

# PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 27, 1995

## NEW ISSUE - BOOK ENTRY ONLY

*In the opinion of Bond Counsel, assuming continuing compliance with certain requirements and covenants, under existing laws, regulations, rulings and judicial decisions, interest on the Series 1995 Bonds and Notes is excludable from gross income of the recipients thereof for federal income tax purposes; however, interest on the Series 1995 Bonds and Notes constitutes a specific item of tax preference for purposes of the federal alternative minimum tax for individuals and corporations. Bond Counsel is further of the opinion that, pursuant to the Act, the Series 1995 Bonds and Notes and the income therefrom are exempt from taxation in the State of Oklahoma. For a more complete description of the opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Series 1995 Bonds and Notes for certain Registered Owners thereof, see the caption "TAX EXEMPTION" herein and the proposed form of opinion of Bond Counsel attached hereto as Appendix I.*

**\$34,580,000\***

## OKLAHOMA STUDENT LOAN AUTHORITY

### Oklahoma Student Loan Bonds and Notes, Series 1995

Consisting Of

**\$21,600,000\* Senior Notes, Series 1995A-1**

**\$ 7,000,000\* Senior Notes, Series 1995A-2**

**\$ 2,000,000\* Subordinate Bonds, Series 1995B-1**

**\$ 3,980,000\* Subordinate Bonds, Series 1995B-2**

**Dated: Series 1995A-1 and A-2; Date of Issuance  
Series 1995B-1 and B-2; November 1, 1995**

**Due: September 1, as shown on the  
inside cover page hereof**

The Oklahoma Student Loan Bonds and Notes, Series 1995 will be issued by the Oklahoma Student Loan Authority (the "Authority") pursuant to the Master Bond Resolution adopted by the trustees of the Authority on November \_\_, 1995 (the "Master Bond Resolution") and corresponding series Supplemental Bond Resolutions adopted the same date as fully registered obligations without coupons. The Senior Notes, Series 1995A-1 (the "Series 1995A-1 Notes") and the Senior Notes, Series 1995A-2 (the "Series 1995A-2 Notes") will be issued in principal amounts of \$100,000 or any integral multiple thereof. The Subordinate Bonds, Series 1995B-1 (the "Series 1995B-1 Bonds") and the Subordinate Bonds, Series 1995B-2 (the "Series 1995B-2 Bonds") will be issued in principal amounts of \$5,000 or any integral multiple thereof. Collectively, the Series 1995A-1 Notes, the Series 1995A-2 Notes, the Series 1995B-1 Bonds and the Series 1995B-2 Bonds are referred to herein as the "Series 1995 Bonds and Notes". When issued, the Series 1995 Bonds and Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 1995 Bonds and Notes. Individual purchases of beneficial ownership interests in the Series 1995 Bonds and Notes will be made in Book Entry form only.

The principal of and interest on the Series 1995 Bonds and Notes are payable from the Trust Estate (as defined herein) held by the Master Trustee, Boatmen's First National Bank of Oklahoma, Oklahoma City, Oklahoma, which is also the Series 1995 Trustee, to DTC, which is in turn to remit such principal and interest to its Participants (as defined herein) which are in turn to remit such principal and interest to the Beneficial Owners (as defined herein) of the Series 1995 Bonds and Notes. See the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES - Securities Depository" herein.

The maturities of, principal amounts of each maturity of, the rates of interest on, and the initial public offering price of each series of the Series 1995 Bonds and Notes are as shown on the inside cover page hereof.

The Series 1995A-1 Notes and Series 1995A-2 Notes will be issued as Auction Remarketed Notes with variable rates of interest for each applicable Auction Period (as described herein). The rates of interest on the Series 1995A-1 Notes and the Series 1995A-2 Notes from the Date of Issuance through December 5, 1995 and May 31, 1996, respectively, will be determined on or about November 2, 1995. Thereafter, unless changed as described herein, Series 1995A-1 Notes will bear interest for each Interest Period (as defined herein) at an Auction Rate (as described herein) based upon a 35-day Auction Period, and the Series 1995A-2 Notes will bear interest for each Interest Period at an Auction Rate based upon a one-year Auction Period, each as determined by Bankers Trust Company, New York, New York (the "Auction Agent") pursuant to the Auction Procedures described in "Appendix G - AUCTION PROCEDURES FOR THE AUCTION REMARKETED NOTES" herein, but in no event greater than 16% per annum. Until a Conversion Date or a Period Adjustment Date (each as described herein), if any, interest on the Series 1995A-1 Notes and the Series 1995A-2 Notes will be payable as shown on the inside cover page hereof, unless changed as described herein.

The Series 1995B-1 Bonds and Series 1995B-2 Bonds will be issued as subordinate bonds with fixed rates of interest. Interest on the Series 1995B-1 Bonds and Series 1995B-2 Bonds will be payable semi-annually at the rates of interest and on the dates as shown on the inside cover page hereof. The payment of the principal of and interest on the Series 1995B-1 Bonds and Series 1995B-2 Bonds is subordinated in right of payment, to the extent and in the manner specified in the Master Bond Resolution and described herein, to the payment of the principal of and interest on the Series 1995A-1 Notes and Series 1995A-2 Notes (and any additional bonds or notes issued in the future on a parity therewith) and to certain other payment obligations arising under the Master Bond Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT - Certain Payment Priorities" herein.

Additional bonds, notes or other debt obligations (the "Additional Bonds and Notes") may be issued pursuant to the Master Bond Resolution from time to time in the future. Under certain conditions, such Additional Bonds and Notes may be on a parity with the Series 1995A-1 Notes and Series 1995A-2 Notes, or on a parity with the Series 1995B-1 Bonds and Series 1995B-2 Bonds, or both.

