation package to the House of Representatives. That same night, the House of Representatives voted to adopt HCEARA. On March 30, 2010, President Obama signed HCEARA whereby HCEARA became law. ***Due to the enactment of HCEARA, FFELP Loans made pursuant to the Higher Education Act will no longer be originated and new federal student loans will be originated solely under the Direct Loan Program beginning on July 1, 2010.***

## **Federal Family Education Loans**

Several types of loans are authorized as Federal Family Education Loans pursuant to the Federal Family Education Loan Program. These include: (a) loans to students meeting certain financial needs tests with respect to which the federal government makes interest payments available to reduce student interest cost during periods of enrollment (“Subsidized Stafford Loans”); (b) loans to students made without regard to financial need with respect to which the federal government does not make such interest payments (“Unsubsidized Stafford Loans” and, collectively with Subsidized Stafford Loans, “Stafford Loans”); (c) loans to graduate students, professional students, or parents of dependent students (“PLUS Loans”); and (d) loans available to borrowers with certain existing federal educational loans to consolidate repayment of such loans (“Consolidation Loans”).

Generally, a FFELP Loan may be made only to a United States citizen or permanent resident or otherwise eligible individual under federal regulations who (a) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution; (b) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution; (c) has agreed to notify promptly the holder of the loan of any address change; (d) is not in default on any federal education loans; (e) meets the applicable “need” requirements; and (f) has not committed a crime involving fraud or obtaining funds under the Higher Education Act which funds have not been fully repaid. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. With certain exceptions, an institution with a cohort default rate that is equal to or greater than 25% for each of the three most recent fiscal years for which data are available is not an eligible institution under the Higher Education Act. However, beginning in fiscal year 2012, the threshold is raised from 25% to 30%.

### **Subsidized Stafford Loans First Disbursed On or Prior to June 30, 2010**

The Higher Education Act provides for federal (a) insurance or reinsurance of eligible Subsidized Stafford Loans, (b) interest benefit payments for borrowers remitted to eligible lenders with respect to certain eligible Subsidized Stafford Loans, and (c) special allowance payments representing an additional subsidy paid by the Secretary to such holders of eligible Subsidized Stafford Loans.

Subsidized Stafford Loans are eligible for reinsurance under the Higher Education Act if the eligible student to whom the loan is made has been accepted or is enrolled in good standing at an eligible institution of higher education or vocational school and is carrying at least one-half the normal full-time workload at that institution. In connection with eligible Subsidized Stafford Loans there are limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. The Secretary has discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subject to these limits, Subsidized Stafford Loans are available to borrowers in amounts not exceeding their unmet need for financing as provided in the Higher Education Act.



## **Unsubsidized Stafford Loans First Disbursed On or Prior to June 30, 2010**

Unsubsidized Stafford Loans are available for students who do not qualify for Subsidized Stafford Loans due to parental and/or student income or assets in excess of permitted amounts. In other respects, the general requirements for Unsubsidized Stafford Loans are essentially the same as those for Subsidized Stafford Loans. The interest rate, the loan fee requirements and the special allowance payment provisions of the Unsubsidized Stafford Loans are the same as the Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the Secretary does not make interest benefit payments and the loan limitations are determined without respect to the expected family contribution. The borrower is required to pay interest from the time such loan is disbursed or capitalize the interest until repayment begins.

### **PLUS Loan Program**

The Higher Education Act authorizes PLUS Loans to be made to graduate students, professional students, or parents of eligible dependent students. Only graduate students, professional students and parents who do not have an adverse credit history are eligible for PLUS Loans. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of Guarantee Agencies and the Secretary in providing federal reinsurance on the loans. However, PLUS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest benefit payments are not available under the PLUS Program and special allowance payments are more restricted.

As of July 1, 2009, PLUS Loans made to parents of dependent students (“Parent PLUS Loans”) became subject to a loan origination rights auction to be held in each state every two years. The winning lenders in each state will be those two lenders whose bids reflect the lowest amount of special allowance payments. If a lender has one of the two winning bids within the state, the lender must enter into an agreement with the Secretary to originate PLUS Loans to eligible borrowers within that state and to accept special allowance payments at the rate bid by the second-lowest bidder in the state’s auction. Failure to enter into such an agreement may subject the lender to various sanctions, including, but not limited to, a penalty assessment in the amount of the additional costs incurred by the Secretary in obtaining another eligible lender to originate such eligible PLUS Loans; a prohibition of bidding by such lender in other auctions under this program; and the limitation, suspension or termination of the lender’s participation in the FFEL Program. These two lenders will be the only lenders in each respective state allowed to originate Parent PLUS Loans for the cohort of students at institutions of higher education within such state until the students graduate or leave the institutions of higher education. Lenders may, however, bid in multiple states. The Secretary shall choose an eligible lender-of-last-resort for each state to serve the students in the event that there is not a winning bid. The maximum bid given by each lender cannot exceed the average bond equivalent rates for three month commercial paper rates (as quoted by the Federal Reserve in Publication H-15 or its successor) in effect for the quarter less the applicable interest rate for the loan plus 1.79%. The unpaid principal and interest of a defaulted Parent PLUS Loan will be 99% guaranteed by a Guarantee Agency. The Secretary will not collect any loan fees for Parent PLUS Loans originated as a result of the auction. The initial Parent PLUS Loan origination rights auction was initially scheduled to be held on April 15, 2009 within each state, but the Department of

Education cancelled the initial auction on April 9, 2009 due to the fact that it could not generate sufficient interest to participate in the auction amongst eligible lenders in each state.

### **Consolidation Loan Program**

The Higher Education Act authorizes a program under which certain borrowers may consolidate their various student loans into a single loan insured and reinsured on a basis similar to Subsidized Stafford Loans. The authority to make such Consolidation Loans expires on June 30, 2010. Consolidation Loans may be made in an amount sufficient to pay outstanding principal, unpaid interest and late charges on certain federally insured or reinsured student loans incurred under and pursuant to the Federal Family Education Loan Program (other than Parent PLUS Loans) selected by the borrower, as well as loans made pursuant to the Perkins Loan Program, the Health Professions Student Loan Programs and the Direct Loan Program. Consolidation Loans made pursuant to the Direct Loan Program must conform to the eligibility requirements for Consolidation Loans under the Federal Family Education Loan Program. The borrowers may be either in repayment status or in a grace period preceding repayment, but the borrower may not still be in school. Delinquent or defaulted borrowers are eligible to obtain Consolidation Loans if they agree to re-enter repayment through loan consolidation. Borrowers may add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. Further, a married couple who agrees to be jointly and severally liable is to be treated as one borrower for purposes of loan consolidation eligibility. A Consolidation Loan will be federally insured or reinsured only if such loan is made in compliance with the requirements of the Higher Education Act.

The Higher Education Act authorizes the Secretary to offer the borrower a Direct Consolidation Loan with repayment provisions authorized under the Higher Education Act and terms consistent with a Consolidation Loan made pursuant to the FFEL Program. In addition, the Secretary may offer the borrower of a Consolidation Loan a Direct Consolidation Loan for one of three purposes: (a) providing the borrower with an income contingent repayment plan (or income-based repayment plan as of July 1, 2009) if the borrower's delinquent loan has been submitted to a Guarantee Agency for default aversion (or, as of July 1, 2009, if the loan is already in default); (b) allowing the borrower to participate in a public service loan forgiveness program offered under the Direct Loan Program or (c) allowing the borrower to use the no accrual of interest for active duty service members benefit offered under the Direct Loan Program for not more than sixty months for loans first disbursed on or after October 1, 2008. In order to participate in the public service loan forgiveness program, the borrower must not have defaulted on the Direct Loan; must have made 120 monthly payments on the Direct Loan after October 1, 2007 under certain income based repayment plans, a standard 10-year repayment plan for certain Direct Loans, or a certain income contingent repayment plan; and must be employed in a public service job at the time of forgiveness and during the period in which the borrower makes each of his 120 monthly payments. A public service job is defined broadly and includes working at an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended and restated (the "IRC"), which is exempt from taxation under Section 501(a) of the IRC. No borrower may, however, receive a reduction of loan obligations under both the public service loan forgiveness program offered under the Direct Loan Program and the following programs: (a) the loan forgiveness program for teachers offered under both the FFEL Program and the Direct Loan Program, (b) the loan forgiveness program for service in areas of national

need offered under the FFEL Program and (c) the loan repayment program for civil legal assistance attorneys offered under the FFEL Program.

### **Federal Direct Student Loan Program**

The Student Loan Reform Act of 1993 established the Direct Loan Program. The first loans under the Direct Loan Program were made available for the 1994-1995 academic year. Under the Direct Loan Program, approved institutions of higher education, or alternative loan originators approved by the United States Department of Education (the “Department of Education”), make loans to students or parents without application to or funding from outside lenders or Guarantee Agencies. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including extended, graduated and income contingent repayment plans, forbearance of payments during periods of national service and consolidation under the Direct Loan Program of existing student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the Direct Loan Program. The Direct Loan Program also provides certain programs under which principal may be forgiven or interest rates may be reduced. Direct Loan Program repayment plans, other than income contingent plans, must be consistent with the requirements under the Higher Education Act for repayment plans under the FFEL Program. Due to the enactment of HCEARA, FFELP Loans made pursuant to the Higher Education Act will no longer be originated, and new federal student loans will be originated, solely under the Direct Loan Program beginning on July 1, 2010.

HCEARA additionally temporarily granted the Secretary authority to make a Federal Direct Consolidation Loan to a borrower (a) who has one or more loans in two or more of the following categories: (i) loans made under the Direct Loan Program, (ii) loans purchased by the Secretary pursuant to the provisions described herein under “—Secretary’s Temporary Authority to Purchase Stafford Loans and PLUS Loans,” and (iii) loans made under the FFEL Program that are held by an eligible lender; (b) who has not yet entered repayment on one or more of such loans in any of the categories described in clause (a)(i)-(iii) herein; and (c) whose application for such Federal Direct Consolidation Loan is received by the Secretary on or after July 1, 2010 and before July 1, 2011.

### **Interest Rates**

***Subsidized and Unsubsidized Stafford Loans.*** Subsidized and Unsubsidized Stafford Loans made on or after October 1, 1998 but before July 1, 2006 which are in in-school, grace and deferment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.70%, with a maximum rate of 8.25%. Subsidized Stafford Loans and Unsubsidized Stafford Loans made on or after October 1, 1998 but before July 1, 2006 in all other payment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 2.30%, with a maximum rate of 8.25%. The rate is adjusted annually on July 1.

Subsidized Stafford Loans disbursed on or after July 1, 2006 and before July 1, 2010 bear interest at progressively lowered rates described below. Subsidized Stafford Loans made on or after July 1, 2006 but before July 1, 2008 bear interest at a rate equal to 6.80% per annum. Subsidized Stafford Loans made on or after July 1, 2008 but before July 1, 2009 bear interest at a

rate equal to 6.00% per annum. Subsidized Stafford Loans made on or after July 1, 2009 but before July 1, 2010 will bear interest at a rate equal to 5.60% per annum.

Unsubsidized Stafford Loans made on or after July 1, 2006 and before July 1, 2010 bear interest at a rate equal to 6.80% per annum.

**PLUS Loans.** PLUS Loans made on or after October 1, 1998 but before July 1, 2006 bear interest at a rate equivalent to the 91-day T-Bill rate plus 3.10%, with a maximum rate of 9.00%. The rate is adjusted annually on July 1. PLUS Loans made on or after July 1, 2006 and before July 1, 2010 bear interest at a rate equal to 8.50% per annum.

**Consolidation Loans.** Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998 and that was disbursed before July 1, 2010 bear interest at a fixed rate equal to the lesser of (a) the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest one-eighth of 1.00% or (b) 8.25%.

**Servicemembers Civil Relief Act – 6.00% Interest Rate Limitation.** As of August 14, 2008, FFELP Loans incurred by a servicemember, or by a servicemember and the servicemember's spouse jointly, before the servicemember enters military service may not bear interest at a rate in excess of 6.00% during the period of military service. It is not clear at this time, however, if this interest rate limitation applies to a servicemember's already existing student loans or only to new student loans incurred by the servicemember on or after August 14, 2008 but prior to the servicemember's military service.

## **Loan Disbursements**

The Higher Education Act generally requires that Stafford Loans and PLUS Loans made to cover multiple enrollment periods, such as a semester, trimester, or quarter, be disbursed by eligible lenders in at least two separate disbursements. The Higher Education Act also generally requires that the first installment of such loans made to a student who is entering the first year of a program of undergraduate education and who has not previously obtained a FFEL Program loan (a "First FFEL Student") must be presented by the institution to the student 30 days after the First FFEL Student begins a course of study. However, certain institutions whose cohort default rate is less than 10% prior to October 1, 2011 and less than 15% on or after October 1, 2011 for each of the three most recent fiscal years for which data are available may (a) disburse any such loan made in a single installment for any period of enrollment that is not more than a semester, trimester, quarter, or 4 months and (b) deliver any such loan that is to be made to a First FFEL Student prior to the end of the 30 day period after the First FFEL Student begins his or her course of study at the institution.

## **Loan Limits**

A Stafford Loan borrower may receive a subsidized loan, an unsubsidized loan, or a combination of both for an academic period. Generally, the maximum amount of Stafford Loans, made prior to July 1, 2007, for an academic year cannot exceed \$2,625 for the first year of undergraduate study, \$3,500 for the second year of undergraduate study and \$5,500 per year for the remainder of undergraduate study. The maximum amount of Stafford Loans, made on or after July 1, 2007, for an academic year cannot exceed \$3,500 for the first year of undergraduate

study and \$4,500 for the second year of undergraduate study. The aggregate limit for undergraduate study is \$23,000 (excluding PLUS Loans). Dependent undergraduate students may receive an additional unsubsidized Stafford Loan of up to \$2,000 per academic year, with an aggregate maximum of \$31,000. Independent undergraduate students may receive an additional Unsubsidized Stafford Loan of up to \$6,000 per academic year for the first two years and up to \$7,000 per academic year thereafter, with an aggregate maximum of \$57,500. The maximum amount of subsidized loans for an academic year for graduate students is \$8,500. Graduate students may borrow an additional Unsubsidized Stafford Loan of up to \$12,000 per academic year. The Secretary has discretion to raise these limits by regulation to accommodate highly specialized or exceptionally expensive courses of study.

The total amount of all PLUS Loans that (a) parents may borrow on behalf of each dependent student or (b) graduate or professional students may borrow for any academic year may not exceed the student's estimated cost of attendance minus other financial assistance for that student as certified by the eligible institution which the student attends.

## **Repayment**

**General.** Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student, but generally begins six months after the date a borrower ceases to pursue at least a half-time course of study (the six month period is the "Grace Period"). Repayment of interest on an Unsubsidized Stafford Loan begins immediately upon disbursement of the loan; however, the lender may capitalize the interest until repayment of principal is scheduled to begin. Except for certain borrowers as described below, each loan generally must be scheduled for repayment over a period of not more than 10 years after the commencement of repayment. The Higher Education Act currently requires minimum annual payments of \$600, including principal and interest, unless the borrower and the lender agree to lesser payments. Regulations of the Secretary require lenders to offer borrowers standard, graduated, income-sensitive, or, as of July 1, 2009 for certain eligible borrowers, income-based repayment plans. Use of income-based repayment plans may extend the ten-year maximum term.

Effective July 1, 2009, a new income-based repayment plan became available to certain FFEL Program borrowers and Direct Loan Program borrowers. To be eligible to participate in the plan, the borrower's annual amount due on loans made to a borrower prior to July 1, 2010 with respect to FFEL Program borrowers and prior to July 1, 2014 with respect to Direct Loan Program borrowers (as calculated under a standard 10-year repayment plan for such loans) must exceed 15% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. With respect to any loan made to a new Direct Loan Program borrower on or after July 1, 2014, the borrower's annual amount due on such loans (as calculated under a standard 10-year repayment plan for such loans) must exceed 10% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. Such a borrower may elect to have his payments limited to the monthly amount of the above-described result. Furthermore, the borrower is permitted to repay his loans over a term greater than 10 years. The Secretary will repay any outstanding principal and interest on eligible FFEL Program loans and cancel any

outstanding principal and interest on eligible Direct Loan Program loans for borrowers who participated in the new income-based repayment plan and, for a period of time prescribed by the Secretary (but not more than 25 years for a borrower whose loan was made prior to July 1, 2010 with respect to FFEL Program loans and prior to July 1, 2014 with respect to Direct Loan Program loans and not more than 20 years for a Direct Loan Program borrower whose loan was made on or after July 1, 2014), have (a) made certain reduced monthly payments under the income-based repayment plan; (b) made certain payments based on a 10-year repayment period when the borrower first made the election to participate in the income-based repayment plan; (c) made certain payments based on a standard 10-year repayment period; (d) made certain payments under an income-contingent repayment plan for certain Direct Loan Program loans; or (e) have been in an economic hardship deferment.

Borrowers of Subsidized Stafford Loans and of the subsidized portion of Consolidation Loans, and borrowers of similar subsidized loans under the Direct Loan Program receive additional benefits under the new income-based repayment program: the Secretary will pay any unpaid interest due on the borrower's subsidized loans for up to three years after the borrower first elects to participate in the new income-based repayment plan (excluding any periods where the borrower has obtained economic hardship deferment). For both subsidized and unsubsidized loans, interest is capitalized when the borrower either ends his participation in the income-based repayment program or begins making certain payments under the program calculated for those borrowers whose financial hardship has ended.

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed, subject to deferral. For parent borrowers whose loans were first disbursed on or after July 1, 2008, it is possible, upon the request of the parent, to begin repayment on the later of (a) six months and one day after the student for whom the loan is borrowed ceases to carry at least one-half of the normal full-time academic workload (as determined by the school) and (b) if the parent borrower is also a student, six months and one day after the date such parent borrower ceases to carry at least one-half such a workload. Similarly, graduate and professional student borrowers whose loans were first disbursed on or after July 1, 2008 may begin repayment six months and one day after such student ceases to carry at least one-half the normal full-time academic workload (as determined by the school). Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program for all PLUS Loans except those PLUS Loans which are made, insured, or guaranteed on behalf of a dependent student; such excepted PLUS Loans are not eligible for the income-based repayment plan which became effective on July 1, 2009. Furthermore, eligible lenders may determine for all PLUS Loan borrowers (a) whose loans were first disbursed on or after July 1, 2008 that extenuating circumstances exist if between January 1, 2007 through December 31, 2009, a PLUS Loan applicant (1) is or has been delinquent for 180 days or less on the borrower's residential mortgage loan payments or on medical bills, and (2) does not otherwise have an adverse credit history, as determined by the lender in accordance with the regulations promulgated under the Higher Education Act prior to May 7, 2008 and (b) whose loans were first disbursed prior to July 1, 2008 that extenuating circumstances exist if between January 1, 2007 through December 31, 2009, a PLUS Loan applicant (1) is or has been delinquent for 180 days or less on the borrower's residential mortgage loan or on medical bills

and (2) is not and has not been delinquent on the repayment of any other debt for more than 89 days during the period.

Consolidation Loans enter repayment on the date the loan is disbursed. The first payment is due within 60 days after all holders of the loan have discharged the liabilities of the borrower on the loan selected for consolidation. Consolidation Loans which are not being paid pursuant to income-sensitive repayment plans (or, as of July 1, 2009, income-based repayment plans) must generally be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans (but no longer than 30 years). Consolidation Loans may also be repaid pursuant to the new income-based repayment plan which became effective on July 1, 2009. However, Consolidation Loans which have been used to repay a PLUS Loan that has been made, insured, or guaranteed on behalf of a dependent student are not eligible for this new income-based repayment plan.

FFEL Program borrowers who accumulate outstanding FFELP Loans on or after October 7, 1998 totaling more than \$30,000 may receive an extended repayment plan, with a fixed annual or graduated payment amount paid over a longer period of time, not to exceed 25 years. A borrower may accelerate principal payments at any time without penalty. Once a repayment plan is established, the borrower may annually change the selection of the plan.