The proceeds of the Series 1995 Bonds and Notes will be used by the Authority, among other things: (i) to provide funds to finance Eligible Loans (as defined herein); (ii) to refund certain revenue indebtedness of the Authority; (iii) to fund capitalized interest; (iv) to fund the Debt Service Reserve Account Requirement (as defined herein) for the Series 1995 Bonds and Notes; and (v) to pay costs of issuance of the Series 1995 Bonds and Notes. The Series 1995 Bonds and Notes will be secured by the Trust Estate, consisting of the Financed Eligible Loans, the Revenues and Recoveries of Principal thereon (each as defined herein), and certain securities and other moneys pledged under the Master Bond Resolution.

The Series 1995 Bonds and Notes are subject to optional and mandatory redemption prior to maturity as more fully described in the corresponding Supplemental Bond Resolutions and herein under the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES". The Series 1995A-1 Notes and Series 1995A-2 Notes are subject to a mandatory tender upon conversion to a Fixed Rate or an Adjustable Rate (each as defined herein).

The Series 1995 Bonds and Notes, and the interest thereon, are limited and special revenue obligations of the Authority, secured by and payable solely from revenues, funds and other assets specifically pledged therefor, as more particularly described herein and in the Master Bond Resolution and the corresponding Supplemental Bond Resolutions. The Series 1995 Bonds and Notes, and the interest thereon, do not constitute or create an obligation (general or special), debt, liability or moral obligation of the State of Oklahoma or of any political subdivision thereof, within the meaning of any constitutional or statutory provision whatsoever, and neither the faith and credit nor the taxing power of the State of Oklahoma is pledged to the payment of the principal of, premium if any, or interest on the Series 1995 Bonds and Notes. The Series 1995 Bonds and Notes, and the interest thereon, are not personal obligations of the trustees of the Authority and are not a general obligation of the Authority, which has no taxing power.

*The Series 1995 Bonds and Notes are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by Kutak Rock, Oklahoma City, Oklahoma, Bond Counsel. Certain legal matters will be passed upon for the Authority by its special counsel, Roderick W. Durrell, Esq., and for the Underwriter by its counsel, Williams & Anderson, Little Rock, Arkansas.*

*It is expected that the Series 1995 Bonds and Notes will be delivered through the facilities of DTC in New York, New York on or about November 9, 1995.*

**MORGAN STANLEY & CO.**

*Incorporated*

Dated: November \_\_, 1995

\*Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may an offer to buy be accepted, prior to the time the Official Statement is delivered in final form. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction.

## MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

### \$28,600,000 Senior Notes, Series 1995A-1 and Series 1995A-2 Auction Remarketed Notes Dated the Date of Issuance

Series 1995	Maturity	Principal Amount	Auction Period	Initial Interest Rate	Initial Auction Period	Interest Payment Dates
A-1	September 1, 2025	\$21,600,000	35 days	TBA <sup>⊙</sup>	November __, 1995 through December 5, 1995	The next Business Day following the last day of each Auction Period.
A-2	September 1, 2025	\$ 7,000,000	1 Year	TBA <sup>⊙</sup>	November __, 1995 through May 31, 1996	June 1 and December 1 of each year, commencing June 1, 1996

<sup>⊙</sup>To Be Announced on or about November 2, 1995

Price of All Notes: \_\_\_\_\_ %

### \$5,980,000 Subordinate Bonds, Series 1995B-1 and Series 1995B-2 Fixed Rate Bonds Dated November 1, 1995

Series 1995	Maturity	Principal Amount	Interest Rate	Interest Payment Dates
B-1	September 1, 2008	\$ 2,000,000	_____ %	March 1 and September 1 of each year, commencing March 1, 1996
B-2	September 1, 2025	\$ 3,980,000	_____ %	March 1 and September 1 of each year, commencing March 1, 1996

Price of All Bonds: \_\_\_\_\_ % (plus accrued interest from November 1, 1995)

THE COVER PAGE AND THIS PAGE CONTAIN CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE AND THIS PAGE ARE NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. "APPENDIX A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" CONTAINS DEFINITIONS OF CERTAIN CAPITALIZED TERMS USED IN THIS OFFICIAL STATEMENT.

This Preliminary Official Statement and the information contained herein is in a form deemed final by the Authority for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, (except for the omission of certain information permitted to be omitted under Rule 15c2-12 (b) (1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Authority, the State Guarantee Agency or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 1995 Bonds and Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Authority, the State Guarantee Agency, and other sources which are believed to be reliable. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter. The information concerning the State Guarantee Agency and DTC has been furnished by the State Guarantee Agency and DTC, respectively, and such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the State Guarantee Agency, or any other entity described herein after the date hereof.

This Official Statement does not constitute a contract between the Authority or the Underwriter and any one or more of the purchasers or Registered Owners of the Series 1995 Bonds and Notes.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 1995 BONDS AND NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE SERIES 1995 BONDS AND NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 1995 BONDS AND NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE SERIES 1995 BONDS AND NOTES AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON, OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

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**OFFICIAL STATEMENT**

**\$34,580,000\***

**OKLAHOMA STUDENT LOAN AUTHORITY  
Oklahoma Student Loan Bonds and Notes, Series 1995**

**Consisting Of**

<b>\$21,600,000* Senior Notes, Series 1995A-1</b>	<b>\$ 2,000,000* Subordinate Bonds, Series 1995B-1</b>
<b>\$ 7,000,000* Senior Notes, Series 1995A-2</b>	<b>\$ 3,980,000* Subordinate Bonds, Series 1995B-2</b>

**INTRODUCTION**

This Official Statement includes the cover page hereof and all Appendices attached hereto (the "Official Statement"). This Official Statement is being distributed by the Oklahoma Student Loan Authority (the "Authority"), an express trust established for the benefit of the State of Oklahoma (the "State") by a certain Trust Indenture dated August 2, 1972, to furnish information in connection with the offering of its Oklahoma Student Loan Bonds and Notes, Series 1995, which consist of:

- Senior Notes, Series 1995A-1 (the "Series 1995A-1 Notes");
- Senior Notes, Series 1995A-2 (the "Series 1995A-2 Notes");
- Subordinate Bonds, Series 1995B-1 (the "Series 1995B-1 Bonds"); and
- Subordinate Bonds, Series 1995B-2 (the "Series 1995B-2 Bonds");

in the respective principal amounts described above (collectively, the "Series 1995 Bonds and Notes"). The Series 1995 Bonds and Notes will be issued by the Authority to provide, among other things, funds to Finance Eligible Loans (as defined herein) in its participation in the Federal Family Education Loan ("FFEL") Program.

The Series 1995 Bonds and Notes will be issued pursuant to the provisions of the Oklahoma Student Loan Act, Title 70, Oklahoma Statutes 1991, Sections 695.1 et seq., as amended (the "Student Loan Act"), and the Oklahoma Trusts for Furtherance of Public Functions Act, Title 60, Oklahoma Statutes 1991, Sections 176 to 180.3, inclusive (the "Public Trust Act"). The "Student Loan Act" and the "Public Trust Act" are collectively referred to herein as the "Act".

The Series 1995 Bonds and Notes also will be issued pursuant to the Master Bond Resolution adopted by the trustees of the Authority on November \_\_, 1995 (the "Master Bond Resolution"). The Series 1995 Bonds and Notes are also issued pursuant to the corresponding Series Supplemental Bond Resolutions (collectively, the "Series 1995 Supplemental Resolutions") adopted the same date. Together, the Master Bond Resolution and the Series 1995 Supplemental Resolutions are herein referred to as the "Bond Resolution". See "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

Administration of the Trust Estate (as defined herein) created for the Series 1995 Bonds and Notes will be governed by a certain Master Trust Agreement dated as of November 1, 1995 (the "Master Trust Agreement") by and between the Authority and Boatmen's First National Bank of Oklahoma, Oklahoma City, Oklahoma, as trustee thereunder (the "Master Trustee"). See "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein for certain provisions regarding the rights, duties and obligations of the Master Trustee. In addition, Boatmen's First National Bank of Oklahoma also will be acting as the "Series 1995 Trustee" pursuant to that certain Series 1995 Trust Agreement dated as of November 1, 1995 (the "Series 1995 Trust Agreement") by and between the Authority and the Series 1995 Trustee. The Series 1995 Trustee is acting as Paying Agent, Authenticating Agent and Registrar pursuant to the respective Series 1995 Supplemental Resolutions and the Series 1995 Trust Agreement.

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**\*Preliminary, subject to change.**

Certain capitalized terms used in this Official Statement are defined in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein. All other capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings ascribed to such terms in the Master Bond Resolution and the Series 1995 Supplemental Resolutions, unless the context clearly indicates otherwise.

The Series 1995A-1 Notes and Series 1995A-2 Notes will be issued as Auction Remarketed Notes (the "Auction Remarketed Notes") and will bear interest for the respective Initial Periods (as defined herein) at rates of interest as shown on the inside cover page hereof. Subsequently, the respective interest rates on each series of the Auction Remarketed Notes will be determined from the implementation of the Auction Procedures described in "Appendix G - AUCTION PROCEDURES FOR THE AUCTION REMARKETED NOTES " herein, but in no event greater than 16% per annum.

The Series 1995B-1 Bonds and Series 1995B-2 Bonds will be issued as fixed rate subordinate bonds, and will bear interest at rates of interest as shown on the inside cover page hereof. The payment of the principal of and interest on the Series 1995B-1 Bonds and Series 1995B-2 Bonds is subordinated in right of payment, to the extent and in the manner specified in the Master Bond Resolution and described herein, to the payment of the principal of and interest on the Series 1995A-1 Notes and Series 1995A-2 Notes (and any additional bonds or notes issued in the future on a parity therewith) and to certain other payment obligations arising under the Master Bond Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT - Certain Payment Priorities" herein.

The proceeds of the Series 1995 Bonds and Notes will be used by the Authority, among other things: (i) to provide funds to finance Eligible Loans (as defined herein); (ii) to refund certain revenue indebtedness of the Authority; (iii) to fund capitalized interest; (iv) to fund the Debt Service Reserve Account Requirement (as defined herein) for the Series 1995 Bonds and Notes; and (v) to pay costs of issuance of the Series 1995 Bonds and Notes.

Eligible Loans held under the Master Bond Resolution and the Master Trust Agreement are referred to herein as "Financed Eligible Loans". The education loan promissory notes evidencing the Financed Eligible Loans and related loan documentation will be held by the Master Trustee, acting as "Custodian" pursuant to the provisions of a certain Master Custodian Services Agreement dated September 27, 1994 between the Custodian and the Authority. See the captions "SECURITY AND SOURCES OF PAYMENT - Trust Estate"; "INVESTMENT CONSIDERATIONS"; and "THE AUTHORITY" herein; and see also "Appendix B - DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM"; "Appendix C - OKLAHOMA STUDENT LOAN AUTHORITY, FINANCIAL INFORMATION AND OPERATING DATA"; and "Appendix E - CASH FLOW ASSUMPTIONS" herein.

Financed Eligible Loans will be guaranteed: (i) by the Oklahoma State Regents for Higher Education (the "State Regents"), acting as the State Guarantee Agency (the "State Guarantee Agency") in administering the Student Educational Assistance Fund (the "Guarantee Fund"); or, (ii) by other guarantors of Eligible Loans qualified under the provisions of the Master Bond Resolution to act in such capacity (each, including the State Guarantee Agency, a "Guarantee Agency"); or (iii) in certain instances by the Secretary (the "Secretary") of the United States Department of Education (the "USDE"). The respective Guarantee Agencies are reinsured, subject to various terms and conditions, by the Secretary for reimbursement from 78% to 100% of the amounts expended in payment of claims by eligible lenders (including the Authority) regarding education loans guaranteed by the respective Guarantee Agencies. As of September 30, 1995, approximately 98.6% of the FFEL Program loans held by the Authority were guaranteed by the State Guarantee Agency, approximately 1.3% were guaranteed by another Guarantee Agency, and the remainder were guaranteed by the Secretary directly. See the caption "GUARANTEE AGENCIES" herein; and see also, "Appendix B - DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM"; and "Appendix F - THE STATE GUARANTEE AGENCY, DESCRIPTIVE, STATISTICAL AND FINANCIAL STATEMENT INFORMATION" herein.