***Deferment and Forbearance Periods.*** No principal repayments need to be made during certain periods prescribed by the Higher Education Act ("Deferment Periods") but interest accrues and must be paid. Generally, Deferment Periods include periods (a) when the borrower has returned to an eligible educational institution on a half-time basis or is pursuing studies pursuant to an approved graduate fellowship or an approved rehabilitation training program for disabled individuals; (b) not in excess of three years while the borrower is seeking and unable to find full-time employment; (c) while the borrower is serving on active duty during a war or other military operation or national emergency, is performing qualifying National Guard duty during a war or other military operation or national emergency, and for 180 days following the borrower's demobilization date for the above-described services; (d) during the 13 months following service if the borrower is a member of the National Guard, a member of a reserve component of the military, or a retired member of the military who (i) is called or ordered to active duty, and (ii) is or was enrolled within six months prior to the activation at an eligible educational institution; (e) if the borrower is in active military duty, or is in reserve status and called to active duty; and (f) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("Forbearance") during which the borrower may defer payments because of temporary financial hardship. The Higher Education Act specifies certain periods during which Forbearance is mandatory. Mandatory Forbearance periods include, but are not limited to, periods during which the borrower is (i) participating in a medical or dental residency and is not eligible for deferment; (ii) serving in a qualified medical or dental internship program or certain national service programs; or (iii) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, Forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

## **Master Promissory Notes**

Since July 2000, all lenders are required to use a master promissory note (the “MPN”) for new Stafford Loans. Unless otherwise notified by the Secretary, each institution of higher education that participates in the FFEL Program may use a master promissory note for FFELP Loans. The MPN permits a borrower to obtain future loans without the necessity of executing a new promissory note. Borrowers are not, however, required to obtain all of their future loans from their original lender, but if a borrower obtains a loan from a lender which does not presently hold a MPN for that borrower, that borrower will be required to execute a new MPN. A single borrower may have several MPNs evidencing loans to multiple lenders. If multiple loans have been advanced pursuant to a single MPN, any or all of those loans may be individually sold by the holder of the MPN to one or more different secondary market purchasers.

## **Interest Benefit Payments**

The Secretary is to pay interest on Subsidized Stafford Loans while the borrower is a qualified student, during a Grace Period or during certain Deferment Periods. In addition, those portions of Consolidation Loans that repay Subsidized Stafford Loans or similar subsidized loans made under the Direct Loan Program are eligible for interest benefit payments. The Secretary is required to make interest benefit payments to the holder of Subsidized Stafford Loans in the amount of interest accruing on the unpaid balance thereof prior to the commencement of repayment or during any Deferment Period. The Higher Education Act provides that the holder of an eligible Subsidized Stafford Loan, or the eligible portions of Consolidation Loans, shall be deemed to have a contractual right against the United States to receive interest benefit payments in accordance with its provisions.

## **Special Allowance Payments**

The Higher Education Act provides for special allowance payments to be made by the Secretary to eligible lenders. The rates for special allowance payments are based on formulas that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Loans made or purchased with funds obtained by the holder from the issuance of tax exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.50%. Amounts derived from recoveries of principal on loans made prior to October 1, 1993 may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than \$100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. The special allowance payments payable with respect to eligible loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.



Subject to the foregoing, the formulas for special allowance payment rates for Subsidized and Unsubsidized Stafford Loans are summarized in the following chart. The term “T-Bill” as used in this table and the following table, means the average 91-day Treasury bill rate calculated at a “bond equivalent rate” in the manner applied by the Secretary as referred to in Section 438 of the Higher Education Act. The term “Three Month Commercial Paper Rate” means the 90-day commercial paper index calculated quarterly and based on an average of the daily 90-day commercial paper rates reported in the Federal Reserve’s Statistical Release H-15.

<b>Date of Loans</b>	<b>Annualized SAP Rate</b>
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.10% <sup>1</sup>
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.80% <sup>2</sup>
On or after January 1, 2000 (and before July 1, 2010)	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.34% <sup>3</sup>
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.94% <sup>4</sup>
On or after October 1, 2007 and before July 1, 2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.79% <sup>5</sup>

<sup>1</sup> Substitute 2.50% in this formula while such loans are in the in-school or grace period.  
<sup>2</sup> Substitute 2.20% in this formula while such loans are in the in-school or grace period.  
<sup>3</sup> Substitute 1.74% in this formula while such loans are in the in-school or grace period.  
<sup>4</sup> Substitute 1.34% in this formula while such loans are in the in-school or grace period.  
<sup>5</sup> Substitute 1.19% in this formula while such loans are in the in-school or grace period.

The formulas for special allowance payment rates for PLUS Loans are as follows:

<b>Date of Loans</b>	<b>Annualized SAP Rate</b>
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000 (and before July 1, 2010)	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.64%
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.94%
On or after October 1, 2007 and before July 1,	Three Month Commercial Paper Rate less

2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan      Applicable Interest Rate + 1.79%

The formulas for special allowance payment rates for Consolidation Loans are as follows:

<b>Date of Loans</b>	<b>Annualized SAP Rate</b>
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000 (and before July 1, 2010)	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.64%
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.24%
On or after October 1, 2007 and before July 1, 2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.09%

Special allowance payments are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary offsets interest benefit payments and special allowance payments by the amount of origination fees and lender loan fees described in the following section.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive special allowance payments has a contractual right against the United States to receive those payments during the life of the loan. Receipt of special allowance payments, however, is conditioned on the eligibility of the loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of federal regulations or Guarantee Agencies' requirements.

The Higher Education Act provides that for FFELP Loans first disbursed on or after April 1, 2006 and before July 1, 2010, lenders must remit to the Secretary any interest paid by a borrower which is in excess of the special allowance payment rate set forth above for such loans.

### **Loan Fees**

***Insurance Premium.*** For loans guaranteed before July 1, 2006, a Guarantee Agency is authorized to charge a premium, or guarantee fee, of up to 1.00% of the principal amount of the loan, which may be deducted proportionately from each installment of the loan. Generally, Guarantee Agencies have waived this fee since 1999. For loans guaranteed on or after July 1, 2006 that are first disbursed before July 1, 2010, a federal default fee equal to 1.00% of principal

must be paid into such Guarantee Agency's Federal Student Loan Reserve Fund (hereinafter defined as the "Federal Fund").

**Origination Fee.** Lenders are authorized to charge borrowers of Subsidized Stafford Loans and Unsubsidized Stafford Loans an origination fee in an amount not to exceed: 3.00% of the principal amount of the loan for loans disbursed prior to July 1, 2006; 2.00% of the principal amount of the loan for loans disbursed on or after July 1, 2006 and before July 1, 2007; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 1.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; and 0.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010. The Secretary is authorized to charge borrowers of Direct Loans 4.00% of the principal amount of the loan for loans disbursed prior to February 8, 2006. A lender may charge a lesser origination fee to Stafford Loan borrowers so long as the lender does so consistently with respect to all borrowers who reside in or attend school in a particular state. For borrowers of Direct Loans other than Federal Direct Consolidation Loans and Federal Direct PLUS Loans, the Secretary may charge such borrowers as follows: 3.00% of the principal amount of the loan for loans disbursed on or after February 8, 2006 and before July 1, 2007; 2.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 2.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 1.00% of the principal amount of the loan for loans disbursed on or after July 1, 2010. These fees must be deducted proportionately from each installment payment of the loan proceeds prior to payment to the borrower. The lenders must pass the origination fees received under the FFEL Program on to the Secretary.

**Lender Loan Fee.** The lender of any FFELP Loan is required to pay to the Secretary an additional origination fee equal to 0.50% of the principal amount of the loan for loans first disbursed on or after October 1, 1993, but prior to October 1, 2007. For all loans first disbursed on or after October 1, 2007 and before July 1, 2010, the lender must pay an additional origination fee equal to 1.00% of the principal amount of the loan.

The Secretary collects from the lender or subsequent holder of the loan the maximum origination fee authorized (regardless of whether the lender actually charges the borrower) and the lender loan fee, either through reductions in interest benefit payments or special allowance payments or directly from the lender or holder of the loan.

**Rebate Fee on Consolidation Loans.** The holder of any Consolidation Loan for which the first disbursement was made on or after October 1, 1993, is required to pay to the Secretary a monthly fee equal to .0875% (1.05% per annum) of the principal amount plus accrued unpaid interest on the loan. However, for Consolidation Loans for which applications were received from October 1, 1998 to January 31, 1999, inclusive, the monthly rebate fee is approximately equal to .0517% (.62% per annum) of the principal amount plus accrued interest on the loan.

## **Insurance and Guarantees**

A Guarantee Agency guarantees Federal Family Education Loans made to students or parents of students by eligible lenders. A Guarantee Agency generally purchases defaulted student loans which it has guaranteed with its reserve fund (as described under “—Guarantor Reserves”). A Federal Family Education Loan is considered to be in default for purposes of the Higher Education Act when the borrower fails to make an installment payment when due, or to comply with other terms of the loan, and if the failure persists for 270 days in the case of a loan repayable in monthly installments or for 330 days in the case of a loan repayable in less frequent installments. If the loan is guaranteed by a Guarantor in accordance with the provisions of the Higher Education Act, the Guarantor is to pay the holder a percentage of such amount of the loss subject to a reduction (as described in 20 U.S.C. §1075(b)) within 90 days of notification of such default. The default claim package submitted to a Guarantee Agency must include all information and documentation required under the Federal Family Education Loan Program regulations and such Guarantee Agency’s policies and procedures.

The Higher Education Act gives the Secretary of Education various oversight powers over the Guarantee Agencies. These include requiring a Guarantee Agency to maintain its reserve fund at a certain required level and taking various actions relating to a Guarantee Agency if its administrative and financial condition jeopardizes its ability to meet its obligations.

***Federal Insurance.*** The Higher Education Act provides that, subject to compliance with such Act, the full faith and credit of the United States is pledged to the payment of insurance claims and ensures that such reimbursements are not subject to reduction. In addition, the Higher Education Act provides that if a Guarantor is unable to meet its insurance obligations, holders of loans may submit insurance claims directly to the Secretary until such time as the obligations are transferred to a new Guarantor capable of meeting such obligations or until a successor Guarantor assumes such obligations. Federal reimbursement and insurance payments for defaulted loans are paid from the student loan insurance fund established under the Higher Education Act. The Secretary is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of the Treasury to provide funds to make such federal payments.

***Guarantees.*** If the loan is guaranteed by a Guarantor in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the Guarantor for a statutorily set percentage (98% for loans first disbursed prior to July 1, 2006 and 97% for loans first disbursed on or after July 1, 2006 but before July 1, 2010) of the unpaid principal balance of the loan plus accrued unpaid interest on any defaulted loan so long as the eligible lender has properly serviced such loan. Under the Higher Education Act, the Secretary enters into a guarantee agreement and a reinsurance agreement (the “Guarantee Agreements”) with each Guarantor which provides for federal reimbursement for amounts paid to eligible lenders by the Guarantor with respect to defaulted loans.

***Guarantee Agreements.*** Pursuant to the Guarantee Agreements, the Secretary is to reimburse a Guarantor for the amounts expended in connection with a claim resulting from the death of a borrower; bankruptcy of a borrower; total and permanent disability of a borrower (including those borrowers who have been determined by the Secretary of Veterans Affairs to be

unemployable due to a service-connected condition); inability of a borrower to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, has lasted continuously for at least 60 months, or can be expected to last continuously for at least 60 months; the death of a student whose parent is the borrower of a PLUS Loan; certain claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure; borrowers whose borrowing eligibility was falsely certified by the eligible institution; or the amount of an unpaid refund due from the school to the lender in the event the school fails to make a required refund. Such claims are not included in calculating a Guarantor's claims rate experience for federal reimbursement purposes. Generally, educational loans are non dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower's dependents. Further, the Secretary is to reimburse a Guarantor for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below. See "Education Loans Generally Not Subject to Discharge in Bankruptcy" herein.

The Secretary may terminate Guarantee Agreements if the Secretary determines that termination is necessary to protect the federal financial interest or to ensure the continued availability of loans to student or parent borrowers. Upon termination of such Guarantee Agreements, the Secretary is authorized to provide the Guarantor with additional advance funds with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to meet the immediate cash needs of the Guarantor, ensure the uninterrupted payment of claims, or ensure that the Guarantor will make loans as the lender-of-last-resort. On May 7, 2008, Treasury funds were further authorized to be appropriated for emergency advances to Guarantors to ensure such Guarantors are able to act as lenders-of-last-resort and to assist Guarantors with immediate cash needs, claims, or any demands for loans under the lender-of-last-resort program.

If the Secretary has terminated or is seeking to terminate Guarantee Agreements, or has assumed a Guarantor's functions, notwithstanding any other provision of law: (a) no state court may issue an order affecting the Secretary's actions with respect to that Guarantor; (b) any contract entered into by the Guarantor with respect to the administration of the Guarantor's reserve funds or assets purchased or acquired with reserve funds shall provide that the contract is terminable by the Secretary upon 30 days notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of the reserve funds or assets or is inconsistent with the terms or purposes of the Higher Education Act; and (c) no provision of state law shall apply to the actions of the Secretary in terminating the operations of the Guarantor. Finally, notwithstanding any other provision of law, the Secretary's liability for any outstanding liabilities of a Guarantor (other than outstanding student loan guarantees under the Higher Education Act), the functions of which the Secretary has assumed, shall not exceed the fair market value of the reserves of the Guarantor, minus any necessary liquidation or other administrative costs.

**Reimbursement.** The amount of a reimbursement payment on defaulted loans made by the Secretary to a Guarantor is subject to reduction based upon the annual claims rate of the Guarantor calculated to equal the amount of federal reimbursement as a percentage of the original principal amount of originated or guaranteed loans in repayment on the last day of the

prior fiscal year. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The formula for reimbursement amounts is summarized below:

<b>Claims Rate</b>	<b>Guarantor Reinsurance Rate for Loans made prior to October 1, 1993</b>	<b>Guarantor Reinsurance Rate for Loans made between October 1, 1993 and September 30, 1998</b>	<b>Guarantor Reinsurance Rate for Loans made on or after October 1, 1998 and prior to July 1, 2010<sup>1</sup></b>
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%, 85% of claims 5% up to 9%; 75% of claims 9% and over

<sup>1</sup> Student loans made pursuant to the lender-of-last resort program have an amount of reinsurance equal to 100%; student loans transferred by an insolvent Guarantor have an amount of reinsurance ranging from 80% to 100%.

The amount of loans guaranteed by a Guarantor which are in repayment for purposes of computing reimbursement payments to a Guarantor means the original principal amount of all loans guaranteed by a Guarantor less: (a) guarantee payments on such loans, (b) the original principal amount of such loans that have been fully repaid, and (c) the original amount of such loans for which the first principal installment payment has not become due.

In addition, the Secretary may withhold reimbursement payments if a Guarantor makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. A supplemental guarantee agreement is subject to annual renegotiation and to termination for cause by the Secretary.

Under the Guarantee Agreements, if a payment by the borrower on a FFELP Loan guaranteed by a Guarantor is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the borrower's payment. The Secretary's equitable share of the borrower's payment equals the amount remaining after the Guarantor has deducted from such payment: (a) the percentage amount equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made with respect to the loan and (b) as of October 1, 2007, 16% of the borrower's payments (to be used for the Guarantor's Operating Fund (hereinafter defined)). The percentage deduction for use of the borrower's payments for the Guarantor's Operating Fund varied prior to October 1, 2007: from October 1, 2003 through and including September 30, 2007, the percentage in effect was 23% and prior to October 1, 2003, the percentage in effect was 24%. The Higher Education Act further provides

that on or after October 1, 2006, a Guarantor may not charge a borrower collection costs in an amount in excess of 18.50% of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower; provided that the Guarantor must remit to the Secretary a portion of the collection charge equal to 8.50% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009, a Guarantor must remit to the Secretary any collection fees on defaulted loans paid off with consolidation proceeds by the borrower which are in excess of 45% of the Guarantor's total collections on defaulted loans in any one federal fiscal year.

***Lender Agreements.*** Pursuant to most typical agreements for guarantee between a Guarantor and the originator of the loan, any eligible holder of a loan insured by such a Guarantor is entitled to reimbursement from such Guarantor, subject to certain limitations, of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability, certain medically determinable physical or mental impairment, or bankruptcy of the student borrower at the rate of 98% for loans in default made on or after October 1, 1993 but prior to July 1, 2006 and 97% for loans in default made on or after July 1, 2006 but prior to July 1, 2010. Certain holders of loans may receive higher reimbursements from Guarantors. For example, lenders of last resort may receive reimbursement at a rate of 100% from Guarantors.

Guarantors generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable Guarantor in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable Guarantor all right accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a Guarantor from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

Any holder of a loan is required to exercise due care and diligence in the servicing of the loan and to utilize practices which are at least as extensive and forceful as those utilized by financial institutions in the collection of other consumer loans. If a Guarantor has probable cause to believe that the holder has made misrepresentations or failed to comply with the terms of its agreement for guarantee, the Guarantor may take reasonable action including withholding payments or requiring reimbursement of funds. The Guarantor may also terminate the agreement for cause upon notice and hearing.

***Rehabilitation of Defaulted Loans.*** Under the Higher Education Act, the Secretary of Education is authorized to enter into an agreement with each Guarantee Agency pursuant to which a Guarantee Agency sells defaulted student loans that are eligible for rehabilitation to an eligible lender. For a defaulted student loan to be rehabilitated, the borrower must request rehabilitation and the applicable Guarantee Agency must receive an on time, voluntary, full

payment each month for 12 consecutive months. However, effective July 1, 2006, for a student loan to be eligible for rehabilitation, the applicable Guarantee Agency must receive 9 payments made within 20 days of the due date during 10 consecutive months. Upon rehabilitation, a student loan is eligible for all the benefits under the Higher Education Act for which it would have been eligible had no default occurred.

A Guarantee Agency repays the Secretary an amount equal to 81.5% of the outstanding principal balance of the student loan at the time of sale to the lender multiplied by the reimbursement percentage in effect at the time the student loan was reimbursed. The amount of such repayment is deducted from the amount of federal reimbursement payments for the fiscal year in which such repayment occurs, for purposes of determining the reimbursement rate for that fiscal year.

***Loans Subject to Repurchase.*** The Higher Education Act requires a lender to repurchase student loans from a Guarantee Agency, under certain circumstances, after a Guarantee Agency has paid for the student loan through the claim process. A lender is required to repurchase: (a) a student loan found to be legally unenforceable against the borrower; (b) a student loan for which a bankruptcy claim has been paid if the borrower's bankruptcy is subsequently dismissed by the court or, as a result of the bankruptcy hearing, the student loan is considered non dischargeable and the borrower remains responsible for repayment of the student loan; (c) a student loan which is subsequently determined not to be in default; or (d) a student loan for which a Guarantee Agency inadvertently paid the claim.

## **Guarantor Reserves**

Each Guarantor is required to establish a Federal Fund which, together with any earnings thereon, are deemed to be property of the United States. Each Guarantor is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary, a certain percentage of default collections equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made, insurance premiums, 70% of payments received after October 7, 1998 from the Secretary for administrative cost allowances for loans insured prior to that date, and other receipts as specified in regulations. A Guarantor is authorized to transfer up to 180 days' cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A Guarantor is also required to establish an operating fund (the "Operating Fund"), which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment, is the property of the Guarantor. A Guarantor may deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year for loans originated on or after October 1, 2003 and first disbursed before July 1, 2010, 30% of payments received after October 7, 1998 for the administrative cost allowances for loans insured prior to that date, the account maintenance fee paid by the Secretary for Direct Loan Program loans in the amount of .06% of the original principal amount of the outstanding loans insured, any default aversion fee that is paid, the Guarantor's 16% retention on collections of defaulted loans and other receipts as specified in the regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status



management, default aversion, collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans guaranteed on or after July 1, 2006 and first disbursed before July 1, 2010, Guarantors must collect and deposit a federal default fee to the Federal Fund equal to 1.00% of the principal amount of the loan.

The Higher Education Act provides for a recall of reserves from each Federal Fund in certain years, but also provides for certain minimum reserve levels which are protected from recall. The Secretary is authorized to enter into voluntary, flexible agreements with Guarantors under which various statutory and regulatory provisions can be waived; provided, however, the Secretary is not authorized to waive, among other items, any deposit of default aversion fees by Guarantors. In addition, under the Higher Education Act, the Secretary is prohibited from requiring the return of all of a Guarantor's reserve funds unless the Secretary determines that the return of these funds is in the best interest of the operation of the FFEL Program, or to ensure the proper maintenance of such Guarantor's funds or assets or the orderly termination of the Guarantor's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary to direct a Guarantor to: (a) return to the Secretary all or a portion of its reserve fund which the Secretary determines is not needed to pay for the Guarantor's program expenses and contingent liabilities; and (b) cease any activities involving the expenditure, use or transfer of the Guarantor's reserve funds or assets which the Secretary determines is a misapplication, misuse or improper expenditure.

### **Secretary's Temporary Authority to Purchase Stafford Loans and PLUS Loans**

On May 7, 2008, the Ensuring Continued Access to Student Loans Act temporarily granted the Secretary the authority to purchase Stafford Loans and PLUS Loans from eligible lenders which were first disbursed on or after October 1, 2003, but prior to July 1, 2009 on such terms as are, subject to certain other conditions, in the best interest of the United States. On October 7, 2008, P.L. 110-350 became law and additionally granted the Secretary the power to purchase Stafford Loans and PLUS Loans from eligible lenders which were first disbursed on or after July 1, 2009, but prior to July 1, 2010. On July 1, 2009, P.L. 111-39 became law and further expanded the Secretary's purchase authority to include FFELP Loans rehabilitated pursuant to 20 U.S.C. § 1078-6.

In order to purchase loans (other than rehabilitated loans), the Secretary must make a determination that adequate loan capital is not available to meet demand for Stafford Loans and PLUS Loans. Any purchase of loans, however, by the Secretary may not create any net cost for the United States government (including any servicing costs associated with the loans). The Secretary must additionally fulfill various other requirements in order to purchase loans, including a notice with certain details which must be published in the Federal Register prior to any purchase. Eligible lenders, in turn, must use the funds provided by the Secretary to ensure their continued participation in the FFEL Program, to originate new FFELP Loans to students, and, with respect to funds received from rehabilitated FFELP Loan sales to the Secretary, to purchase such rehabilitated FFELP Loans pursuant to 20 U.S.C. § 1078-6(a). Pursuant to P.L. 110-350, the Secretary's authority to purchase loans expired on July 1, 2010.

Through certain “Dear Colleague” letters issued to members of the higher education lending community, the Secretary has created three programs (defined and described below) to utilize its temporary purchasing authority: (1) the Put Program, (2) the Purchase of Participation Interests Program and (3) the Asset-Backed Commercial Paper Conduit Program.

***Put Program.***

2008-2009 Academic Year Put Program. Initially, in a May 21, 2008 “Dear Colleague” letter, the Secretary only committed to exercising the purchasing authority granted under the Ensuring Continued Access to Student Loans Act for eligible loans originated during the 2008-2009 academic year (the “Put Program”). On July 1, 2008, the Department of Education published the terms and conditions of the Put Program for the 2008-2009 academic year in the Federal Register (specifically, 73 FR 37422, as later corrected by 73 FR 41048). The Federal Register required eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program to the Department of Education by July 31, 2008. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2008; additionally, the first disbursement must be scheduled to be made on or after May 1, 2008 but no later than July 1, 2009, and the loan must be fully disbursed no later than September 30, 2009; (b) unless the participating lender has entered into a Master Participation Agreement (described under the Purchase of Participation Interests Program below) with the Department of Education, each participating lender must enter into a Master Loan Sale Agreement with the Department of Education and provide a statement setting forth representations, warranties, and guarantees required by the Department of Education in the Federal Register notice on or prior to March 31, 2009; (c) each participating lender who has entered into a Master Participation Agreement with the Department of Education must also enter into the Master Loan Sale Agreement with the Department of Education on or prior to July 1, 2009 if the lender wishes to redeem any of the participation interests sold to the Department of Education in its eligible loans, (d) each participating lender must exercise, if at all, its option to sell its fully disbursed eligible Stafford Loans and PLUS Loans to the Department of Education on or before August 31, 2009 (per the Department of Education’s Loan Purchase Programs Electronic Announcement #71 which extended the deadline to submit the 45-day notice to sell loans from August 14, 2009 to August 31, 2009, allowing for a final purchase date of October 15, 2009); and (e) all loan sales for which the participating lender has properly exercised its option must be completed on or before October 15, 2009 (per the Department of Education’s Loan Purchase Programs Electronic Announcement #71 which extended the final loan purchase date from September 30, 2009 to October 15, 2009 in order to accommodate possible increased activity at the end of program year 2009).

2009-2010 Academic Year Put Program. Due to continued tightening in the credit markets and concern among students, schools, and lenders regarding the availability of FFELP Loans for the 2009-2010 academic year, the Secretary further committed in a November 10, 2008 “Dear Colleague” letter, pursuant to the authority granted by P.L. 110-350, to replicating the Put Program for the 2009-2010 academic year. On January 15, 2009, the Department of Education published the terms and conditions of the Put Program for the 2009-2010 academic year in the Federal Register (specifically, 74 FR 2518). The Federal Register requires eligible

FFEL Program lenders to submit a Notice of Intent to participate in the Put Program as it relates to the 2009-2010 academic year to the Department of Education. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2009; additionally, the first disbursement must be scheduled to be made on or after May 1, 2009 but no later than July 1, 2010, and the loan must be fully disbursed no later than September 30, 2010; (b) unless the participating lender has entered into a Master Participation Agreement (described under the Purchase of Participation Interests Program below) with the Department of Education, each participating lender must enter into a 2009 Master Loan Sale Agreement with the Department of Education and provide a statement setting forth representations, warranties, and guarantees required by the Department of Education in the Federal Register notice on or prior to March 31, 2010; (c) each participating lender who has entered into a Master Participation Agreement (described under the Purchase of Participation Interests Program below) with the Department of Education must also enter into the 2009 Master Loan Sale Agreement with the Department of Education on or prior to July 1, 2010 if the lender wishes to redeem any of the participation interests sold to the Department of Education in its eligible loans, (d) each participating lender must exercise, if at all, its option to sell its fully disbursed eligible Stafford Loans and PLUS Loans to the Department of Education on or before August 14, 2010; and (e) all loan sales for which the participating lender has properly exercised its option must be completed on or before September 30, 2010.

***Purchase of Participation Interests Program.***

2008-2009 Academic Year Purchase of Participation Interests Program. In a May 21, 2008 “Dear Colleague” letter, the Secretary, utilizing its temporary authority under the Ensuring Continued Access to Student Loans Act, announced a new financing program to make capital available to FFEL Program lenders, whereby the Secretary committed to purchasing participation interests (the “Purchase of Participation Interests Program”) in pools of eligible Stafford Loans and PLUS Loans made by FFEL Program lenders for the 2008-2009 academic year and holding those participation interests until September 30, 2009 (provided, however, that the Department of Education’s participation interests may be reduced through loan sales made pursuant to the Put Program until October 15, 2009 per the Department of Education’s Loan Purchase Programs Electronic Announcement #71). On July 1, 2008, the Department of Education published the terms and conditions of the Purchase of Participation Interests Program for the 2008-2009 academic year in the Federal Register (specifically, 73 FR 37422, as later corrected by 73 FR 41048). The Federal Register requires eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program and the Purchase of Participation Interests Program to the Department of Education by July 31, 2008. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2008; additionally, the first disbursement must be scheduled to be made on or after May 1, 2008 but no later than July 1, 2009, and the loan must be fully disbursed no later than September 30, 2009, (b) each participating lender must enter into a Master Participation Agreement with the Department of Education and a third-party custodian acceptable to the Department of Education prior to the earlier of July 1, 2009 or the closing date of the sale of the

first participation interest to the Department of Education, (c) each participating lender must exercise, if at all, its option to sell participation interests in their eligible loans to the Department of Education on or before August 1, 2009 (provided, however, certain sales of participation interests may occur as late as September 30, 2009), (d) any participation interests purchased by the Department of Education will be held by the Department of Education until the earlier of (i) the date the participating lender notifies the Department of Education that it will no longer participate in the Purchase of Participation Interests Program (by redeeming its loans from the third-party custodian and, if desired by the participating lender, by selling such redeemed loans to the Department of Education in accordance with the Put Program), (ii) the effective date of any termination event such as, but not limited to, the bankruptcy, insolvency, or other adverse event with respect to the participating lender, and (iii) September 30, 2009 (provided, however, that settlement of final loan sale transactions may occur until October 15, 2009 per the Department of Education's Loan Purchase Programs Electronic Announcement #71).

2009-2010 Academic Year Purchase of Participation Interests Program. P.L. 110-350 additionally granted the Secretary the power to purchase eligible Stafford Loans and PLUS Loans from eligible FFEL Program lenders which were first disbursed on or after July 1, 2009, but prior to July 1, 2010. In response to continued tightening in the credit markets and concern among students, schools and lenders as to the availability of FFELP Loans for the 2009-2010 academic year, the Secretary committed in a November 10, 2008 "Dear Colleague" letter, pursuant to the authority granted by P.L. 110-350, to replicating the Purchase of Participation Interests Program for the 2009-2010 academic year. On January 15, 2009, the Department of Education published the terms and conditions of the Purchase of Participation Interests Program for the 2009-2010 academic year in the Federal Register (specifically, 74 FR 2518). The Federal Register requires eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program and the Purchase of Participation Interests Program to the Department of Education. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2009; additionally, the first disbursement must be scheduled to be made on or after May 1, 2009 but no later than July 1, 2010, and the loan must be fully disbursed no later than September 30, 2010, (b) each participating lender must enter into a 2009 Master Participation Agreement with the Department of Education and a third-party custodian acceptable to the Department of Education prior to the earlier of July 1, 2010 or the closing date of the sale of the first participation interest to the Department of Education, (c) each participating lender must exercise, if at all, its option to sell participation interests in its eligible loans to the Department of Education on or before August 1, 2010 and (d) any participation interests purchased by the Department of Education will be held by the Department of Education until the earlier of (i) the date the participating lender notifies the Department of Education that it will no longer participate in the Purchase of Participation Interests Program as it relates to the 2009-2010 academic year eligible Stafford Loans and PLUS Loans, (ii) the effective date of any termination event such as, but not limited to, the bankruptcy, insolvency, or other adverse event with respect to the participating lender, and (iii) September 30, 2010.

***Asset-Backed Commercial Paper Conduit Program.*** In a November 10, 2008 "Dear Colleague" letter, the Secretary announced that, due to stagnation in the credit markets and the

billions of dollars of student loans which remain on bank balance sheets, the Department of Education would develop an asset-backed commercial paper conduit program (the “Asset-Backed Commercial Paper Conduit Program”) to purchase fully disbursed FFELP Loans (other than Consolidation Loans) awarded between October 1, 2003 and July 1, 2009. Each conduit would be privately created by an eligible lender trustee and would contain the ownership rights of lenders to their eligible FFELP Loans. The conduit would issue commercial paper to investors and secure the repayment of the commercial paper with the conduit’s FFELP Loan pool. The funds provided by investors would be paid to the student lenders who transferred the ownership rights in their eligible FFELP Loans to the conduit. The Department of Education would, pursuant to the Ensuring Continued Access to Student Loans Act, enter into forward purchase commitments with each eligible lender trustee participating in the Asset-Backed Commercial Paper Conduit Program and commit to purchasing at a date in the future eligible FFELP Loans at a certain price from the conduit if the conduit lacks sufficient funds to repay its investors as the commercial paper becomes due. On January 15, 2009, the Department of Education published the specific terms of the asset-backed commercial paper conduit program in the Federal Register (specifically, 74 FR 2518). Certain of the terms and conditions set forth in the Federal Register include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been first disbursed by the eligible lender on or after October 1, 2003, but no later than June 30, 2009; fully disbursed no later than September 30, 2009; and conveyed to the conduit no later than June 30, 2010, (b) each conduit must enter into a Put Agreement with the Department of Education consistent with the terms and conditions in the Federal Register notice, (c) each conduit is expected to exercise its put option to the Department of Education only after it has attempted to obtain funds from certain other sources, (d) the Department of Education will pay a purchase price of 97% or 100% (depending on the loan characteristics) of the principal balance outstanding plus the accrued but unpaid interest owed by the borrower for the eligible loans as of the purchase date, and (e) the Department of Education will agree to purchase eligible loans with a broader range of borrower benefits than those loans or participation interests in loans purchased by the Department of Education pursuant to the Put Program and the Purchase of Participation Interests Program (described above). On February 4, 2009, the Department of Education announced to the lending community via Loan Purchase Programs Electronic Announcement #47 that Straight-A Funding, LLC, through an eligible lender trustee agreement with the Bank of New York Mellon, entered into an agreement on January 20, 2009, with the Department of Education to serve as the initial conduit provider under the Asset-Backed Commercial Paper Conduit Program. On May 11, 2009, the Department of Education announced to the lending community via Loan Purchase Programs Electronic Announcement #60 that the Asset-Backed Commercial Paper Conduit Program had officially been implemented. Sallie Mae Corporation and the Access Group were the first issuers to issue commercial paper through the Straight-A Funding, LLC conduit provider. As described above, the Asset-Backed Commercial Paper Conduit Program terminated on June 30, 2010 when the eligible Stafford Loans and PLUS Loans must have been conveyed to the conduit.

### **Secretary’s Temporary Loan Consolidation Authority**

On March 30, 2010, HCEARA temporarily granted the Secretary authority to make a Federal Direct Consolidation Loan to a borrower (a) who has one or more loans in two or more of the following categories: (i) loans made under the Direct Loan Program, (ii) loans purchased by the Secretary pursuant to the provisions described herein under “—Secretary’s Temporary

Authority to Purchase Stafford Loans and PLUS Loans,” and (iii) loans made under the FFEL Program that are held by an eligible lender; (b) who has not yet entered repayment on one or more of such loans in any of the categories described in clause (a)(i)-(iii) herein; and (c) whose application for such Federal Direct Consolidation Loan is received by the Secretary on or after July 1, 2010 and before July 1, 2011.

### **Lender-of-Last-Resort Program**

The FFEL Program allows Guarantee Agencies and eligible lenders (after consideration by the state Guarantee Agency) to act as lenders-of-last-resort before July 1, 2010. A lender-of-last-resort is authorized to receive advances from the Secretary in order to ensure that adequate loan capital exists in order to make loans to students before July 1, 2010. Students and parents of students who are otherwise unable to obtain FFELP Loans (other than Consolidation Loans) may apply to receive loans from the state’s lenders-of-last-resort before July 1, 2010.

On May 7, 2008, the Ensuring Continued Access to Student Loans Act temporarily granted the Secretary authority until June 30, 2009 to designate qualified state institutions of higher education as eligible to apply for loans from lenders-of-last-resort. On October 7, 2008, P.L. 110-350 became law and extended the Secretary’s authority for an additional year until June 30, 2010. Any designation by the Secretary of an institution as eligible to apply for such loans will also expire on June 30, 2010 per P.L. 110-350.

### **Education Loans Generally Not Subject to Discharge in Bankruptcy**

Under the U.S. Bankruptcy Code, educational loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8)(A)(i)-(ii) provides that a discharge under Section 727, 1141, 1228(a), 1228(b), or 1328(b) of Title 11 of the United States Code does not discharge an individual debtor from any debt for an education benefit overpayment or loan made, insured, or guaranteed by a governmental unit or made under any program funded in whole or in part by a governmental unit or nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor’s dependents.

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## APPENDIX C

### OKLAHOMA STUDENT LOAN AUTHORITY

#### OKLAHOMA STUDENT LOAN BONDS AND NOTES TAX-EXEMPT LIBOR FLOATING RATE BONDS, SENIOR SERIES 2010A



### GENERAL DESCRIPTION OF THE OKLAHOMA STUDENT LOAN AUTHORITY (OSLA)

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#### OPERATING BUSINESS

We are an eligible lender, a loan servicer and a secondary market in the guaranteed FFEL Program under the Higher Education Act. We perform loan origination servicing functions under the registered trade name “OSLA Student Loan Servicing<sup>TM</sup>”. According to the 2010 Servicing Volume Survey by the industry group Student Loan Servicing Alliance, at December 31, 2009, OSLA was the 23rd largest FFEL Program loan servicer in the nation.

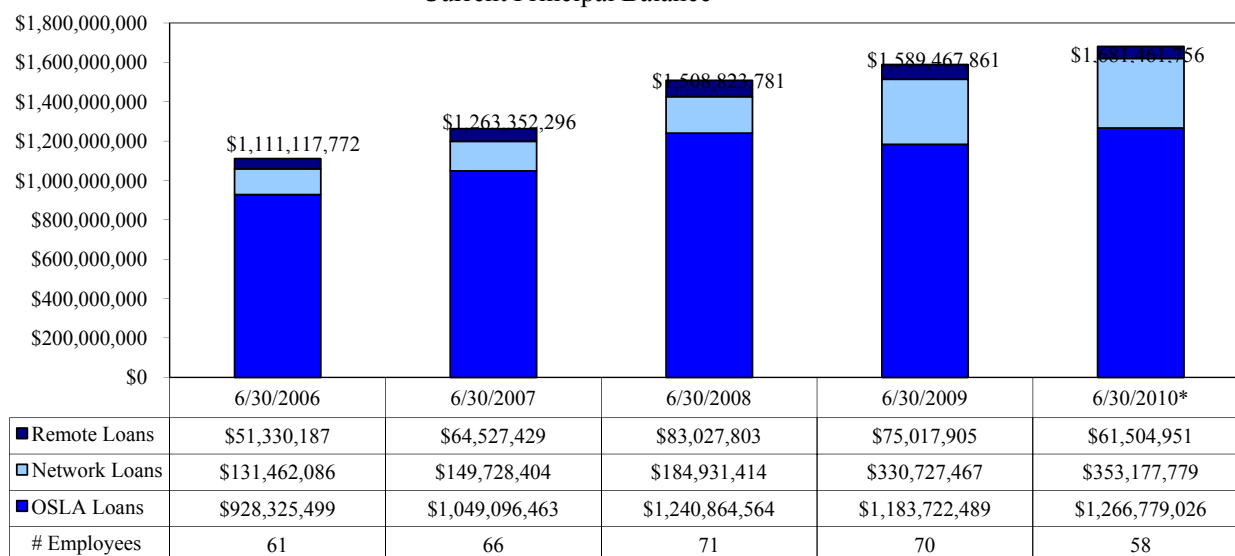
In the years prior to July 1, 2010, we originated loans and performed servicing of FFEL Program loans for as many as 45 other eligible lenders as members of the OSLA Network. Upon the elimination of new loan origination in the FFEL Program at July 1, 2010, OSLA continues to service FFEL Program loan portfolios for 43 eligible network lenders.

We originated the Consolidation Loans that we hold. Consolidation Loans combine and refinance the various education loans of a borrower. Presently, Consolidation Loans comprise a majority of the FFEL Program loans that are in repayment status and approximately 44% of all FFEL Program loans that we hold. However, in July 2008, we suspended originating Consolidation Loans due to a significantly reduced yield on these loans that were made on or after October 1, 2007, a required rebate of a significant part of that yield to the federal government and market difficulties in financing this type of loan.

OSLA has utilized several of the new programs made available through the Ensuring Continued Access to Student Loan Act (“ECASLA”). OSLA staff developed internal applications necessary to participate in the Loans Participation Program, the Loan Sale Program and the Straight-A Funding Asset Backed Commercial Paper Conduit Program. For academic years 2008-2009 and 2009-2010, OSLA participated \$229,588,200 in loans through the Loan Participation Program. Additionally, \$432,968,600 in loans have been put to the Department of Education under the Loan Sale Program as of June 2010. The Authority also issued \$328,000,000 in Funding Notes through the Straight-A Funding Asset Backed Commercial Paper Conduit Program.

At the end of the federal fiscal year, September 30, 2009, we were the 43<sup>rd</sup> largest holder of FFEL Program loans in the nation according to the Department of Education. At the dates indicated in the Table below, we managed FFEL Program loans that we owned (including uninsured loans) plus loans serviced for other eligible lenders, with current principal balances as shown in the following Graph and Table:

OSLA - Student Loans Serviced  
Current Principal Balance



\*As of June 30 2010, these totals included: \$40,371,558 of Remote Loans, \$126,328,307 of Network Loans and \$257,697,365 of OSLA Loans that were pending sale to Department of Education through ECASLA Put Process.

The Student Aid and Fiscal Responsibility Act of 2009 (“SAFRA”), Title II of the Reconciliation Act, became law on March 30, 2010. Beginning July 1, 2010, eligible lenders, including OSLA, were no longer allowed to originate FFEL Program student loans as a result of the legislation. Beginning July 1, 2010, all federal student loans began to be solely originated by the federal government pursuant to its Direct Loan Program.