The Authority services its education loans internally on a remote servicing system database provided by UNIPAC Service Corporation ("UNIPAC"), Aurora, Colorado. See the caption "THE AUTHORITY - Loan Servicing" herein. Pursuant to the Master Bond Resolution, the Authority is 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 of 1965, as amended (the "Higher Education Act").

Payment of the principal of and interest on the Series 1995A-1 Notes and Series 1995A-2 Notes will be secured by the pledge effected by the Master Bond Resolution with respect to certain revenues and assets, as described herein, including Revenues (other than Revenues held in the Rebate Fund) and Recoveries of Principal (each as defined herein) received with respect to Financed Eligible Loans and moneys, investments and other assets in certain Funds and Accounts established under the Master Bond Resolution on a parity with each other, with any Additional Bonds issued as Senior Bonds and Notes, with any Authority Swap Payments secured on a parity with the Senior Bonds and Notes and any payments to a Trust Estate Collateral Investment Counterparty (each as defined herein), (collectively, the "Senior Obligations") but on a superior basis to payments on the Series 1995B-1 Bonds and Series 1995B-2 Bonds or other obligations of the Authority secured as Subordinate Obligations and Junior-Subordinate Obligations (each as defined herein) of the Authority; provided, however, that current principal and interest may be paid on Subordinate Obligations and Junior-Subordinate Obligations if all principal and interest payments due and owing on the Senior Obligations previously have been made or provided for as set forth in the Master Bond Resolution. Upon issuance, the Series 1995A-1 Notes and Series 1995A-2 Notes will constitute the only Senior Obligations currently issued and outstanding under the Bond Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT" herein, and see also "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

Payment of the principal of and interest on the Series 1995B-1 Bonds and Series 1995B-2 Bonds will be secured by the pledged assets of the Trust Estate subordinate to the rights of payment of the Senior Obligations, but on a parity with all other Subordinate Obligations, and on a superior basis to any such payments on Junior-Subordinate Obligations; provided, however, that current principal and interest may be paid on the Junior-Subordinate Obligations if all principal and interest payments due and owing on the Subordinate Obligations previously have been made or provided for as set forth in the Master Bond Resolution. Upon issuance, the Series 1995B-1 Bonds and Series 1995B-2 Bonds will constitute the only Subordinate Obligations currently issued and outstanding under the Bond Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT" herein, and see also "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

In addition, Junior-Subordinate Bonds and Notes that are subordinate in right of payment to both the Senior Obligations and the Subordinate Obligations may be issued from time to time in the future pursuant to the Master Bond Resolution. Payment of the principal of and interest on the Junior-Subordinate Obligations will be secured by the pledged assets of the Trust Estate subordinate to the rights of payment of the Senior Obligations and the Subordinate Obligations. Such payments of Junior-Subordinate Obligations, if any, may be on a parity with other Junior-Subordinate Obligations, or may be subject to separate preferences or priorities within such class of obligations. Upon issuance of the Series 1995 Bonds and Notes, there will be no Junior-Subordinate Obligations currently issued or outstanding.

The Master Bond Resolution provides for the issuance of "Additional Bonds and Notes" that may be issued from time to time in the future by the Authority upon the satisfaction of certain conditions. See the caption "SECURITY AND SOURCES OF PAYMENT - Issuance of Additional Bonds and Notes" herein. Additional Bonds and Notes could be issued as Senior Obligations (on a parity with the Series 1995A-1 Notes and Series 1995A-2 Notes), as Subordinate Obligations (on a parity with the Series 1995B-1 Bonds and Series 1995B-2 Bonds) or as Junior-Subordinate Obligations. Such Additional Bonds and Notes could be issued as taxable or as tax-exempt obligations of the Authority.

The Series 1995 Bonds and Notes, and the interest thereon, are limited and special revenue obligations of the Authority, secured by and payable solely from revenues, funds and other assets specifically pledged therefor, as more particularly described herein and in the Bond Resolution. The Series 1995 Bonds and Notes, and the interest thereon, do not constitute or create an obligation (general or special), debt, liability or moral obligation of the State or of any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever; and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of, premium if any, or interest on the Series 1995 Bonds and Notes. The Series 1995 Bonds and Notes, and the interest thereon, are not personal obligations of the trustees of the Authority and are not a general obligation of the Authority, which has no taxing power.

While the Series 1995A-1 Notes and Series 1995A-2 Notes are outstanding as Auction Remarketed Notes, they will be subject to, among other things, varying Auction Rates, changes in Auction Periods and mandatory tender for conversion to a Fixed Rate or an Adjustable Rate as determined by the Authority, by Morgan Stanley & Co. Incorporated as the initial "Market Agent" pursuant to the provisions of certain Market Agent Agreements dated as of November 1, 1995 (together, the "Market Agent Agreement") by and between the Series 1995 Trustee and the Market Agent, and by Bankers Trust Company, New York, New York, as the initial "Auction Agent" pursuant to the provisions of certain Auction Agency Agreements dated as of November 1, 1995 (together, the "Auction Agency Agreement") by and between the Series 1995 Trustee and the Auction Agent. In order to conduct the Auctions, the Auction Agent will, subject to approval by the Authority, enter into one or more Broker-Dealer Agreements (the "Broker-Dealer Agreements") with securities Broker-Dealers, including Morgan Stanley & Co. Incorporated (the "Underwriter"), that desire to participate in the Auctions.