SAFRA requires the Secretary of the Department of Education to contract with each eligible and qualified not-for-profit servicers (“NFP servicers”) to service loans within the federal Direct Loan Program. The Department has made the determination that the Authority meets the NFP eligibility criteria under SAFRA. The determination is evidenced by the initial and subsequent Department of Education publication of the SAFRA – Not For Profit Eligibility Information



Request List of Eligible Organizations. Information concerning qualification standards is expected from the Department early in the fall of 2010. It is generally expected that qualification and awards of contracts as NFP servicers will be awarded mid year 2011, and servicing of the Federal Direct Loan assets by NFP servicers that are selected would begin for the Academic Year 2011-2012. See the section in this Appendix captioned “LOAN SERVICING – Federal Direct Loans Servicing Plans” for additional information on this planning.

The education loan industry is highly competitive. We compete with numerous local and national secondary markets, loan servicers and lenders that participate in the FFEL Program. Many of the participants in the education loan program that compete with us are larger, have more extensive operations and greater financial resources.

In our Supplemental Higher Education Loan Finance<sup>TM</sup> (*SHELF<sup>TM</sup>*) Program for private loans, we originated and hold education loans that are *not* guaranteed under the Higher Education Act. SHELF loans were underwritten based on the borrower’s, or co-borrower’s, credit to provide supplemental funds as determined by the financial aid staff at eligible schools. The origination of SHELF loans was discontinued as of July 1, 2008. Guarantee fees were withheld from SHELF loan disbursements and placed in the Guarantee Reserve Account of our General Student Loan Trust as a reserve against loan defaults. At June 30, 2010, the Guarantee Reserve Account had a balance of approximately \$138,048 and SHELF loans had an outstanding principal balance of approximately \$2.8 million. Consequently, SHELF loans are *not* a material portion of the loans that we own. In addition, SHELF loans are not included in any of the Authority’s debt financings.

Our Fiscal Year is from July 1 of each year through June 30 of the next year. We receive no appropriated funds from the State of Oklahoma for our operating expenses. We pay all expenses from revenues derived from the administration of our various education loan programs. At June 30, 2010, our total assets were approximately \$1,419,376,461, while total liabilities were approximately \$1,354,560,464, leaving a fund balance (equity) of approximately \$64,815,997 (unaudted).

The bonds and notes issued by us to finance our FFEL Program loans are not general obligations, but are limited revenue obligations payable solely from the assets of the trust estates created for particular financings by various bond resolutions.

Our offices are located at 525 Central Park Drive, Suite 600, Oklahoma City, OK 73105-1706. The general telephone number is (405) 556-9200; and the facsimile transmission number is (405) 556-9255. Our general internet e-mail address is *info@OSLA.org*. Certain financial information about us is available on the internet at our separate *website* located at “*www.OSLAfinancial.com*”.

## ORGANIZATION AND POWERS

We were created by an express Trust Indenture dated August 2, 1972 in accordance with the provisions of the:

- Student Loan Act at Title 70, Oklahoma Statutes 2001, Sections 695.1 *et seq.*, as amended; and
- Public Trust Act at Title 60, Oklahoma Statutes 2001, Sections 176 to 183.3, inclusive, as amended.

We are governed by five Trustees who are appointed by the Governor of Oklahoma, subject to the advice and consent of the State Senate, for overlapping five (5) year terms. The present Trustees of OSLA and their principal occupations are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>	<u>Principal Occupation</u>
Patrick T. Rooney	Chairman	April 6, 2015	Chairman, First Bancorp of Oklahoma, Inc. <sup>1</sup> ; Oklahoma City, OK
Dr. T. Sterling Wetzel	Vice Chairman	April 6, 2013	Professor of Accounting, Oklahoma State University; Stillwater, OK
Hilarie Blaney	Secretary	April 6, 2012	Senior Vice President, Arvest Bank <sup>2</sup> ; Oklahoma City, OK
Tom Fagan	Assistant Secretary	April 6, 2014	Vice President for Administration and Finance, Southwestern Oklahoma State University; Weatherford, OK
John Greenfield	Trustee	April 6, 2011	Superintendent, Davenport Public Schools; Davenport, OK

<sup>1</sup>A wholly owned subsidiary, First National Bank of Oklahoma, is an eligible lender in the OSLA Network.

<sup>2</sup>Arvest Bank is an eligible lender in the OSLA Network.

Both of the banks noted above participate on terms and conditions available to OSLA Network lenders similarly situated.

The Trust Indenture creating OSLA, and Oklahoma law, empower us to incur debt and to secure such debt by lien, pledge or otherwise. In addition, the Trustees are authorized to make and perform contracts of every kind, and to do all acts necessary or desirable for the proper management

of the trust estate. We may bring any suit or action that is necessary or proper to protect the interests of the trust estate, or to enforce any claim, demand or contract.

Under the Public Trust Act and the Trust Indenture creating OSLA, the trust can not be terminated by voluntary action if there is any indebtedness or fixed term obligations outstanding, unless all owners of such indebtedness or obligations consent in writing to the termination.

## ADMINISTRATION

### Executive Management

Our day-to-day management is vested in a President and Executive Staff appointed by the Trustees of OSLA. Our present executive officers are listed below.

*James T. Farha, Esq, President.* Mr. Farha became President and Chief Executive Officer of OSLA in June, 1999. From 1998 until assuming his current position, he was a practicing attorney with Kerr, Irvine, Rhodes & Ables, Oklahoma City, Oklahoma. Prior to that, he was President and Chief Executive Officer and a Member of the Board of Directors for Standard Life and Accident Insurance Company, Oklahoma City, Oklahoma.

Mr. Farha serves as a Director and Chairman of the Education Finance Council. He has served as a Director of the National Council of Higher Education Loan Programs; as a Director/Vice Chairman, and Chairman for the Oklahoma Life and Health Guaranty Association; Director, Past Treasurer and Chairman for the National Organization of Life and Health Guaranty Associations; and Director/President for the Association of Oklahoma Life Insurance Companies.

Mr. Farha is a member of the American Bar Association, the Oklahoma Bar Association, the Association of Life Insurance Counsel as well as various civic organizations. He received his Associate in Arts degree from Wentworth Military Academy in 1961, his Bachelor of Business Administration degree from the University of Oklahoma School of Business in 1963, and his Juris Doctor degree from the University of Oklahoma College of Law in 1966.

*Michael D. Davis, CPA, Vice President – Finance.* Mr. Davis has been employed by OSLA in his current position since February, 2008. From 2006 until assuming his current position, he was an Executive Management Consultant with Gabbard and Company, Oklahoma City, Oklahoma.

From 1996 to 2006, Mr. Davis held various positions of increasing scope and responsibility with MidFirst Bank in Oklahoma City, Oklahoma. During his tenure with MidFirst Bank, Mr. Davis held positions as Senior Financial Analyst, Assistant Vice President & Manager of Financial Technologies, Vice President & Director of Operations for subsidiary First Credit Solutions, Inc., and most recently as Vice President & Manager of Mortgage Lending.

From 1994 to 1996, Mr. Davis was employed by The Portfolio Genius, Inc., Houston, Texas. He was Manager of Operations and provided institutional investment software and consulting solutions to commercial banks and securities dealers nationwide. From 1992 to 1994,

Mr. Davis was employed as Manager of Investment Portfolio Accounting by James Baker & Associates, Oklahoma City, Oklahoma.

Mr. Davis received Bachelor of Science degrees in both Quantitative Economics and Finance from Oklahoma State University in 1992. He received his Certified Public Accountant (CPA) certificate in August, 1998.

*W. A. Rogers, C.P.A., Controller and Vice President – Operations.* Mr. Rogers has been employed by OSLA as Controller since October 1991. His primary duties as Controller are the production of accrual basis financial statements, related management reports and the management of systems related thereto. In 1995, Mr. Rogers also assumed responsibility for OSLA loan servicing operational functions.

From 1987 to 1991, Mr. Rogers was the Controller for W. R. Hess Company of Chickasha, Oklahoma, a gasoline jobber and retailer of computer hardware and software. From 1981 to 1987, Mr. Rogers worked in public accounting in Oklahoma City where his duties included auditing, management advisory services and tax compliance work for a variety of governmental, non-profit and commercial entities.

Mr. Rogers received a Bachelor of Science degree in 1978 from Arkansas State University and received his CPA certificate in July 1983. He is a member of the American Institute of Certified Public Accountants.

*Larry Hollingsworth, Vice President – Loan Management.* Mr. Hollingsworth has been employed by OSLA since April, 2006. His primary duties include management of three teams – Loan Originations, Customer Service and Asset Management, which handles collections and claims.

Prior to joining OSLA, Mr. Hollingsworth was involved in financial aid on university campuses for twenty-seven years. He served as Director of Student Financial Services at Southwestern Oklahoma State University in Weatherford, OK from 2001 to 2006; as Director of Student Financial Services at Oklahoma Baptist University, Shawnee, OK from 1996 to 2006; and as Financial Aid Director at Oklahoma Christian University, Oklahoma City, OK from 1984 to 1996.

While working in financial aid, Mr. Hollingsworth served on numerous state, regional and national financial aid committees and held offices as Treasurer and President of the Oklahoma Association of Student Financial Aid Administrators and Conference Chairman for the Southwest Association of Student Financial Aid Administrators. Mr. Hollingsworth was a state and regional trainer and made frequent financial aid presentations at annual conferences.

Mr. Hollingsworth received his Bachelor of Science degree in Education at Oklahoma Christian University in 1972.

*Tonya Latham, Vice President - Information Technology Services.* Ms. Latham has been employed by OSLA since November 2002. Her primary duties are managing the Information

Technology staff in administration of the systems for loan portfolio servicing, information management and communications. In addition, she has responsibility for project management, information security and strategic technology planning.

Prior to joining OSLA, Ms. Latham was the Director of Information Systems for Express Personnel Corporate Headquarters. Express Personnel is a franchise organization which supplies staffing solutions to companies throughout the United States and Canada. Ms. Latham was responsible for the overall direction and strategy of Express' Information Technology department which included the corporate applications and the network infrastructure. Ms. Latham was employed by Express from 1994 to 2002.

From 1989 to 1994, Ms. Latham was employed by Marketing Information Network. She served as Vice President of Product Development and Network Operations. Her responsibilities included the development of software applications for companies specializing in the management and brokerage of direct marketing mailing lists.

Ms. Latham attended Oklahoma State University, Stillwater, Oklahoma from 1983 to 1985, majoring in Computer Science.

*Kay Brezny, Vice President – Human Resources/Special Projects.* Ms. Brezny has been employed by OSLA since September 2006. Her work now entails advocating for both OSLA and the employees with oversight of training, benefits, staffing, communication, performance improvement, safety and recruiting. Special projects are related to OSLA's federal contractor status and others. Prior to her present duties, Ms. Brezny was in charge of marketing for OSLA.

Prior to joining OSLA, Ms. Brezny worked for 25 years in healthcare marketing in Oklahoma. Most recently she served from 1999-2006 as director of marketing for Deaconess Hospital in Oklahoma City, a for-profit hospital owned by Triad Hospitals Inc. Her work included media relations, marketing plans, publications, physician marketing and strategic planning. Prior to that, she held positions with Bone & Joint Hospital/McBride Clinic, St. Anthony Hospital and HCA Management Company.

Ms. Brezny serves on the Oklahoma State University Alumni Association Board and is a graduate of Leadership Oklahoma City, Class XXII. She graduated from Oklahoma State University in 1981 with a Bachelor of Science degree in journalism/public relations.

## **Employees**

At June 30, 2010, we had approximately 58 full time equivalent employees, including the individuals listed above, which was down from approximately 70 full time equivalent employees at June 30, 2009. The primary reason that the number of employees was down from last year was the elimination of loan origination and field marketing activities because of the changes in the FFEL Program under SAFRA. The statutory full time equivalent limit on OSLA employees presently is 85.

## Properties

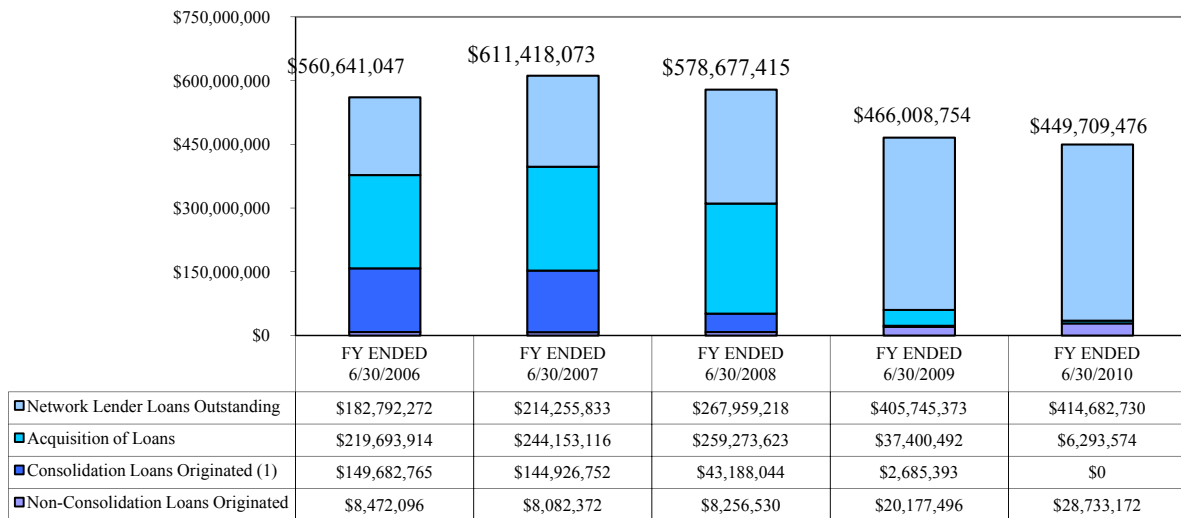
Our offices, including the loan servicing center, are maintained under a lease agreement with an unaffiliated third party that expires January 31, 2013.

## LOAN FINANCE PROGRAMS

### Program Activity Summary

During the Fiscal Years ended June 30, as indicated below, our total loan financing activity in the FFEL Program was approximately as shown in the following Graph and Table:

OSLA - FFEL PROGRAM FINANCING ACTIVITY  
Current Principal Balance of Student Loans

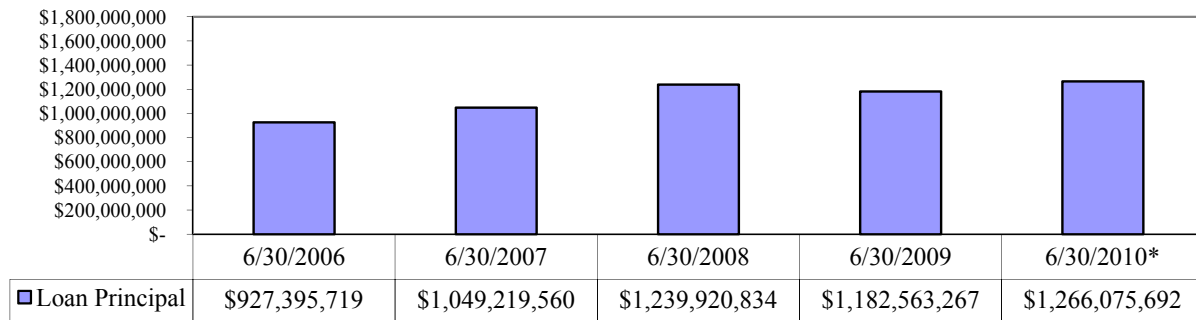


<sup>1</sup>In the Fiscal Year ended June 30, 2008, 82% (88% in 2007, 86% in 2006 and 91% in 2005) of Consolidation Loans that were originated paid off loans that were already owned by OSLA. The Authority suspended originating consolidation loans effective July 1, 2008.

### Guaranteed FFEL Program Principal Balances

At the dates indicated in the Table below, the current principal balance of our guaranteed FFEL Program loan principal (exclusive of uninsured status loans) receivable from borrowers was approximately as shown in the following Graph and Table:

**OSLA - FFEL PROGRAM LOANS OWNED**  
Current Principal Balance



\*The June 30, 2010 Principal Balance includes approximately \$260,000,000 that will be sold to the Department of Education through the ECASLA program.

**Average Borrower Indebtedness**

<u>Loan Type</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>
Stafford Subsidized	\$ 5,400	\$ 5,435	\$ 5,417	\$ 5,230	\$5,775
Stafford Unsubsidized	\$ 6,200	\$ 6,230	\$ 5,987	\$ 5,806	\$6,610
PLUS/GRAD/SLSS	\$ 6,800	\$ 7,155	\$ 7,000	\$ 7,477	\$9,047
Consolidation	\$20,450	\$21,630	\$21,890	\$20,835	\$21,230

**Guarantee of FFEL Program Loans**

Under a contract of guarantee, a lender/holder of FFEL Program loans is entitled to a claim payment from the guarantee agency for 98% (97% for loans first disbursed on or after July 1, 2006), or 100% of any proven loss resulting from default, death, permanent and total disability, or discharge in bankruptcy of the borrower.

As an eligible lender/holder, we are required to use due diligence in the origination, servicing and collection of loans in order to maintain the guarantee. The guarantee agencies are reinsured, subject to various terms and conditions, by the Department for reimbursement from 75% to 100% of the amounts expended in payment of claims. See the section "Insurance and Guarantees" in "Appendix B – Description of the Federal Family Education Loan (FFEL) Program."

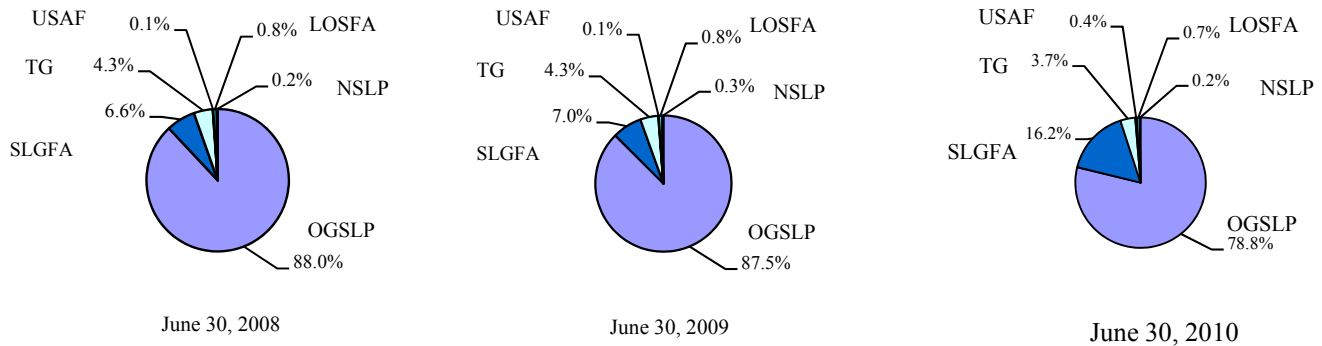
Loans financed by us are guaranteed to the extent provided for in the Higher Education Act by:

- Oklahoma State Regents for Higher Education, Guaranteed Student Loan Program (*OGSLP*), Oklahoma City, OK;
- Student Loan Guarantee Foundation of Arkansas, Inc. (*SLGFA*), Little Rock, AR;
- Texas Guaranteed Student Loan Corporation (*TG*), Austin, TX;
- United Student Aid Funds, Incorporated (*USAF*), Indianapolis, IN;

- Louisiana Student Financial Assistance Commission (*LOSFA*), Baton Rouge, LA;
- Colorado Department of Higher Education – College Access Network, Denver, Co;
- National Student Loan Program (*NSLP*), Lincoln, NE; and

At the dates indicated below, the guarantee agency composition of our guaranteed FFEL Program loan principal was approximately as shown in the following Graphs:

**OSLA - FFEL PROGRAM GUARANTEE COMPOSITION**  
Share of Current Principal Balance



OGSLP - Okla. State Regents Guaranteed Student Loan Program  
 SLGFA - Student Loan Guarantee Foundation of Arkansas, Inc.  
 TG - Texas Guaranteed Student Loan Corporation

USAF - USAF Incorporated  
 LOSFA - Louisiana Student Financial Assistance Commission  
 NSLP - National Student Loan Program

**Secondary Market Loan Acquisition**

We established the OSLA Network of eligible lenders in August 1994 to further our secondary market activities. We performed loan application processing and disbursement services and continue to perform pre-acquisition servicing of FFEL Program loans for the OSLA Network lenders pursuant to separate education loan servicing agreements between us and each participating lender. We indemnify each of the OSLA Network lenders against any servicing errors made by us in the performance of this work.

Due to the SAFRA legislation that terminated origination of loans in the FFEL program, there were no longer any originating lenders in the OSLA Network at July 1, 2010. However, 43 eligible lenders in the OSLA Network continue to hold FFEL Program loans and OSLA performs third party loan servicing activities for them.

We maintain separate student loan contracts with each participating lender. These agreements require the OSLA Network lender to offer the loans originated on our loan servicing system to us, and for us to purchase (subject to available OSLA funding) those loans held by the OSLA Network lenders, primarily in the grace period before repayment of the loans begins.



## **Lender of Last Resort**

In February 1994, we began offering loans to certain students, primarily those attending high default rate schools, under a Lender of Last Resort Loan Program with the State Guarantee Agency OGSLP.

Students requesting Lender of Last Resort loans generally must have two (2) denial letters from other eligible lenders that will not make the loan to that student. Lender of Last Resort loans that default are guaranteed 100% as to principal and interest by the State Guarantee Agency. At June 30, 2010, we held approximately \$37,618 principal amount of such loans, compared to \$44,569 at June 30, 2009, and \$63,814 at June 30, 2008.

## **FFEL PORTFOLIO DATA**

### **Loan Type**

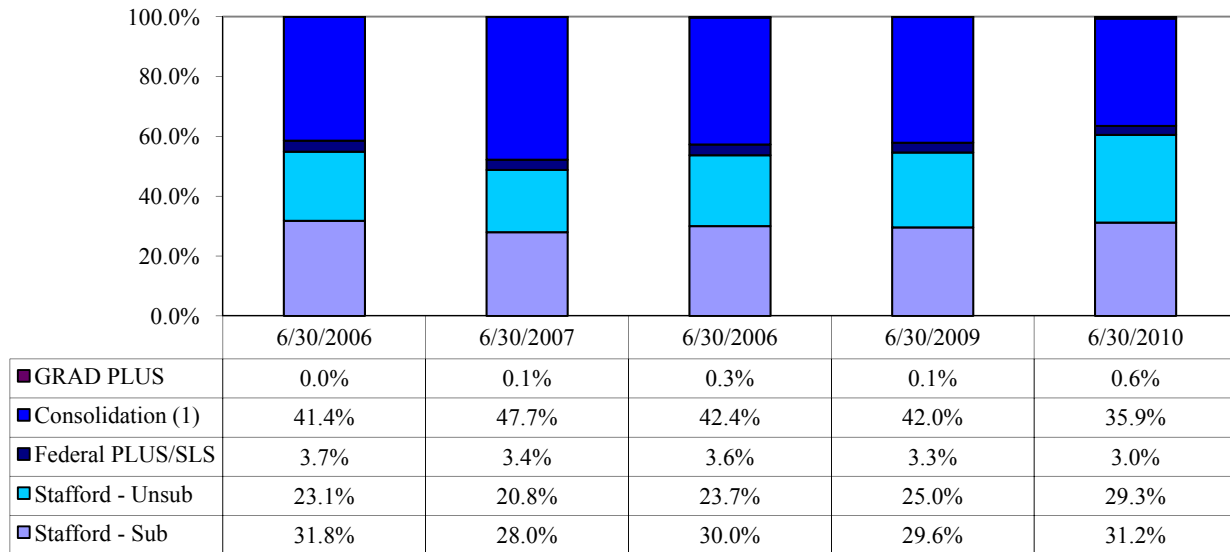
One of the major trends from our Fiscal Year 2000 through our Fiscal Year 2004 was an increasing concentration of the Consolidation Loan type in our portfolio as we consolidated loans of our borrowers. This trend was accelerated in the Fiscal Years ended June 30, 2005 and 2006 by the eligibility of in-school students to consolidate at a fixed rate of interest and the economic incentive to consolidate before significant annual variable rate increases on July 1, 2005 and 2006. However, under the Deficit Reduction Act, as of July 1, 2006, students that are in in-school status are no longer able to apply for a Consolidation Loan.

Consolidation loans require us to pay a monthly rebate to the Department of Education at an annual rate of 1.05% of principal and accrued borrower interest. This burden is offset partially by a higher average borrower indebtedness that lowers servicing cost relative to loan principal, by a lower delinquency rate that reduces collection cost and by a lower default rate that reduces claims filing cost. We have not purchased Consolidation Loans from outside parties. Our origination of all Consolidation Loans was discontinued as of July 1, 2008.

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At June 30 of the Fiscal Years indicated below, the current principal balance of our Eligible Loans by loan type was approximately in the percentages shown in the following Graph and Table:

LOAN TYPE  
Percent of Total OSLA FFEL Portfolio



The following Table indicates the concentration of the Consolidation Loans in our repayment status portfolio, including loans in forbearance status, at the dates indicated below:

Consolidation Loan Share of Repayment Portfolio

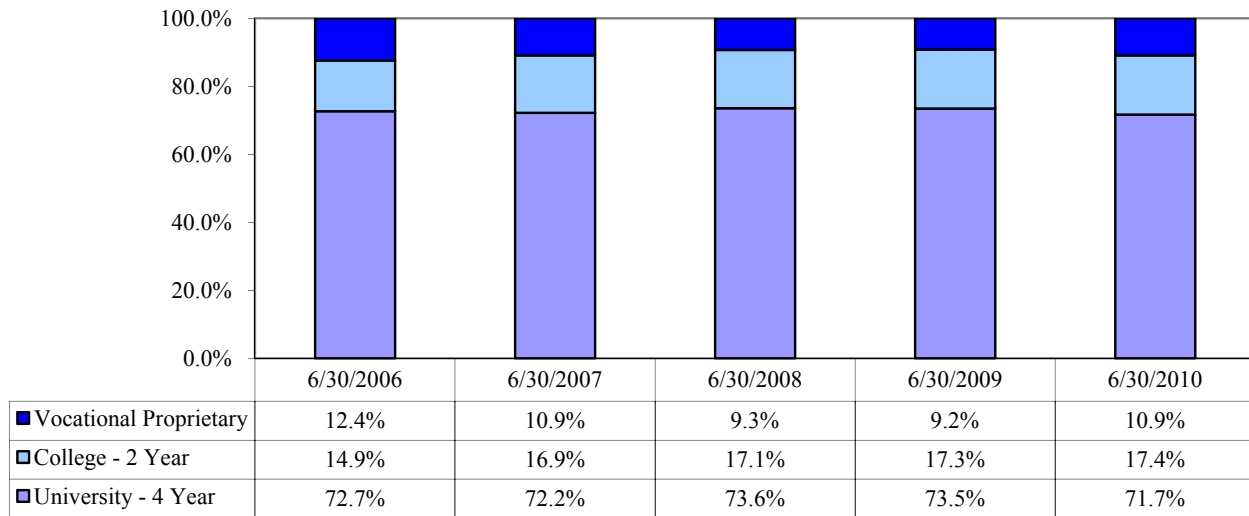
<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>
52.9%	52.3%	55.1%	52.4%	50.9%

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## School Type

At June 30 of the Fiscal Years indicated below, the current principal balance of our guaranteed FFEL Program loans by school type, *exclusive of Federal Consolidation Loans that are not generally reported by school type*, was approximately in the percentages shown in the following Graph and Table:

SCHOOL TYPE  
Percent of Total OSLA FFEL Portfolio

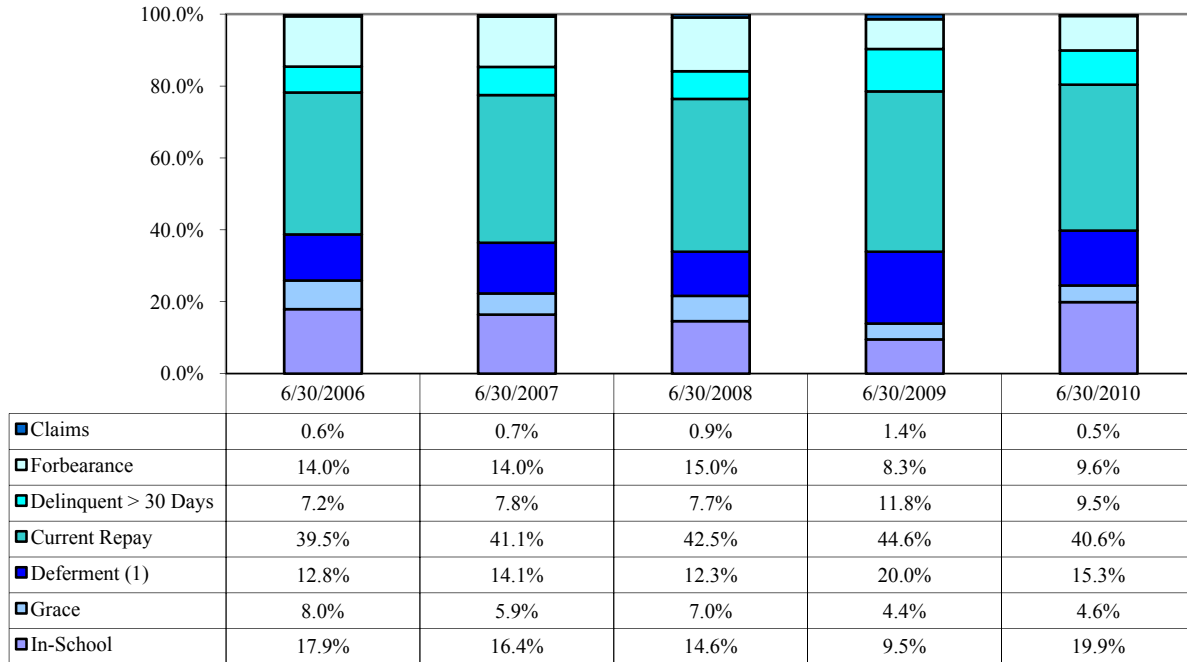


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## Loan Status

At June 30 of the Fiscal Years indicated below, the current principal balance of our guaranteed FFEL Program loans by loan status was approximately in the percentages shown in the following Graph and Table:

**LOAN STATUS**  
Percent of Total OSLA FFEL Portfolio



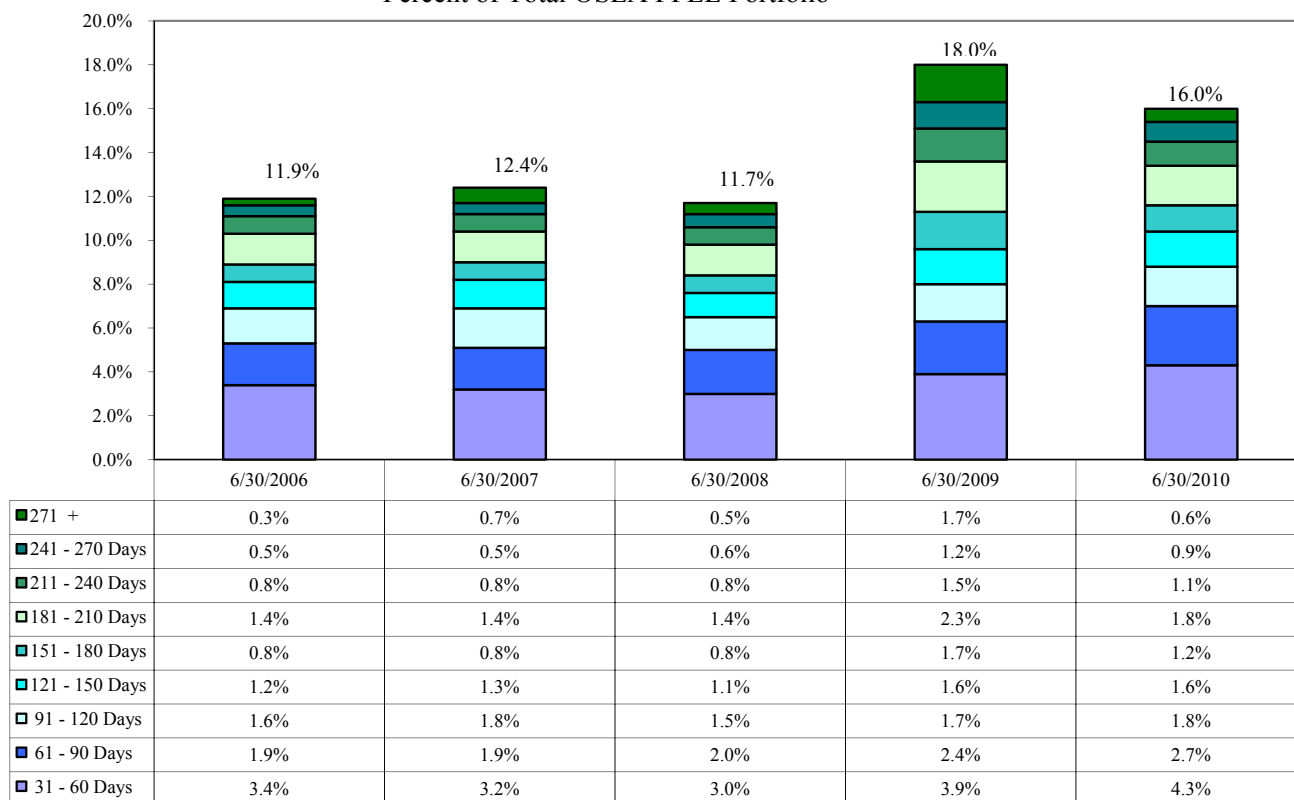
<sup>1</sup>At June 30, 2010, approximately 51.6% of this category (51.2% at June 30, 2009 and 51.0% at June 30, 2008) were Subsidized Stafford loans or certain Consolidation Loans on which the Department of Education pays interest during deferment.

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## Repayment Loan Delinquency

At June 30 of the Fiscal Years indicated below, the delinquency rates of the current principal balance of our loans that were in repayment status, including forbearance status loans, were approximately in the percentages shown in the following Graph and Table:

REPAYMENT LOAN DELINQUENCY  
Percent of Total OSLA FFEL Portfolio



However, at June 30 of the Fiscal Years indicated below, total delinquency rates varied widely by loan type as shown in the following Table:

Repayment Loan Delinquency By Loan Type

<u>Loan Type</u>	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>
Stafford	19.8%	23.0%	18.8%	27.7%	24.0%
PLUS/GRAD/SLSS	7.9%	9.0%	7.5%	11.4%	10.3%
Consolidation	7.2%	7.2%	7.5%	11.9%	11.4%

## Loan Portfolio Interest Rates

The rate we earn on FFEL Program loans is called the lender's yield. The lender's yield is determined by the Special Allowance Payment from the Department. Special Allowance Payments are made to lenders in the Federal FFEL Program to ensure that lenders receive an equitable return on their loans. In general, the amount of a Special Allowance Payment is the difference between the amount of interest the lender receives from the borrower or the government and the amount that is provided under requirements in the Higher Education Act. The interest amount provided under the Higher Education Act is determined quarterly and is based on either the quarterly average of the three-month financial commercial paper or the ninety-one day U.S. Treasury Bill rate plus the legislated Special Allowance Payment subsidy. For loans first disbursed on or after April 1, 2006, interest collected from borrowers is limited to the Special Allowance Payment calculation. In these circumstances, we rebate the calculated excess interest back to the Department.

The following tables show the allocation of the insured principal balance outstanding ("PBO") of our guaranteed FFEL program loan portfolio for the Special Allowance Payment index and Special Allowance Payment calculation method as of June 30, 2010.

### Special Allowance Payment Index

<u>SAP Index</u>	<u>PBO</u>	<u>PBO %</u>
90-day Comm Paper Index	\$ 1,217,859,887	96.2%
91-day U.S. TBill Index	<u>47,833,444</u>	<u>3.8%</u>
Total	<u>\$ 1,265,693,331</u>	<u>100.0%</u>

### Special Allowance Payment Calculation Method

<u>SAP Calculation Method</u>	<u>PBO</u>	<u>PBO %</u>
Not limited to SAP Rate	\$ 751,365,769	59.4%
Limited to SAP Rate	<u>514,327,562</u>	<u>40.6%</u>
Total	<u>\$ 1,265,693,331</u>	<u>100.0%</u>

## LOAN SERVICING

### Standards and Activities

We have serviced our own loans, and performed third party pre-acquisition servicing of the loans of the OSLA Network, since 1994. While the Exceptional Performer designation was in effect under the Higher Education Act, we were designated by the Department of Education as an Exceptional Performer for claims submitted on or after January 1, 2006 until the end of that program. During that period, in order to maintain Exceptional Performer status, we were required to submit ongoing quarterly compliance audits of certain loan servicing activities to demonstrate that we complied with the requirements for Exceptional Performer status.

Loan servicing activities performed by us include:

- Application processing and funds disbursement in originating loans;
- Customer service, which we measure performance by surveying a sample on borrowers continuously and report the survey results quarterly on our investor web site OSLAfinancial.com under the “Continuing Financial Disclosure” tab;
- Loan account maintenance, including production of notices and forms to borrowers and the resulting processing;
- Billings for Interest Benefit Payments and Special Allowance Payments;
- Reconciliation and payment of federal default fee billings;
- Collection of principal and interest from borrowers;
- Filing claims to collect guarantee payments on defaulted loans; and
- Accounting for ourselves and the OSLA Network.

We are required to use due diligence in originating, servicing and collecting education loans. In addition, we are required to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt.

In order to satisfy the due diligence requirements, we must adhere to specific activities in a timely manner. These activities begin with the receipt of the loan application and continue throughout the life of the loan. Examples of specific due diligence activities include:

- Verifying that the original application is completed with all pertinent data and has a guarantee provided to the lender;
- Diligent efforts to contact a delinquent borrower written correspondence and telephone;
- Skip tracing if a borrower has an invalid phone number or address;
- Requesting default aversion assistance from the Guarantor between 60 and 120 days of delinquency;
- Sending a final demand letter to the borrower when the loan becomes 241 or more days delinquent; and
- Timely filing of the default claim for payment, provided the borrower’s failure to make monthly installment payments when due, or to comply with other terms of the obligation, persists for the most recent consecutive 270-day period (330 days for a loan repayable in less frequent installments).

### **OSLA Student Loan Servicing System**

From 1994 to 2002, we performed loan servicing as a remote user of another party’s loan servicing system. Since early 2002, we originated and continue to service loans in-house using our own staff and the *OSLA Student Loan Servicing System* comprised of:

- An IBM iSeries computer acquired in October 2005 that we own, which replaced an earlier iSeries model, resulting in a significant upgrade in configuration, processing capability and memory storage;
- iSeries related operating and database software that we license from IBM;

- Personal computers and an NT based local area network;
- Aid Delivery System software that we licensed on a perpetual basis from Idaho Financial Associates, Inc. (*IFA*), Boise, Idaho, now 5280 Solutions LLC;
- Student Loan Servicing System software that we licensed also on a perpetual basis from IFA, now 5280 Solutions LLC; and
- Ancillary software programs of proprietary software and database query reports that we developed and various commercial software applications licensed from multiple vendor sources.

We began originating education loans using the OSLA Student Loan Servicing System on January 28, 2002. We converted loans from the remote third party database and implemented all servicing of our portfolio, and the portfolios of the OSLA Network, with the OSLA Student Loan Servicing System as of March 1, 2002.

5280 Solutions LLC provides its student loan servicing software to 13 student loan users that service loans, including Nelnet, Inc. In addition to licensing the student loan servicing software, 5280 Solutions LLC provides software maintenance and enhancement at the direction of the users, as well as support. 5280 Solutions LLC is a wholly owned subsidiary of Nelnet, Inc., Lincoln, Nebraska. Nelnet, Inc. also is a competitor of ours as a loan servicer and secondary market.

In operating the OSLA Student Loan Servicing System, also we are responsible for:

- Providing, maintaining and operating the requisite computer system and its operating and database software;
- Maintenance of tables and profiles on lenders, guarantors and post-secondary education institutions that we work with;
- Installing and testing new releases of the licensed student loan servicing software;
- Participation in the licensed student loan servicing software users' group which is responsible for compliance of the student loan servicing software with the Higher Education Act and other applicable law;
- Exchanges of data files with various third party trading partners;
- Any necessary or desirable ancillary programming for loan servicing functionality not provided by the licensed student loan servicing software; and
- Necessary or desirable internet functionality related to loan origination and servicing.

In addition to our own use of the OSLA Student Loan Servicing System, we provide, operate, support and maintain our system for remote use by certain OSLA Network lenders in their origination and interim servicing of FFEL Program loans from their premises. With the elimination of the origination of FFEL Program loan origination, we expect these remote users to migrate their remote serviced portfolios to full third party servicing by us.