The descriptions of the Series 1995 Bonds and Notes and of the documents authorizing and securing the Series 1995 Bonds and Notes contained herein do not purport to be definitive or comprehensive. All references herein to such documents are qualified in their entirety by reference to the Series 1995 Bonds and Notes and such documents. Copies of the documents may be examined at the office of the Master Trustee located at 211 North Robinson Avenue, Suite 1100 North, Oklahoma City, Oklahoma 73102, Attention: Corporate Trust Services; or, at the offices of the Authority located at 4545 North Lincoln Boulevard, Suite 66, Oklahoma City, Oklahoma 73105, Attention: President. During the offering of the Series 1995 Bonds and Notes, copies of such documents may be examined at the principal offices of Morgan Stanley & Co. Incorporated located at 1585 Broadway, 39th Floor, New York, New York 10036, Attention: Public Finance Department.

#### DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES

The Series 1995 Bonds and Notes are available in Book Entry form only. See the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES - Securities Depository" herein. As long as Cede & Co., as nominee of The Depository Trust Company (the "DTC"), New York, New York, is the Registered Owner of the Series 1995 Bonds and Notes, references herein to the Registered Owners of the Series 1995 Bonds and Notes mean Cede & Co. and do not mean the Beneficial Owners (as defined herein) of the Series 1995 Bonds and Notes.

#### General

The Master Bond Resolution and the Series 1995 Supplemental Resolutions will authorize, among other things: (i) the issuance of the Series 1995 Bonds and Notes; (ii) the transfer of fully disbursed Financed Eligible Loans to the Trust Estate; (iii) the creation and administration of various Funds and Accounts, including the Debt Service Reserve Account in its required amount; and (iv) the execution and delivery of the various related documents pertaining to the issuance of the Series 1995 Bonds and Notes.

The Series 1995A-1 Notes and the Series 1995A-2 Notes will be issued only as fully registered notes without coupons in principal amounts of \$100,000 or any integral multiples thereof. The Series 1995B-1 Bonds and the Series 1995B-2 Bonds will be issued only as fully registered bonds without coupons in principal amounts of \$5,000 or any integral multiples thereof. When issued, DTC will act as securities depository (the "Securities Depository") for the Series 1995 Bonds and Notes. The Series 1995 Bonds and Notes will be issued in fully registered form registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of each Series of the Series 1995 Bonds and Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Individual purchases will be made in Book Entry form only and purchasers of beneficial ownership interests (the "Beneficial Owners") will not receive certificates representing their interests in the Series 1995 Bonds and Notes.

The Series 1995A-1 Notes and the Series 1995A-2 Notes are being issued as Senior Obligations pursuant to the terms and provisions of the Master Bond Resolution. The Series 1995B-1 Bonds and the Series 1995B-2 Bonds are being issued as Subordinate Obligations pursuant to the terms and provisions of the Master Bond Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT - Certain Payment Priorities" herein for a discussion regarding the payment priorities for the Series 1995 Bonds and Notes.

#### **Interest Rates on the Series 1995A-1 and Series 1995A-2 Notes**

For the Initial Auction Periods beginning on the Date of Issuance and ending: (i) on December 5, 1995 with respect to the Series 1995A-1 Notes; and (ii) on May 31, 1996 with respect to the Series 1995A-2 Notes, the Series 1995A-1 Notes and the Series 1995A-2 Notes will bear interest at the corresponding interest rates that are shown on the inside cover page hereof. Thereafter, unless changed as described herein, Series 1995A-1 Notes will bear interest for each Auction Period at an Auction Rate based upon a 35-day Auction Period; and the Series 1995A-2 Notes will bear interest for each Auction Period at an Auction Rate based upon a one-year Auction Period, each as determined by the Auction Agent pursuant to the Auction Procedures described in "Appendix G - AUCTION PROCEDURES FOR THE AUCTION REMARKETED NOTES" herein, but in no event greater than 16% per annum.

Each Auction Period will commence on and include the first Business Day following the expiration of the immediately preceding Auction Period and terminate on and include the day immediately preceding the next Auction Date. The Auction Date for the Series 1995A-1 Notes will generally be the fifth Tuesday following the preceding Auction Date, and for the Series 1995A-2 Notes will be the Business Day prior to June 1 of each year, but subject to adjustment as described under the caption "CHANGES IN AUCTION TERMS - Change of Auction Date" in "Appendix G - AUCTION PROCEDURES FOR THE AUCTION REMARKETED NOTES" herein.

Interest on the Series 1995A-1 Notes, until a Conversion Date (if any) or a Period Adjustment Date (if any) will be payable on the Business Day immediately succeeding the Auction Period. Interest on the Series 1995A-2 Notes, until a Conversion Date (if any) or a Period Adjustment Date (if any) will be payable semi-annually on each June 1 and December 1, commencing June 1, 1996 and at maturity. Interest on each Series of the Auction Remarketed Notes will accrue for each Auction Period, and will be payable in arrears on each succeeding Interest Payment Date. Interest Payment Dates may change in the event of a change in the length of one or more Auction Periods. See the caption "CHANGES IN AUCTION TERMS - Change of Any Auction Period or the Standard Auction Period" in "Appendix G - AUCTION PROCEDURES FOR THE AUCTION REMARKETED NOTES" herein.

Interest on the Auction Remarketed Notes will be computed on the basis of a 365- or 366-day year, as appropriate, and the actual days elapsed. Interest payments on the Series 1995A-1 Notes and the Series 1995A-2 Notes are to be made by the Series 1995 Trustee to the persons who are the Registered Owners thereof as of the Business Day immediately preceding each Interest Payment Date for such

Series (the "Record Date"). The Series 1995A-1 Notes and the Series 1995A-2 Notes will be registered initially in the name of Cede & Co., as nominee of DTC, which is acting as the Securities Depository for the Series 1995 Bonds and Notes. See the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES - Securities Depository" herein for a description of how the Securities Depository, as the Registered Owner of the Series 1995 Bonds and Notes, is expected to disburse such payments to the Beneficial Owners.