### **Federal Direct Loan Servicing Plans**

As discussed under the caption "Operating Business" in this Appendix, SAFRA became law on March 30, 2010. Beginning on July 1, 2010, eligible lenders, which includes OSLA, were no longer allowed to originate FFEL Program student loans as a result of the legislation. Beginning



July 1, 2010, all federal student loans began to be solely originated by the federal government pursuant to its Direct Loan Program.

At the time of enactment of SAFRA, the only student loans originated by the Authority were FFEL Program student loans. The Authority has a small portfolio, approximately \$2.8 million, of private, credit based education loans, but discontinued its SHELF™ private student loan origination effective July 1, 2008. Based on these circumstances and facts the impact of the SAFRA legislation on the Authority could be materially adverse as our FFELP portfolio is paid off by existing borrowers without replacement of new loans to service.

SAFRA requires the Secretary of the Department of Education to contract with eligible and qualified NFP servicers to service loans within the Direct Loan Program. The Department began the process to identify eligible NFP servicers by issuing a sources sought notice, the SAFRA Not For Profit Eligibility Information Request – Solicitation Number: NFP-SS-2010, requesting interested organizations to submit information demonstrating eligibility against the criteria specified in SAFRA (e.g., the organization was a NFP servicer entity and serviced FFELP loans on July 1, 2009).

OSLA responded to the information request and was among the first twelve NFP servicers that the Department determined met the NFP eligibility criteria under SAFRA. The Department's determination of the Authority's eligibility is evidenced by the initial and subsequent Department of Education publication of the SAFRA – Not For Profit Eligibility Information Request List of Eligible Organizations.

The next step in the process for the Authority to become a qualified NFP servicer is meeting the certain information and physical security standards for servicing Federal Direct Loan Program federal assets and specific government contracting regulations. To this end, Authority executive, operational, and information technology staff have attended multiple informational, training, and government contracting conference calls, conference events, and other related educational opportunities during 2010. The Authority has also performed significant due diligence on third party remote user Direct Loan Program servicing platforms provided by organizations that have already been awarded federal servicing contracts with the Department. Utilizing a Department approved Direct Loan Program servicing platform as a remote user significantly reduces the required capital expenditures and streamlines the process of becoming a qualified NFP servicer. Information concerning qualification standards is expected from the Department early in the fall of 2010. It is generally expected that qualification and awards of contracts as NFP servicers will be awarded mid year 2011, and servicing of the Federal Direct Loan Program student loans by NFP servicers that are selected would begin for the Academic Year 2011-2012.

We expect the revenue from servicing Direct Loan Program student loans to be no less than the fees the Department is currently paying the additional servicers already awarded contracts. Those fees are set at \$1.05 per month per borrower account in school or grace and \$2.11 per month per borrower account in repayment. Delinquent loans are paid at a decreasing rate per month per borrower account as the days past due increase. The current contracts with the additional servicers are for an initial term of five years. We expect that contracts with NFP servicers would initially carry a similar five year term.

The Department is expected to allocate 100,000 borrower accounts to each qualified NFP servicer. An allocation of 100,000 borrower accounts represents a significant increase to the Authority which is currently servicing approximately 114,000 borrowers in our existing FFELP servicing portfolio.

**Disaster Recovery Plan and Testing**

OSLA maintains a Disaster Recovery Plan that addresses a wide variety of outages. The plan contains recovery procedures for something as simple as a single server failure to the complex set of procedures for recovering the entire data center.

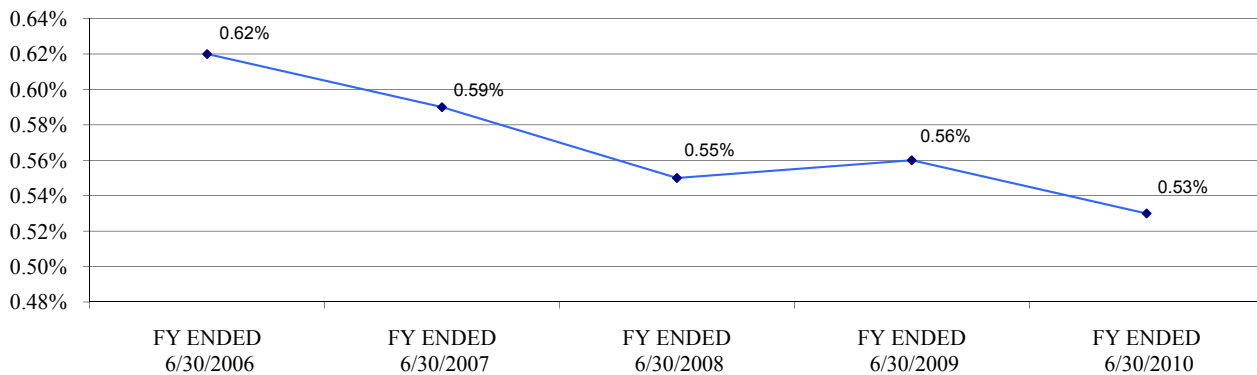
In addition to the disaster recovery document, OSLA has partnered with SunGard Recovery Services to provide OSLA with a cold site in the event that OSLA’s location is rendered unusable.

OSLA does internal recovery testing of all servers semi-annually and tests the full recovery plan at the SunGard center yearly. The 2009 Disaster Recovery test was successfully completed on August 9, 2009.

**Servicing Costs**

At the dates indicated in the Graph below, our total annual operating cost (expressed as a percent of the average month end outstanding principal balance of loans serviced) was approximately as shown in the following Graph:

OSLA - LOAN SERVICING COSTS



Note: the percentage is the total annual operating cost of OSLA divided by the average of month end outstanding principal balances of loans.

If we do not comply with the due diligence standards required by the Higher Education Act, a claim to the guarantee agency of the loan may be rejected. In such event, we can attempt to cure the rejected claim loan by various procedures. A cure within three years re-instates the guarantee.

During the Fiscal Years ended June 30, as indicated below, our cure experience was as shown in the following Table:

<u>Fiscal Year Ended</u>	<u>Claims Filed</u>	<u>Rejected<sup>1</sup></u>	<u>Gross Rejection Rate</u>	<u>Cured<sup>1</sup> (cumulative)</u>	<u>Unresolved</u>	<u>Net Rejection Rate</u>
6/30/2010	\$91,821,763	\$184,119	0.20%	\$ 64,280	\$119,839	0.13%
6/30/2009	\$71,638,799	\$461,091	0.64%	\$ 103,732	\$357,359	0.49%
6/30/2008	\$50,823,231	\$187,024	0.37%	\$ 16,314	\$170,710	0.34%
6/30/2007	\$37,261,708	\$ 50,309	0.14%	\$ 44,709	\$ 5,600	0.02%
6/30/2006	\$33,030,794	\$230,849	0.70%	\$176,446	\$ 54,403	0.16%

<sup>1</sup>Annual amounts are adjusted over the time period due to the reconciliation and capitalized interest from recovery.

## **PROGRAM REVIEWS**

### **Federal Reviews**

The Department routinely conducts site program reviews of secondary markets and student loan servicers, such as OSLA, for compliance with various aspects of the Higher Education Act.

The Department conducted a Program Review of our operations as a secondary market in September 2002. There were no findings in the Review Report issued in April 2003. That Review Report stated that the review was closed.

The Department conducted a Program Review of our loan service operations, including the portfolios of the OSLA Network serviced by us, in November 2002. The Review Report also issued in April 2003 had one finding on a non-recurring matter for the quarter ended March 31, 2002. The finding related to incorrect average daily balance calculations supplied to us on the conversion from our remote loan system to the IFA SLSS. The incorrect average daily balances overstated the billing on certain portions of our portfolio receiving Special Allowance Payments and did not have a monetary effect on the billing of any lenders in the OSLA Network. The miscalculation was corrected and balances were adjusted for the March 2003 quarter. This correction was reported to the Department, and in March 2004, the Department reported that the adjustments satisfied the finding and stated that the review was closed.

## State Guarantee Agency Reviews

In addition, the State Guarantee Agency routinely conducts site program reviews, or audits, of lenders, such as us, and our OLSA Network members. These reviews are conducted to evaluate compliance with various aspects of the Higher Education Act. The most recent review was an onsite joint program compliance review conducted on November 17, 2008 by OGSLP, the Oklahoma state guarantee agency, and SLGFA, the Arkansas state guarantee agency.

The State Guarantee Agency requested additional information in April 2010 which was provided to them. The Authority does not know when a final report will be issued for this review.

## Other Guarantor Review

OGSLP, TG, SLGFA, LOSFC and USAF conducted a bi-annual review under the Common Review Initiative (“CRI”) this year. Their auditors were on premises at the Authority in July 2010. The testwork is finished and the report is currently going through the CRI review quality assurance process and is expected to be issued shortly.

## SUMMARY DEBT INFORMATION

We issued various debt obligations for our loan financing activities. The bonds and notes issued by us are not general obligations, but are limited revenue obligations secured by, and payable solely from, the assets of the trust estates created for particular financings by various bond resolutions.

At June 30 of the Fiscal Years indicated below, the total outstanding debt in our various financing systems was as shown in the following Table:

Total Outstanding Debt				
<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>
\$928,150,000	\$1,030,896,850	\$1,218,689,256	\$1,279,731,151	\$1,079,877,975

At June 30, 2010, \$788,385,000 of our debt was publicly held and had long term credit ratings assigned by Moody’s, S&P and Fitch based on the type of security as shown in the Tables below:

**1995 Master Bond Resolution**

<u>Series</u>	<u>Type</u>	<u>Principal</u>	<u>Type of Security</u>	<u>Ratings</u>	
				<u>Moody's</u>	<u>S&amp;P</u>
1995A-1	Auction	\$ 21,600,000	Senior	Aaa	AAA
1995B-2	Fixed	\$ 3,980,000	Subordinate <sup>1</sup>	A2	A
2001A-1	Fixed	\$ 15,625,000	Senior	Aaa	AAA
2001B-1	Auction	\$ 25,000,000	Subordinate <sup>1</sup>	A2	A
2001A-2	Auction	\$ 46,000,000	Senior	Aaa	AAA
2001A-3	Auction	\$ 21,400,000	Senior	Aaa	AAA
2001A-4	Floater	\$ 50,000,000	Senior	Aaa	AAA
2004A-1	Auction	\$ 40,625,000	Senior	Aaa	AAA
2004A-2	Auction	\$ 40,625,000	Senior	Aaa	AAA
2004A-3	3-Mo LIBOR	\$ 100,000,000	Senior	Aaa	AAA
		<u>\$ 364,855,000</u>			

<sup>1</sup>The subordinate bonds represent debt that was issued under the 1995 Master Bond Resolution to provide self credit enhancement for Senior debt obligations under that master resolution.

**1996 Insured Bond Resolution**

<u>Series</u>	<u>Type</u>	<u>Principal</u>	<u>Type of Security</u>	<u>Ratings</u>	
				<u>Moody's</u>	<u>S&amp;P</u>
1998A	Bank Bond	\$ 14,330,000	Insured	Baa1	A
2000A-1	Auction	\$ 26,200,000	Insured	Baa1	A
2000A-2	Auction	\$ 21,400,000	Insured	Baa1	A
2000A-3	Auction	\$ 6,200,000	Insured	Baa1	A
2000A-4	Bank Bond	\$ 15,330,000	Insured	Baa1	A
2002A-1	Bank Bond	\$ 30,085,000	Insured	Baa1	A
2003A-1	Fixed	\$ 9,670,000	Insured	Baa1	A
2003A-2	Bank Bond	\$ 23,720,000	Insured	Baa1	A
2005A	Bank Bond	\$ 35,200,000	Insured	Baa1	A
2006A	Bank Bond	\$ 66,090,000	Insured	Baa1	A
		<u>\$ 248,225,000</u>			

**2008IIA Master Bond Resolution**

<u>Series</u>	<u>Type</u>	<u>Principal</u>	<u>Type of Security</u>	<u>Ratings</u>	
				<u>Moody's</u>	<u>Fitch</u>
2008A-1	VRDO	\$ 175,305,000	Senior VRDO	Aa3 / VMIG1	A+ Stable / F1+
		<u>\$ 175,305,000</u>			

\$184,755,000 (17% of total debt) of debt listed above are variable rate demand obligations issued under our 1996 Insured Bond Resolution and are rated at Baa1/A because the credit enhancement for this debt is provided through a monoline insurer which has experienced rating downgrades. Those downgrades contributed to the non-renewal of Standby Bond Purchase

Agreements at their expiration by liquidity providers with no available substitute liquidity providers. As a result these variable rate demand obligations have converted to bank bonds. The bank bonds require accelerated term out redemptions and generally carry interest costs determined by a documented spread to the prime rate. The conversion to bank bonds resulted in rates as high as 5.25% during the year. The downgrades that have led to substantially higher interest costs and accelerated redemptions are the primary driver of our motivation in refunding this debt.

\$249,050,000 of our total debt listed above is Auction Rate Securities of which \$121,200,000 was tax-exempt and \$127,850,000 was taxable. The auction procedures utilized to establish rates for this type of debt failed in early 2008 and subsequent auctions have continued to fail. The result of the failed auctions had a short term materially adverse effect on our cost of funds for this debt resulting in rates as high as 17% for taxable and 12% for tax-exempt debt for the maximum rate waiver periods that terminated March 31, 2008. Since termination of the maximum rate waivers, the bond document based maximum rates for failed auctions have resulted in lower rates since.

All of our auction rate securities are now subject to the bond document based caps and are resetting at approximately 0.65% for tax-exempt series and 1.35% for taxable series. The prevailing thought in the credit markets is that auction rate securities will continue in a failed state continuously for the foreseeable future. The exposure to continued higher interest costs and the lack of investor liquidity associated with the continued failed state of the auction security market is an additional driver of our motivation in refunding this type of debt.

In addition \$175,305,000 of our debt listed above is tax-exempt weekly rate reset variable rate demand obligations issued in October 2008. Credit enhancement for this debt is provided through a direct pay letter of credit issued by Bank of America, N.A. The initial term of the letter of credit was for three years and has an expiration date of October 28, 2011, unless terminated, extended, or renewed.

The Authority has utilized several of the new programs made available with the ECASLA legislation. For academic years 2008-2009 and 2009-2010, OSLA participated \$229,588,200 in loans through the Loan Participation Program. Additionally, \$432,968,600 in loans have been put to the Department under the Loan Sale Program as of June 2010.

OSLA was the fifth qualified funding note issuer under the Straight-A Funding Asset Backed Commercial Paper Program behind Sallie Mae, Nelnet, CitiBank's Student Loan Corporation, and The Access Group. OSLA issued \$328,000,000 in funding notes through this program. This funding note must be repaid January 14, 2014. If we do not refinance this debt by that termination date, the student loans that are collateral for that obligation would be put to the Department of Education.

We invest trust fund balances in collateralized repurchase agreements and U.S. Government securities-based money market mutual funds in accordance with the our investment policy and applicable Oklahoma Statutes. Generally, permissible investments are U.S. Government Obligations or obligations explicitly guaranteed by the U.S. Government. These investment limitations reduce our related credit risk, custodial credit risk, and interest rate risk. We currently

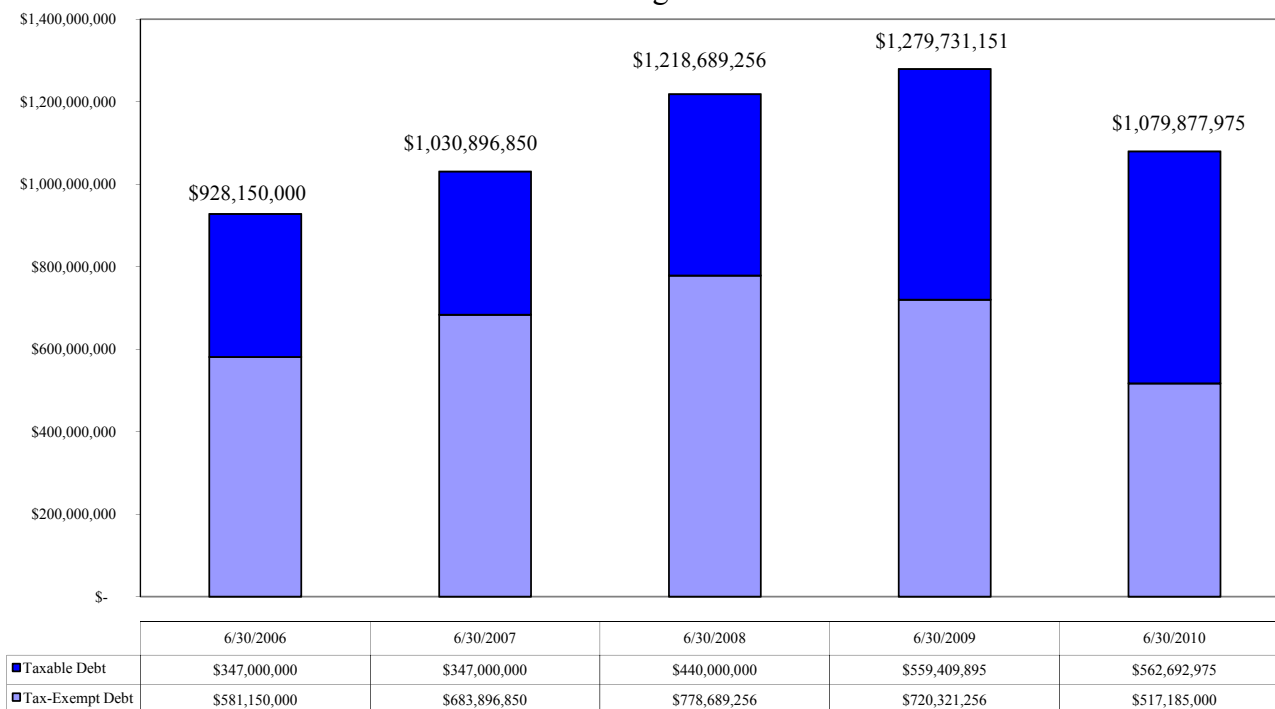
invest in the INVESCO AIM Treasury Cash Management Fund which is a U.S. Government securities-based money market mutual fund.

We also have \$691,600 of debt service reserve trust funds from several series in the 1995 Master Bond Resolution invested in a Guaranteed Investment Contract (“GIC”) with the New York branch of West LB. We do not have any swap agreements or utilize any other financial derivative products in association with our debt financings.

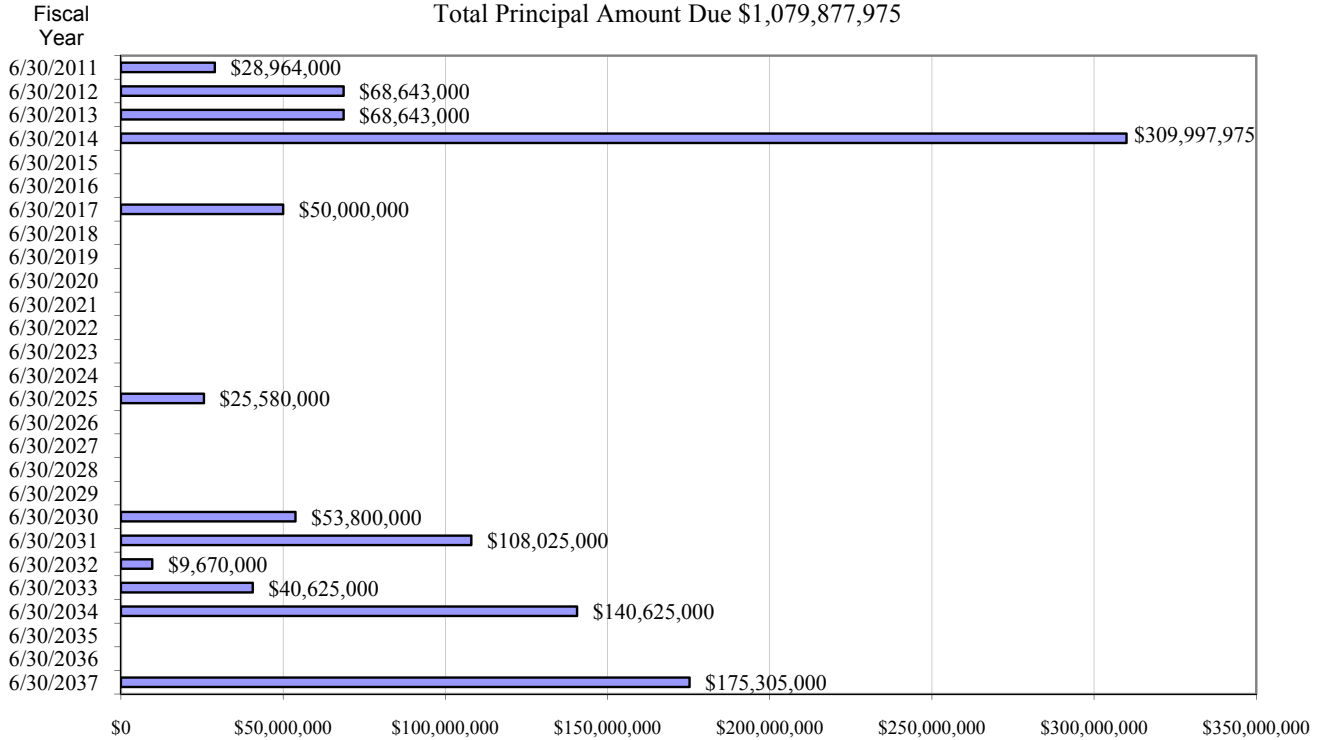
We lease certain facilities and equipment under non-cancelable operating leases that expire at various dates through Calendar Year 2013. The future minimum rental payments under these leases for the next five Fiscal Years after June 30, 2010 total approximately \$1,196,108, including a 5-year building lease renewal obligation commenced on December 1, 2007. We have no capitalized lease obligations. We have no off-balance sheet financings.

The characteristics of the various outstanding taxable and tax-exempt debt obligations at June 30 of the Fiscal Years indicated below are itemized in the following Graphs and Tables:

**OSLA – OUTSTANDING DEBT**  
Tax Status of Obligations



**OSLA - SCHEDULED BOND MATURITIES AND  
MANDATORY REDEMPTIONS AT JUNE 30, 2010**  
Total Principal Amount Due \$1,079,877,975



\$291,492,975 of the principal maturing in Fiscal Year 2014 is the funding note held by Straight-A Funding, LLC as part of an ECASLA supported financing program.

The following table illustrates accelerated term out redemptions of outstanding variable rate demand obligations that are held as bank bonds that are listed in the scheduled maturity dates above. The Table below indicates the amounts listed in the Graph above.

**Principal Redemption Schedule for Bank Bond Debt**

<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
\$28,964,000	\$68,643,000	\$68,643,000	\$18,505,000

**Mandatory Redemption of Outstanding Principal**

The period of recycling principal payments into additional student loans for the 1995 Master Bond Resolution trust estate expired July 1, 2010. Pursuant to the 1995 Master Bond Resolution, monies that are in the trust estate representing principal payments, and principal payments that will be received into the trust estate in the future, will be used for the mandatory redemption of the various series of bonds and notes according to the Supplemental Bond Resolution provisions for each particular series except to the extent the Authority uses such principal payments to purchase bonds and notes in lieu of redemption to the extent permitted by the 1995 Master Bond Resolution.

The period of recycling principal payments into additional student loans for the 1996 Insured Bond Resolution trust estate expired March 1, 2009.



The period of recycling principal payments into additional student loans for the 2008 Master Bond Resolution II trust estate will expire October 1, 2010.

### **Annual Rebate Calculations**

Annual calculations of estimated liability on tax-exempt obligations for arbitrage rebate on non-purpose obligations, and excess yield liability for purpose obligations, are performed each year by an independent third party.

Due to the high cost of debt obligations outstanding, and the low yield on non-purpose investments and the compressed yield on student loan purpose obligations, the calculated estimated liability for both excess yield and arbitrage rebate are both negative for all of the Authority's tax-exempt obligations.

## **FINANCIAL STATEMENTS**

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, unless such statements are in direct conflict with statements issued by the Governmental Accounting Standards Board (*GASB*). Our financial statements are prepared to comply with Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments".

A copy of the comparative financial statements for June 30, 2009 and 2008 is available on the internet at the *website* address of "www.OSLAfinancial.com" and a copy was filed with the various Nationally Recognized Municipal Securities Information Repositories.

Our financial statements for the Fiscal Year ended June 30, 2010 are being audited. However, those financial statements, and the Auditors' Report thereon, have not been released as of the date of this Official Statement.

The Fiscal Year ended June 30, 2010 will show a loss for the year because of market conditions and extremely high interest rates on outstanding debt suffered primarily due to rates on bank bond liabilities while the yield on student loans was compressed because of the low general interest rate market conditions.

Unaudited comparative financial statements for the years ended June 30, 2010 and June 30, 2009 are available in our servicer report for the Authority for June 30, 2010 on the website [www.OSLAfinancial.com](http://www.OSLAfinancial.com). A copy of the audited financial statements for the Fiscal Years ended June 30, 2010 and 2009 will be posted on the website [www.OSLAfinancial.com](http://www.OSLAfinancial.com) when available. In addition, the audited financial statements will be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access central repository, which has a website of [www.emma.msrb.org](http://www.emma.msrb.org).

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**APPENDIX D**

**OKLAHOMA STUDENT LOAN AUTHORITY**

**OKLAHOMA STUDENT LOAN BONDS AND NOTES  
TAX-EXEMPT LIBOR FLOATING RATE BONDS, SENIOR SERIES 2010A**

**PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND  
EXPECTED MATURITIES OF THE SERIES 2010A BONDS**

Prepayments on pools of financed student loans can be calculated based on a variety of prepayment models. The model used herein to calculate prepayments is the constant prepayment rate and is referred to as the “*CPR*” model.

The CPR model is based on prepayments assumed to occur at a constant percentage rate. CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period (including accrued interest to be capitalized), after applying scheduled payments, that prepays during that period.

The CPR model assumes that student loans will prepay in each month according to the following formula:

$$\text{Monthly Prepayments} = (\text{Pool Balance after scheduled payments}) \times (1 - (1 - \text{CPR})^{1/12})$$

Accordingly, monthly prepayments, assuming a \$1,000 balance after scheduled payments would be as follows for various levels of CPR:

	<u><b>0% CPR</b></u>	<u><b>2% CPR</b></u>	<u><b>4% CPR</b></u>	<u><b>6% CPR</b></u>	<u><b>8% CPR</b></u>
Monthly Prepayment	\$0.00	\$1.68	\$3.40	\$5.14	\$6.92

The CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The student loans pledged under the Indenture will not prepay according to the CPR, nor will all of the financed student loans pledged under the Indenture prepay at the same rate. Potential investors must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

For the sole purpose of calculating the information presented in the tables, it is assumed, including, but not limited to the following that:

- the pool balance of financed student loans is assumed to be approximately \$239,169,431 as of September 28, 2010, which includes total accrued interest to be capitalized on the financed student loans of approximately \$1,227,679;

- the pool of financed student loans consists of 131 representative loans (“*rep lines*”), which have been created for modeling purposes from individual student loans based on combinations of similar loan characteristics, which include, but are not limited to, loan status, interest rate, loan type, SAP index, servicer, and remaining term. Such characteristics are as of July 31, 2010 and each rep line’s principal balance has been proportionately reduced to an aggregate pool balance of \$239,169,431.
- the Date of Issuance is October 6, 2010;
- the financed student loans (as grouped in rep lines) that are in school status are assumed to remain in school until their status end date and then enter a 6 month grace term before entering repayment. All rep lines in grace status remain in grace until status end date (and then enter repayment). All other rep lines are assumed to be in repayment;
- prepayments on the loans begin immediately on all rep lines, including rep lines in school or grace status;
- there are government payment delays of 60 days for interest benefit and special allowance payments;
- there are payment delays of 60 days for interest rebates and interest floor payments;
- no delinquencies or defaults occur on any of the financed student loans, no purchases from the trust estate for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;
- no borrower benefits are utilized;
- 3-Month LIBOR remains at 0.35%, 90-day commercial paper remains at 0.25% and 91-day Treasury bill remains fixed at 0.15% for the life of the transaction;
- Quarterly Distributions begin on December 1, 2010 for the Series 2010A Bonds, and payments are made quarterly on the first day of every March, June, September and December thereafter, whether or not the first is a business day;
- the interest rates for the Series 2010A-1, Series 2010A-2A and Series 2010A-2B Bonds at all times will be 1.10%, 1.55% and 1.35%, respectively, per annum;
- interest accrues on each series of bonds on an actual/360 day count basis;
- monthly administration fees paid to the Administrator (initially the Authority) equal to the greater of: (a) 1/12th of 0.10% of the Pool Balance; and (b) 1/12th of \$50,000;

- monthly servicing fees paid from the trust estate are paid monthly according to schedule set forth in the Authority Servicing Agreement with an assumed 3.00% inflation rate per annum. For the first full month of the transaction, the servicing fees were approximately 0.34% per annum of the principal balance of the financed student loans;
- Trustee Fees equal 0.01% per annum of the outstanding principal amount of the Series 2010 Bonds and are paid quarterly, in arrears, under the Indenture commencing September 2011;
- a Consolidation Loan rebate fee equal to 1.05% per annum of the outstanding principal balance of the financed student loans that are Consolidation Loans, is paid monthly under the Indenture to the Department of Education and are subject to a payment delay of 30 days;
- other administrative expenses totaling \$50,000 are paid annually under the Indenture commencing September 2011;
- the Debt Service Reserve Account pledged under the Indenture has an initial balance equal to \$570,000 as of the Date of Issuance and thereafter has a balance equal to the greater of: (1) 0.25% of the aggregate principal amount of the outstanding on the Series 2010A Bonds immediately prior to such Quarterly Distribution Date; or, (2) \$340,000;
- the Series 2010A Bonds will be paid off using funds on deposit in the Debt Service Reserve Account;
- all payments are assumed to be made at the end of the month and amounts on deposit in the Collection Account and the Debt Service Reserve Account, including reinvestment income earned in the previous month, net of servicing fees, are reinvested in eligible investments at the assumed reinvestment rate of 0.15% per annum through the end of the Collection Period; reinvestment earnings from the prior Collection Period are available for distribution;
- the Collection Account has an initial balance of approximately \$1,469,130;
- there are no deposits in the Excess Interest Fund and any excess interest amounts are included in the Collection Account;
- no optional redemption clean-up call or purchase of the financed student loans occurs;
- no event of default has occurred or is continuing to occur under the Indenture; and
- there is no mandatory sinking fund redemption.

The tables below have been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the rep lines, which

will differ from the characteristics and performance of the actual pool of financed student loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms to scheduled maturity and loan ages of the financed student loans could produce slower or faster principal payments than implied by the information in these tables, even if the dispersions of weighted average characteristics, remaining terms to scheduled maturity and loan ages are the same as the characteristics, remaining terms to scheduled maturity and loan ages assumed. See “RISK FACTORS” in this Official Statement.

Each set of projected weighted average lives reflects a projected average of the periods of time for which the Series 2010A Bonds are outstanding. Such projected weighted average lives do not reflect the period of time which any one Series 2010A Bond will remain outstanding. At each prepayment speed, some 2010A Bonds will remain outstanding for periods of time shorter than the applicable projected weighted average life, while some will remain outstanding for longer periods of time.

**Weighted Average Lives and Expected Maturity Dates  
of the Series 2010A Bonds at Various Percentages of the CPR**

	<u>0% CPR</u>	<u>2% CPR</u>	<u>4% CPR</u>	<u>6% CPR</u>	<u>8% CPR</u>
	<u>Weighted Average Life (Years)<sup>1</sup></u>				
Series 2010A-1	4.6	3.8	3.2	2.8	2.5
Series 2010A-2A	13.2	11.6	10.4	9.3	8.4
Series 2010A-2B	13.2	11.6	10.4	9.3	8.4
	<u>Expected Maturity Date</u>				
	<u>0% CPR</u>	<u>2% CPR</u>	<u>4% CPR</u>	<u>6% CPR</u>	<u>8% CPR</u>
Series 2010A-1	Sept. 1, 2019	June 1, 2018	June 1, 2017	Sept. 1, 2016	Dec. 1, 2015
Series 2010A-2A	March 1, 2029	Sept. 1, 2027	June 1, 2026	March 1, 2025	Dec. 1, 2023
Series 2010A-2B	March 1, 2029	Sept. 1, 2027	June 1, 2026	March 1, 2025	Dec. 1, 2023

<sup>1</sup> The weighted average life of the Series 2010A Bonds (assuming a 360 day year consisting of twelve 30 day months) is determined by: (1) multiplying the amount of each principal payment on the such Series 2010A Bonds by the number of years from the date of issuance to the related Quarterly Distribution Date, (2) adding the results, and (3) dividing that sum by the aggregate principal amount of such Series 2010A Bonds as of the date of issuance.

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**Percentages of Original Principal Amount of the Series 2010A Bonds Remaining  
at Certain Quarterly Distribution Dates at Various Percentages of the CPR**

Date of Issuance	<u>0% CPR</u>		<u>2% CPR</u>		<u>4% CPR</u>		<u>6% CPR</u>		<u>8% CPR</u>	
	A-1	A-2A & B	A-1	A-2A & B	A-1	A-2A & B	A-1	A-2A & B	A-1	A-2A & B
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sept-11	90	100	87	100	84	100	81	100	79	100
Sept-12	79	100	74	100	68	100	62	100	57	100
Sept-13	69	100	60	100	52	100	44	100	37	100
Sept-14	57	100	47	100	37	100	28	100	19	100
Sept-15	46	100	34	100	23	100	12	100	3	100
Sept-16	35	100	21	100	9	100	0	98	0	84
Sept-17	23	100	9	100	0	95	0	80	0	66
Sept-18	11	100	0	95	0	78	0	63	0	50
Sept-19	0	99	0	79	0	63	0	48	0	36
Sept-20	0	84	0	65	0	49	0	36	0	25
Sept-21	0	70	0	52	0	37	0	25	0	15
Sept-22	0	59	0	41	0	27	0	16	0	7
Sept-23	0	49	0	32	0	19	0	9	0	1
Sept-24	0	39	0	24	0	12	0	2	0	0
Sept-25	0	29	0	15	0	4	0	0	0	0
Sept-26	0	20	0	7	0	0	0	0	0	0
Sept-27	0	11	0	0	0	0	0	0	0	0
Sept-28	0	3	0	0	0	0	0	0	0	0
Sept-29	0	0	0	0	0	0	0	0	0	0
Sept-30	0	0	0	0	0	0	0	0	0	0
Sept-31	0	0	0	0	0	0	0	0	0	0

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## APPENDIX E

### OKLAHOMA STUDENT LOAN AUTHORITY

#### OKLAHOMA STUDENT LOAN BONDS AND NOTES TAX-EXEMPT LIBOR FLOATING RATE BONDS, SENIOR SERIES 2010A

**The information concerning the Oklahoma Guaranteed Student Loan Program was obtained from them. The information is not guaranteed as to accuracy or completeness by the Authority, the Underwriter, the Trustee or counsel to those parties. It is not to be construed as a representation by any of those persons.**

**The Authority, the Underwriter, the Trustee, or counsel to those parties have not independently verified this information. No representation is made by any of those persons as to the absence of material adverse changes in such information subsequent to the date hereof.**

#### GENERAL DESCRIPTION OF THE OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM (OGSLP)

##### **General**

The State Regents, a Constitutional agency of the State of Oklahoma, operate the Oklahoma Guaranteed Student Loan Program, or OGSLP. OGSLP has been in operation in Oklahoma since November 1965. Following the changes from the Reconciliation Act, effective July 1, 2010, OGSLP will continue to administer the Guarantee Fund to support the outstanding portfolio of guaranteed FFEL Program education loans made to students who had attended approved universities, colleges, vocational education or trade schools.

At nine months ended June 30, 2010, and the federal fiscal year ended September 30, 2009, FFEL Program loans made by various eligible lenders and guaranteed by OGSLP were outstanding in the total principal amount of approximately \$3.5 billion and \$3.8 billion, respectively.

At June 30, 2010, there were approximately 74 schools in Oklahoma and 39 eligible lenders actively participating in the OGSLP. Effective July 1, 2010, the Reconciliation Act eliminated the origination of new FFELP loans after June 30, 2010 and all federal student loans must be made in the Direct Student Loan Program. Guarantors are required to continue to provide services for outstanding FFELP borrowers, including default prevention, claim payment and default collections. However, lenders are precluded from continuing to disburse federal student loans.

## **State Guarantee Agency Administration**

The State Regents appoint a chief executive officer, the Chancellor of Higher Education. The present Chancellor is Dr. Glen Johnson. Rick Edington is the Executive Director of OGSLP. OGSLP employs approximately 130 full time equivalent employees.

The offices of OGSLP are located at 421 N.W. 13th Street, Oklahoma City, Oklahoma 73103; Telephone (405) 234-4300.

OGSLP is a separate legal entity from the Oklahoma Student Loan Authority, and the members of the State Regents and the trustees of the Authority do not overlap. In addition, the administrative management of OGSLP and the management of the Authority are separate.

## **Electronic Data Processing Support**

OGSLP uses an integrated software system and data processing facilities for administering education loans that is provided pursuant to an agreement between the State Regents and Sallie Mae Servicing L.P. dated September 7, 1989, as amended and extended to December 31, 2010. The review of the renewal options to continue the agreement is currently in process.

This software system is operated from terminals controlled by OGSLP and connected to Sallie Mae's system. The system provides OGSLP with the ability to continue the support services for loan status management, pre-claims assistance, claims processing, post claims operations (including reinsurance claims to the Department of Education) and reporting. Previously, it also provided for the loan application processing and guarantee fee billings to lenders.

## **Annual Guaranteed Loan Volume**

During the federal fiscal years indicated below, the loan principal volume guaranteed by OGSLP was as shown in the following table. The reduction in the Annual Guaranteed Loan Volume total from September 30, 2006 to June 30, 2010 was a result of a decrease in Consolidation Loan volume, the capital markets disruption of lender participation in the FFEL Program and the cessation of new loan guarantees in the FFEL Program after June 30, 2010. Also, for the period ended June 30, the decline in the percent of the 4 year university school type was due to the size of the transition volume in this school type to the Direct Student Loan Program.

Annual Education Loan Guarantees

	Federal Fiscal Year Through <u>6/30/2010</u>	Federal Fiscal Year Ended <u>9/30/2009</u>	Federal Fiscal Year Ended <u>9/30/2008</u>	Federal Fiscal Year Ended <u>9/30/2007</u>	Federal Fiscal Year Ended <u>9/30/2006</u>
<b>Amount (000)</b>	\$202,650	\$610,881	\$616,451	\$783,880	\$889,312
<b>Loan Type</b>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Stafford (Sub)	43.3	42.2	39.9	32.6	28.6
Unsubsidized Stafford PLUS	50.1	49.9	41.0	29.3	26.0
	6.6	7.9	8.1	6.7	5.2
Consolidation	<u>0.0</u>	<u>0.0</u>	<u>11.0</u>	<u>31.4</u>	<u>40.2</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>Amount (000)*</b>	\$202,650	\$610,881	\$616,451	\$783,880	\$889,312
<b>School Type*</b>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
4 Year University	70.8	82.4	83.4	83.0	81.0
2 Year College	12.6	9.4	9.9	10.2	10.5
Proprietary	<u>16.6</u>	<u>8.2</u>	<u>6.7</u>	<u>6.8</u>	<u>8.5</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

\*OGSLP's system does not track Consolidation Loan approvals by institution type.

## Outstanding Portfolio Composition

The composition of OGSLP's outstanding loan principal guaranteed during the federal fiscal years has been as shown in the following table:

### Composition of Outstanding Education Loan Guarantees

	Federal Fiscal Year Through <u>6/30/2010</u>	Federal Fiscal Year Ended <u>9/30/2009</u>	Federal Fiscal Year Ended <u>9/30/2008</u>	Federal Fiscal Year Ended <u>9/30/2007</u>	Federal Fiscal Year Ended <u>9/30/2006</u>
<b>Amount (000)</b>	\$3,507,139	\$3,798,066	\$3,735,623	\$3,468,995	\$3,325,836
<b>Loan Status</b>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Interim	21.0	27.5	30.1	29.7	29.1
Deferred	17.2	11.5	11.1	11.0	12.8
Repayment	<u>61.8</u>	<u>61.0</u>	<u>58.8</u>	<u>59.3</u>	<u>58.1</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>School Type*</b>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
4 Year Univ.	72.7	73.8	73.8	72.4	72.4
2 Year College	21.9	20.7	20.4	21.1	20.4
Proprietary	<u>5.5</u>	<u>5.6</u>	<u>5.8</u>	<u>6.5</u>	<u>7.2</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

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\*OGSLP's system does not track Consolidation Loan approvals by institution type.