Payments of defaulted interest will be payable to the person in whose name the Series 1995A-1 Notes and the Series 1995A-2 Notes are registered at the close of business on a special record date (the "Special Record Date") fixed therefor by the Master Trustee, which will not be more than fifteen (15) days nor less than ten (10) days prior to the date of the proposed payment of defaulted interest. The Master Trustee will promptly notify the Authority and the Series 1995 Trustee of the Special Record Date and will cause the Series 1995 Trustee to mail notice to each Registered Owner of the Series 1995A-1 Notes and the Series 1995A-2 Notes as to which defaulted interest is payable, no less than ten (10) days before the Special Record Date, of the date of the proposed payment of such defaulted interest.

The Auction Rate for each Series of the Auction Remarketed Notes for each Auction Period will be determined in accordance with the Auction Procedures described in "Appendix G - AUCTION PROCEDURES FOR THE AUCTION REMARKETED NOTES" herein provided that:

A. If a notice of an adjustment in the percentages used to determine the Maximum Auction Rate and the Overdue Rate has been given by the Market Agent and such adjustment has not taken effect because of a failure to satisfy the condition set forth in paragraph C under the caption "AUCTION PROCEDURES - Adjustment in Percentages Used to Determine Maximum Auction and Overdue Rates" in "Appendix G - AUCTION PROCEDURES FOR THE AUCTION REMARKETED NOTES", then an Auction will not be held on the Auction Date immediately preceding the next succeeding Auction Period and the interest rate on such Series of the Auction Remarketed Notes for such next succeeding Auction Period will be the Maximum Auction Rate calculated on such Auction Date; or

B. If, on any Auction Date, an Auction for any Series of the Auction Remarketed Notes is not held for any reason, the interest rate on such Series of the Auction Remarketed Notes for the next succeeding Auction Period will be the Maximum Auction Rate calculated on such Auction Date; and

C. Notwithstanding the foregoing,

1. If the ownership of any Series of the Auction Remarketed Notes is no longer maintained pursuant to a Book Entry System, no Auction shall be held and the interest rate on such Series of Auction Remarketed Notes for any Auction Period commencing after the delivery of certificates representing such Auction Remarketed Notes will be the Maximum Auction Rate calculated on the Auction Date for such Auction Period, or

2. If a Payment Default has occurred, no Auction shall be held and the interest rate on each Series of the Auction Remarketed Notes for the Auction Period commencing on or immediately after such Payment Default and for each Auction Period thereafter, to and including the Auction Period, if any, during which, or commencing less than two (2) Business Days after, such Payment Default is cured in accordance with the applicable Supplemental Bond Resolution, will be the Overdue Rate calculated on the Auction Date for such Auction Period; or

3. If a proposed conversion or change in Interest Period has failed, as described below under the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES - Mandatory Tender of Auction Remarketed Notes", no Auction shall be held and the interest rate on such Series of the Auction Remarketed Notes subject to the failed conversion will be the Maximum Auction Rate on the failed Conversion Date or Period Adjustment Date, as applicable, for the Auction Period commencing on such date.

The Auction Agent will give written notice promptly to the Master Trustee, the Series 1995 Trustee, each Broker-Dealer and the Authority of the Auction Rate (unless the Auction Rate is the Overdue Rate) for each Series of the Auction Remarketed Notes. The Broker-Dealer will notify the Registered Owners of the Auction Remarketed Notes of the Auction Rate for each Series for the next Auction Period on such Auction Date.

#### **Mandatory Tender of Auction Remarketed Notes**

The Auction Remarketed Notes are subject to mandatory tender to the corresponding Series Authenticating Agent (which initially is the Series 1995 Trustee) for purchase prior to maturity on any Period Adjustment Date or Conversion Date for such Series (a "Mandatory Tender Date") at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to such Mandatory Tender Date.

In connection with any mandatory tender for purchase of any Series of the Auction Remarketed Notes upon a Mandatory Tender Date, the Series 1995 Trustee will include in the notice mailed to Registered Owners of the Auction Remarketed Notes a further notice of mandatory tender for purchase which in substance will state the following: (i) the Period Adjustment Date or the Conversion Date; and (ii) that no Registered Owners of such Auction Remarketed Notes will have the right to retain their Auction Remarketed Notes on and after the Mandatory Tender Date but that all Registered Owners will be required to tender or will be deemed to have tendered their Auction Remarketed Notes for payment on the Mandatory Tender Date, subject to the return of such Auction Remarketed Notes to such Registered Owners in the event of a failed conversion to a Fixed Rate or an Adjustable Rate, as the case may be.

Any Auction Remarketed Notes subject to mandatory tender on such Mandatory Tender Date for which there has been irrevocably deposited with the Series Authenticating Agent amounts sufficient to pay the purchase price of such Auction Remarketed Notes will be deemed to have been tendered, and any undelivered Auction Remarketed Notes will no longer be entitled to the benefits of the Master Bond Resolution or the corresponding Series 1995 Supplemental Resolution, except for the purpose of payment of the purchase price therefor.

No later than the seventh day before any Mandatory Tender Date, the Series 1995 Trustee will notify the Market Agent and the corresponding Series Authenticating Agent, by telephone promptly confirmed in writing, of the principal amount of the Series of the Auction Remarketed Notes Outstanding subject to mandatory tender, and such notice from the Series 1995 Trustee will be treated as a Notice and Demand for all purposes of the corresponding Series 1995 Supplemental Resolution, whether or not the Auction Remarketed Notes referred to therein are delivered to the corresponding Series Authenticating Agent on such Mandatory Tender Date; provided that payment of the purchase price of such Auction Remarketed Notes will be made on or after such Mandatory Tender Date only upon delivery and surrender thereof to the corresponding Series Authenticating Agent.

#### **Interest Rates on the Series 1995B-1 and Series 1995B-2 Bonds**

The Series 1995B-1 Bonds and the Series 1995B-2 Bonds will bear interest at the corresponding rates shown on the inside cover page hereof. Interest payable on the Series 1995B-1 Bonds and the Series 1995B-2 Bonds will be computed on the assumption that each year contains 360 days and is composed of twelve 30-day months.

Interest payments on the Series 1995B-1 Bonds and the Series 1995B-2 Bonds are to be made by the Series 1995 Trustee to the persons who are the Registered Owners thereof as of the fifteenth day of the month preceding each Interest Payment Date for such Series (the "Record Date"). The Series 1995B-1 Bonds and the Series 1995B-2 Bonds will be registered initially in the name of Cede & Co., as nominee of DTC, which is acting as the Securities Depository for the Series 1995 Bonds and Notes. See the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES - Securities Depository" herein for a description of how the Securities

Depository, as the Registered Owner of the Series 1995 Bonds and Notes, is expected to disburse such payments to the Beneficial Owners.

Payments of defaulted interest will be payable to the person in whose name the Series 1995B-1 Bonds and the Series 1995B-2 Bonds are registered at the close of business on a special record date (the "Special Record Date") fixed therefor by the Master Trustee, which will not be more than fifteen (15) days nor less than ten (10) days prior to the date of the proposed payment of defaulted interest. The Master Trustee will promptly notify the Authority and the Series 1995 Trustee of the Special Record Date and will cause the Series 1995 Trustee to mail notice to each Registered Owner of the Series 1995 Bonds and Notes as to which defaulted interest is payable, no less than ten (10) days before the Special Record Date, of the date of the proposed payment of such defaulted interest.

#### **Redemption Provisions**

The Series 1995 Bonds and Notes are subject to redemption by or on behalf of the Authority upon notice as described under the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES - Notice of Redemption" herein. If less than all Series 1995 Bonds and Notes that are Outstanding are to be redeemed, the particular bonds to be redeemed will be selected (and redeemed only in Authorized Denominations or any integral multiple thereof) as described under the caption "DESCRIPTIONS OF THE SERIES 1995 BONDS AND NOTES - Partial Redemption" herein.

*Optional Redemption.* The Series 1995 Bonds and Notes (i) bearing interest at an Auction Rate or an Adjustable Rate are subject to redemption at the option of the Authority and upon Authority Order from any source of funds in whole or in part on any date at a redemption price equal to the principal amount thereof being redeemed, plus accrued interest to the date set for redemption, and (ii) bearing interest at Fixed Rates are not subject to optional redemption.

*Mandatory Redemption.* The Series 1995 Bonds and Notes are subject to mandatory redemption by the Authority, in whole or in part, on any date at a redemption price equal to the principal amount thereof being redeemed, plus accrued interest to the date set for redemption, in Authorized Denominations, from moneys on deposit in the corresponding Series Principal Subaccounts of the Tax-Exempt Repayment Account of the Student Loan sinking Fund or in the Series 1995 Loan Subaccount of the Tax-Exempt Acquisition Account of the Student Loan Fund (i) which are not derived from the voluntary sale or disposition of Eligible Loans and which the Authority determines (as indicated in an Authority Order given to the Master Trustee at least forty-five (45) days before the redemption date) are not available or are not expected to be used to acquire Eligible Loans, (ii) which represent moneys deposited therein on the Date of Issuance of the Series 1995 Bonds and Notes which have not been used to acquire Eligible Loans by August 1, 1996 or such later date acceptable to the Rating Agencies; provided that the Authority and the Master Trustee receive written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such extension of the acquisition period, (iii) which represent Recoveries of Principal from Eligible Loans acquired directly or indirectly with the proceeds of the Series 1995 Bonds and Notes, which Recoveries of Principal are received after November 1, 1998 or such later date acceptable to the Rating Agencies; provided that the Authority and the Master Trustee receive written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such extension of the acquisition period, or (iv) if the Authority shall suffer unreasonable burdens or excessive liabilities in connection with the operation of its Program or the redemption of the Series 1995 Bonds and Notes shall be required or necessary under applicable law or regulations of the Secretary to enable the Authority to continue to receive various federal benefits, all as evidenced by a certificate of the Authority addressed to the Master Trustee; provided, however, that (a) the Series 1995B-1 Bonds shall be redeemed prior to the redemption of Series 1995B-2 Bonds and (b) Subordinate Bonds and Notes may not be redeemed unless after such redemption

the Aggregate Market Value of the Trust Estate will equal at least 110.5% of the aggregate principal amount of all Senior Bonds and Notes Outstanding.

*Other Purchases and Mandatory Redemptions.* If converted to an Adjustable Rate, each Series of the Series 1995 Bonds and Notes bearing interest at an Adjustable Rate also will be subject to demand for purchase by Registered Owners thereof and to mandatory redemption by the Authority prior to maturity on the occurrence of certain events and at a termination date for the corresponding letter of credit. See "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

*Purchase of Bonds and Notes; Tenders.* If at any time moneys are held in any Fund or Account under the Master Bond Resolution or an applicable Supplemental Bond Resolution to be used to redeem Series 1995 Bonds or Notes, in lieu of such redemption the Authority may direct the Series 1995 Trustee to use part or all of such moneys to purchase Series 1995 Bonds or Notes of the respective Series, interest rates and maturities that would otherwise be subject to redemption from such moneys. The purchase price of such Series 1995 Bonds or Notes shall not exceed the applicable Redemption Price of the Series 1995 Bonds or Notes which would be redeemed but for such purchase (accrued interest to be paid from the same Fund or Account from which accrued interest would be paid upon the redemption of such Series 1995 Bonds and Notes). Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the related Series 1995 Bonds or Notes. All Series 1995 Bonds or Notes so purchased shall be cancelled by the Series 1995 Trustee and applied as a credit against the Authority's obligation to redeem such Series 1995 Bonds or Notes from such moneys. Savings resulting from the purchase of Series 1995 Bonds and Notes at less than their respective redemption prices may be (i) used to purchase or redeem additional Bonds and Notes to the extent permitted by the provisions of the corresponding Supplemental Bond Resolutions or (ii), at the request of the Authority, transferred to the Tax-Exempt Repayment Account of the Student Loan Sinking Fund.