## Trigger Rate

Reimbursements by the Department of Education of claims paid by OGSLP are subject to a sliding scale from 95% to 100%, depending on the date of first disbursement, if OGSLP's "trigger rate" is below 5.0%. Department of Education reimbursements can decrease to 75% to

90% if the rate is 5.0% or greater. During the federal fiscal years indicated below, the trigger rate for OGSLP has been as shown in the following table:

Trigger Rate of OGSLP

<u>Federal Fiscal Year Ended 9/30</u>	<u>Trigger Numerator</u>	<u>Trigger Denominator</u>	<u>Rate</u>
2009	\$97,197,328	\$2,463,870,798	3.94%
2008	\$78,216,994	\$2,296,689,749	3.41%
2007	\$63,917,275	\$2,212,615,571	2.89%
2006	\$56,306,332	\$2,129,097,920	2.64%

OGSLP is responsible as a co-insurer in each federal fiscal year for the difference between the claim amount paid to eligible lenders and the Secretary’s reimbursement under the trigger rate formula.

**Reserve Ratio**

The reserve ratio is calculated on an accrual basis of accounting, using the sum of the Federal Fund balance with amounts reported for allowances and other non- cash charges added back into the balance. Prior years’ ratios were calculated on a cash basis using total cash and investments. The reserve ratio for OGSLP for the past five Fiscal Years ended June 30 was as shown in the following Table:

Reserve Ratio of OGSLP

<u>Fiscal Year Ended June 30</u>	<u>Reserve Ratio</u>	<u>Required Reserve Ratio</u>
2010*	0.71%	0.25%
2009	0.63%	0.25%
2008	0.63%	0.25%
2007	0.60%	0.25%
2006	0.52%	0.25%

\*Unaudited

## Federal Default Fees

The Deficit Reduction Act requires, for FFEL Program loans guaranteed on or after July 1, 2006, the collection and deposit into a guarantee agency's Federal Fund of a federal default fee of 1% of loan principal. The fee must be collected either by deduction from the borrower's proceeds of the loan or by payment from other non-federal sources.

Previously, OGSLP charged the 1% default fee for loans it guaranteed. However, OGSLP's default fee policy was modified and they paid half of the fee for loans guaranteed on/after June 1, 2008 through June 30, 2010. Various lenders, including the lenders in the OSLA Student Lending Network, paid the other 0.5% of the default fee on behalf of their borrowers.

Prior to July 1, 2006, guarantee agencies were allowed to collect a Guarantee fee from borrowers for up to one percent of the student loan amount disbursed by eligible lenders. Generally, guarantee agencies waived this fee for several years prior to July 1, 2006. OGSLP waived the Guarantee fee for loans disbursed on or after July 1, 2001 and through June 30, 2006.

## Default Rates and Collections

The gross and net (after collections) default rates for OGSLP during the federal fiscal years indicated below have been as shown in the following table:

### Default Rates Regarding OGSLP

	Federal Fiscal Year through <u>6/30/2010</u>	Federal Fiscal Year Ended <u>9/30/2009</u>	Federal Fiscal Year Ended <u>9/30/2008</u>	Federal Fiscal Year Ended <u>9/30/2007</u>	Federal Fiscal Year Ended <u>9/30/2006</u>
Gross Default Rate	34.8%	29.3%	26.7%	25.2%	23.8%
Net Default Rate after Collections	9.3%	8.5%	8.3%	8.0%	8.0%

The Higher Education Amendments of 1998 reduced guarantee agencies' retention rate on collection recoveries from 27% to 24%. A reduction to 23% retention on collection recoveries became effective October 1, 2003, with a further reduction to 16% effective October 1, 2007.

In addition, pursuant to the Secretary's interpretation of the Higher Education Act, the retention rate paid by the Secretary on defaulted loans that are paid by the making of a Federal Consolidation Loan was 18.5%. The Deficit Reduction Act required guarantors beginning October 1, 2006 to remit to the Secretary a portion of the collection fees on default consolidations equal to 8.5% of principal and interest, effectively reducing retention on default consolidations to 10%.

### **Pending State Legislation and Litigation**

There is no State legislation pending an effective date, or proposed for legislative action, with respect to OGSLP or the Guarantee Fund.

There is no currently pending or, to the knowledge of the State Regents, threatened legal proceeding with respect to OGSLP and the Guarantee Fund except for defaulted loan collection recovery efforts in the normal course of operations.

### **Status of Federal Matters**

Regulations provide that a guarantee agency paying a claim more than 90 days after submission, cannot file with the Department of Education for reinsurance. The regulations have had no adverse effect on the reserve fund status of OGSLP.

Certain Federal Reserve Fund amounts were subject to recall by the Secretary on September 1, 2002 under Section 422 (h) and (i) of the Higher Education Act. These amounts had been provided for by OGSLP over a period of five years. As of September 1, 2007, OGSLP met its combined recall obligation of approximately \$6,644,024.

The Department of Education routinely conducts regular reviews or audits of guarantee agencies, such as OGSLP, for compliance with various aspects of the Higher Education Act. During Fiscal Year 2007, the Department of Education conducted reviews of the Department of Education payments made to FFEL program lenders and guarantee agencies. OGSLP's review was conducted in May 2007. OGSLP's written report on this review from the Department of Education was dated July 21, 2007. The report stated that "No instances of improper payments were found during our testing of the ED Form 2000 submissions. Therefore, the review is closed with the issuance of this report."

The Ensuring Continued Access to Student Loans Act of 2008 was enacted into law as a result of credit market conditions. Pursuant to this legislation, and subsequent legislative action, the Department of Education has introduced two liquidity options for lenders for loan periods in the 2008-2009 and 2009-2010 academic years.

The first option is the Loan Participation Purchase Program whereby the Department of Education offered to purchase participation interests in loans. The participation interests can be

paid off directly by the lender or the lender can opt to sell (also known as “put”) the loans in the facility to the Department of Education. The second option is called the Loan Purchase Commitment Program. It involves the sale of loans to the Department of Education following final disbursement of a loan.

The potential impact to guarantee agencies includes the loss of guarantees when loans are “put” to the Department of Education. Through June 30, 2010, \$477.5 million of OGSLP’s loans have been put to the Department of Education. This results in a decrease in the outstanding loan amount which is used in the calculation of the Account Maintenance Fee (AMF) as well as a reduction in the denominator for the Reserve Ratio. The loans which are PUT also result in a reduction in future lender claims due to the guarantee no longer being with OGSLP.

The Reconciliation Act effective July 1, 2010, required all future federal student loans to be made in the Direct Student Loan Program. Guarantors are required to continue to provide services for outstanding FFELP borrowers, including default prevention, claim payment and default collections. However, lenders are precluded from continuing to disburse federal student loans. In addition to continuing to provide services related to the \$3.5 Billion outstanding portfolio, OGSLP plans to continue to provide and expand important student support services including default prevention, financial literacy and college access/outreach programs. This business strategy is supported by an amendment to our enabling statute which authorizes State Regents to contract with any necessary parties to provide these types of services. Additionally, there are ongoing discussions with the Department of Education concerning additional revenue streams for guarantee agencies to support expansion of student support services eliminating any potential services gaps as a result of the transition to all loans being made in the Federal Direct Loan Program.

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## APPENDIX F

### OKLAHOMA STUDENT LOAN AUTHORITY

### OKLAHOMA STUDENT LOAN BONDS AND NOTES TAX-EXEMPT LIBOR FLOATING RATE BONDS, SENIOR SERIES 2010A

### CONTINUING DISCLOSURE UNDERTAKING

The following is a brief summary of certain provisions of the *Continuing Disclosure Undertaking* by the Authority. It does not purport to be complete. The statements made in this Appendix are subject to the detailed provisions of the Undertaking.

#### **Annual Financial and Operating Information Disclosure**

The Authority covenants that it will disseminate its Annual Financial and Operating Information, including its Audited Financial Statements (both as described below), to the Municipal Securities Rulemaking Board (the “MSRB”) through the Electronic Municipal Market Access (“EMMA”) central repository system, which has the *internet site* [emma.msrb.org](http://emma.msrb.org).

“*Audited Financial Statements*” means the audited financial statements of the Authority prepared in accordance with accounting principles generally accepted in the United States of America unless such statements are in direct conflict with statements issued by the Governmental Accounting Standards Board, as in effect from time to time, which financial statements have been audited by a firm of certified public accountants. Audited financial statements will be provided through EMMA within 30 days after availability to the Authority.

“*Annual Financial and Operating Information*” means the Audited Financial Statements of the Authority and financial information and operating data regarding the Authority and its Program of the type set forth in the captions “OKLAHOMA STUDENT LOAN AUTHORITY – Initial Collateralization” and “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” in this Official Statement, as of the end of the most recently completed fiscal year. Annual Financial and Operating Information, exclusive of Audited Financial Statements, will be provided to the MSRB through EMMA by October 31 of each year, commencing October 31, 2011.

#### **Material Events Disclosure**

The Authority covenants that it will disseminate Material Events Disclosure (as described below) to the MSRB through EMMA within 10 business days after the occurrence of the event. “*Material Events*” with respect to the Series 2010A Bonds for which disclosure is required are:

- Principal and interest payment delinquencies
- Non-payment related defaults, if material
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions, IRS notices or events affecting the tax-exempt status of the Series 2010A Bonds
- Modifications to the rights of Series 2010A Bond holders
- Bond calls, if material
- Defeasances
- Release, substitution or sale of property securing repayment of the Series 2010A Bonds
- Rating changes
- Tender offers
- Bankruptcy, insolvency, receivership or similar events of the Authority
- Merger, consolidation, or acquisition of the Authority, if material
- Appointment of a successor or additional trustee, or the change of name of a trustee, if material

Notice of optional or unscheduled redemption, or of defeasance, of any Series 2010A Bonds need not be given any earlier than the notice (if any) of such redemption or defeasance is given to the Registered Owners pursuant to the Indenture.

### **Consequences of Failure of the Authority to Provide Information**

The Authority will give notice, in a timely manner, to the MSRB through EMMA of a failure to provide Annual Financial and Operating Information when the same are due under the Undertaking.

In the event of a failure of the Authority to comply with any provision of the Undertaking, the beneficial owner of any Series 2010A Bond may seek mandamus or specific performance by court order, to cause the Authority to comply with its obligations under the Undertaking. A default under the Undertaking will *not* be deemed an Event of Default under the Indenture. The sole remedy in the event of any failure of the Authority to comply with the Undertaking will be an action to compel performance.

### **Amendment; Waiver**

Notwithstanding any other provision of the Undertaking, the Authority may amend the Undertaking, and any provision of the Undertaking may be waived, if:

- A. The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or

change in the identity, name, or status of the Authority, or type of business conducted;

- B. The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of SEC Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- C. The amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2010A Bonds, as determined either by parties unaffiliated with the Authority (such as the Trustee), or by an approving vote of the Registered Owners of the Series 2010A Bonds pursuant to the terms of the Indenture at the time of the amendment.

### **Termination of Undertaking**

The Undertaking will be terminated if the Authority no longer has any legal liability for any obligation on or relating to repayment of the Series 2010A Bonds under the Indenture. The Authority will give notice of any such termination, in a timely manner, to the MSRB through EMMA.

### **Additional Information**

Nothing in the Undertaking will be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial and Operating Information or notice of occurrence of a Material Event, in addition to that which is required by the Undertaking.

If the Authority chooses to include any information from any document or notice of occurrence or a Material Event in addition to that which is specifically required by the Undertaking, the Authority will have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

Events with respect the Series 2010A Bonds for which disclosure is voluntary include:

- Amendment to the continuing disclosure Undertaking
- Change in obligated person
- Notice to investors pursuant to the Series 2010A bond document
- Certain communications from the Internal Revenue Service
- Secondary market purchases
- Bid for auction rate or other securities
- Capital or other financing plan
- Litigation/enforcement action

- Change of tender agent, remarketing agent, or other on-going party
- Derivative or other similar transaction
- Other event-based disclosures

### **Dissemination Agent**

The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent is any agent designated as such in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

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**APPENDIX G**

October 6, 2010

**\$132,545,000**  
**OKLAHOMA STUDENT LOAN AUTHORITY**  
**OKLAHOMA STUDENT LOAN BONDS AND NOTES**  
**TAX-EXEMPT LIBOR FLOATING RATE BONDS**  
**SENIOR SERIES 2010A-1,**

**\$51,225,000**  
**OKLAHOMA STUDENT LOAN AUTHORITY**  
**OKLAHOMA STUDENT LOAN BONDS AND NOTES**  
**TAX-EXEMPT NON-AMT LIBOR FLOATING RATE BONDS**  
**SENIOR SERIES 2010A-2A**

**AND**

**\$44,230,000**  
**OKLAHOMA STUDENT LOAN AUTHORITY**  
**OKLAHOMA STUDENT LOAN BONDS AND NOTES**  
**TAX-EXEMPT NON-AMT LIBOR FLOATING RATE BONDS**  
**SENIOR SERIES 2010A-2B**

Ladies and Gentlemen:

We have acted as Bond Counsel to the Oklahoma Student Loan Authority (the “Authority”), an express trust duly created and established for public purposes pursuant to a Trust Indenture dated as of the 2nd day of August 1972 (the “Trust Indenture”) executed under the authority of and pursuant to, and duly organized and existing under the provisions of, the Constitution and the laws of the State of Oklahoma (the “State”), including particularly the provisions of Title 70, Oklahoma Statutes, 2001, Sections 695.1 *et seq.*, as amended, and Title 60, Oklahoma Statutes, 2001, Sections 176 *et seq.*, as amended (collectively referred to herein as the “Authorizing Act”), in connection with the authorization, sale, issuance and delivery of its \$132,545,000 Oklahoma Student Loan Bonds and Notes, Tax-Exempt LIBOR Floating Rate Bonds, Senior Series 2010A-1 (the “Series 2010A-1 Bonds”), its \$51,225,000 Oklahoma Student Loan Bonds and Notes, Tax-Exempt Non-AMT LIBOR Floating Rate Bonds, Senior Series 2010A-2A (the “Series 2010A-2A Bonds”) and its \$44,230,000 Oklahoma Student Loan Bonds and Notes, Tax-Exempt Non-AMT LIBOR Floating Rate Bonds, Senior

Series 2010A-2B (the “Series 2010A-2B Bonds” and, collectively with the Series 2010A-1 Bonds and the Series 2010A-2A Bonds, the “Series 2010A Bonds”).

The Series 2010A Bonds are issued under and pursuant to the Authorizing Act and (a) a resolution of the Authority entitled “Series 2010 Bond Resolution” adopted by the trustees of the Authority on September 28, 2010 and amended and restated on October 4, 2010 (the “Series 2010 Bond Resolution”) and (b) an Indenture of Trust, dated as of September 1, 2010 (the “Indenture”), between the Authority and Bank of Oklahoma, N.A., as trustee thereunder (the “Trustee”). The Series 2010A Bonds are issued for the purpose of providing funds which, together with other legally available funds, will be used by the Authority to refinance certain outstanding obligations of the Authority. Capitalized terms used, but not defined, in this opinion shall have the same meanings which are ascribed to such terms in the Indenture unless the context shall clearly indicate otherwise.

The Series 2010A Bonds are dated, mature on the dates and in the principal amounts, bear interest, are payable, are subject to redemption prior to maturity and have such other terms and conditions as provided in the Indenture.

In our capacity as Bond Counsel, we have examined the laws of the State and of the United States of America relevant to the opinions expressed herein and the certified transcript of proceedings relating to the authorization, sale, issuance and delivery of the Series 2010A Bonds, including originals or copies, certified or otherwise identified to our satisfaction, of (a) the Trust Indenture, (b) the Series 2010 Bond Resolution, (c) the Indenture, (d) the Education Loan Servicing Agreement, dated as of September 1, 2010 (the “Servicing Agreement”), between the Authority, as issuer, and the Authority, as servicer; (e) the Backup Third Party Servicing Agreement, dated as of October 6, 2010 (the “Backup Servicing Agreement”), among the Authority, as issuer, the Authority, as servicer, and Nelnet Servicing, LLC, as backup servicer; (f) the Escrow Agreement, dated as of September 1, 2010 (the “Escrow Agreement”), between the Authority and Bank of Oklahoma, N.A., as escrow agent; (g) the Tax Compliance Certificate and Agreement, dated as of September 1, 2010 (the “Tax Compliance Certificate and Agreement”), between the Authority and the Trustee; (h) the Joint Sharing Agreement, dated as of October 1, 2008 (the “Joint Sharing Agreement”), among the Authority, Bank of Oklahoma, N.A., as trustee for certain trust estates of the Authority, and Bank of America, N.A., as a lender to the Authority, and (i) such other documents, records and certificates as we have deemed relevant and necessary in rendering the opinions expressed herein. As to questions of fact material to our opinion, we have relied upon the representations and covenants made on behalf of the Authority and certifications of public officials and other parties involved in the issuance of the Series 2010A Bonds (including certifications as to the use of the proceeds of the Series 2010A Bonds) without undertaking to verify the same by independent investigation.

We have not passed upon any matters relating to the business, properties, affairs or condition, financial or otherwise, of the Authority and no inference should be drawn that we have expressed an opinion on matters relating to the financial ability of the Authority to perform its obligations under the Series 2010A Bonds and the documents described herein.

Based upon and subject to the foregoing, we are of the opinion that as of the date hereof and under existing law:

1. The Authority is an express trust duly created and established for public purposes, pursuant to the Trust Indenture executed under the authority of and pursuant to the Authorizing Act, and has full power and authority to issue the Series 2010A Bonds and to adopt the Series 2010 Bond Resolution and enter into the Indenture, the Servicing Agreement, the Backup Servicing Agreement, the Escrow Agreement, the Tax Compliance Certificate and Agreement, the Joint Sharing Agreement and the other documents contemplated thereby and perform its obligations thereunder.

2. The Series 2010 Bond Resolution, the Indenture, the Servicing Agreement, the Backup Servicing Agreement, the Escrow Agreement, the Tax Compliance Certificate and Agreement and the Joint Sharing Agreement have been duly authorized, executed and delivered, are in full force and effect and constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms and no other authorization for the Series 2010 Bond Resolution is required.

3. The Series 2010A Bonds have been duly authorized and issued by the Authority, are entitled to the benefits of the Series 2010 Bond Resolution and the Indenture and are valid and binding limited and special revenue obligations of the Authority secured by and payable solely from the revenues, funds and accounts of the Authority pledged as the trust estate therefor pursuant to the Series 2010 Bond Resolution. The Series 2010A Bonds do not constitute or create an obligation (general or special), debt, liability or moral obligation of the State of Oklahoma or any political subdivision thereof and neither the faith and credit nor the taxing power of the State of Oklahoma or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2010A Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2010A Bonds is excludable from gross income of the recipients thereof for federal income tax purposes. We are further of the opinion that interest on the Series 2010A-1 Bonds is a specific preference item for purposes of the federal alternative minimum tax applicable to individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), and that interest on the Series 2010A-2A Bonds and the Series 2010A-2B Bonds is *not* a specific preference item or included in the calculation of adjusted current earnings for purposes of the federal alternative minimum tax applicable to individuals and corporations under the Code.

The opinions set forth in the foregoing paragraph are subject to continuing compliance by the Authority with the covenants relating to the provisions of the Code contained in the Indenture and by the Authority and the Trustee with such covenants contained in the Tax Compliance Certificate and Agreement. Failure to comply with such covenants could cause the interest on the Series 2010A Bonds to be included in gross income of the recipients thereof for purposes of federal income taxation retroactively to the date of issuance of the Series 2010A Bonds.

We express no opinions regarding any other consequences affecting the federal income tax liability of a recipient of interest on the Series 2010A Bonds.

4. Pursuant to the Authorizing Act, the Series 2010A Bonds and the income therefrom are exempt from taxation in the State.

The opinions expressed above with respect to the enforceability of the Series 2010A Bonds and the documents described herein are qualified to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally heretofore or hereafter enacted, by the application of general principles of equity, and by the exercise of judicial discretion in appropriate cases.

For the purposes of this opinion, our services as Bond Counsel have not extended beyond the examinations and expressions of the conclusions referred to above. The opinions expressed herein are based upon existing law as of the date hereof and we express no opinion herein as of any subsequent date or with respect to any pending litigation.

Respectfully submitted,

Kutak Rock LLP



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