The Authority may direct the Series 1995 Trustee, on behalf of the Authority, to request the submission of tenders following notice requesting such submission prior to making the purchases authorized pursuant to the preceding paragraph. The Authority may specify the maximum and minimum periods of time which shall transpire between the date upon which such notice is to be given and the date upon which such tenders are to be accepted. No tenders shall be considered or accepted at any price exceeding the price specified in the preceding paragraph for the purchase of Series 1995 Bonds or Notes. The Authority shall accept bids with the lowest price and in the event the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and if there shall be tenders at an equal price above the amount of moneys available for purchase, then the Authority shall select randomly, or in such manner as it shall determine in its discretion, the Series 1995 Bonds or Notes tendered which shall be purchased.

#### **Partial Redemption**

If less than all of the Series 1995 Bonds or Notes of like maturity of any Series are to be redeemed, the particular Series 1995 Bonds or Notes or portions of Series 1995 Bonds or Notes to be redeemed shall be selected, not more than 15 days prior to the date of notice of redemption, by the Series 1995 Trustee in the manner required by the applicable Supplemental Bond Resolution or, if not so required, at random in such manner as the Series 1995 Trustee in its discretion may deem fair and appropriate. The Series 1995 Trustee shall treat each Series 1995 Bond and Note to be redeemed as representing that number of Series 1995 Bonds and Notes of the lowest Authorized Denomination as is obtained by dividing the principal amount of such Series 1995 Bond or Note by such Authorized Denomination.

In case part but not all of an Outstanding Series 1995 Bond or Note shall be selected for redemption, upon presentation and surrender of such Series 1995 Bond or Note by the Registered Owner thereof or his attorney duly authorized in writing (with, if the Authority or the Series 1995 Trustee so requires, due

endorsement by, or a written instrument of transfer in form satisfactory to the Authority and the Series 1995 Trustee duly executed by, the Registered Owner thereof or his attorney duly authorized in writing) to the Series 1995 Trustee, the Authority shall execute and the Series 1995 Trustee shall authenticate and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed portion of the principal amount of the Series 1995 Bond or Note so surrendered, a Series 1995 Bond or Note or Series 1995 Bonds or Notes, at the option of such Registered Owner or such attorney, of any Authorized Denomination of like tenor.

#### Notice of Redemption

When any Series 1995 Bonds or Notes are to be redeemed, the Series 1995 Trustee shall give notice of the redemption of the Bonds and Notes in the name of the Authority specifying (i) the Series of the Series 1995 Bonds or Notes to be redeemed; (ii) the redemption date; (iii) the Redemption Price; (iv) the numbers, CUSIP numbers and other distinguishing marks of the Series 1995 Bonds or Notes to be redeemed (except in the event that all of the Outstanding Series 1995 Bonds or Notes of any Series are to be redeemed); (v) the place or places where amounts due upon such redemption will be payable; and (vi) in the case of Series 1995 Bonds or Notes to be redeemed in part only, the respective portions of the principal thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 1995 Bond and Note to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue. Such notice shall be given by mailing a copy of such notice, postage prepaid, not less than fifteen (15) days nor more than sixty (60) days before the redemption date to the Registered Owners of any Series 1995 Bonds or Notes or portions of Series 1995 Bonds or Notes which are to be redeemed at their last addresses appearing upon the registration books, but failure to so mail any such notice to any of such Registered Owners shall not affect the validity of the proceedings for the redemption of other Series 1995 Bonds and Notes. In addition, the Series 1995 Trustee will send (no more than sixty (60) days after the date for redemption) a further notice of redemption to each Registered Owner who has not presented his or her Series 1995 Bond or Note for redemption within thirty (30) days subsequent to the redemption date. Each such notice will be sent by first-class mail, postage prepaid. The obligation of the Series 1995 Trustee to give the notice of redemption is not conditioned upon the prior payment to the Series 1995 Trustee of moneys or Investment Securities sufficient to pay the Redemption Price of the Series 1995 Bonds or Notes to which such notice relates or the interest thereon to the redemption date. Any notice of redemption may, if directed by the Authority, be given specifying that the redemption of the Series 1995 Bonds or Notes so called for redemption is made conditional upon the deposit of sufficient amounts to pay the redemption price therefor on the Redemption Date and, if amounts are not so available, such notice of redemption shall be cancelled and be null and void and the Series 1995 Bonds and Notes so called for redemption and subject to such conditional redemption notice shall continue to remain outstanding.

Notice of redemption having been given as described above, the Series 1995 Bonds or Notes or portions thereof so to be redeemed shall, on the date fixed for redemption, become due and payable at the Redemption Price specified therein plus accrued interest to the redemption date, and upon presentation and surrender thereof at the place specified in such notice, such Series 1995 Bonds or Notes or portions thereof shall be paid at the Redemption Price, plus accrued interest to the redemption date. On and after the redemption date (unless the Authority shall default in the payment of the Redemption Price and accrued interest), such Series 1995 Bonds and Notes shall cease to bear interest, and such Bonds and Notes shall no longer be considered as outstanding under the Master Bond Resolution. If moneys sufficient to pay the Redemption Price and accrued interest have not been made available by the Authority to the Series 1995 Trustee on the redemption date, such Series 1995 Bonds and Notes shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

No assurance can be given by the Authority, the Master Trustee or the Series 1995 Trustee that DTC will distribute to the Participants, or the Participants will distribute to the Beneficial Owners: (i) payments of principal and interest on the Series 1995 Bonds and Notes paid to DTC (or its nominee), as the Registered Owner; or (ii) any redemption or other notices; or (iii) that DTC or the Participants will serve and act on a timely basis or in the manner described herein.

#### **Transfer and Exchange**

Notwithstanding the following, for so long as the Series 1995 Bonds and Notes are available only in the Book Entry System of DTC as the Securities Depository, transfers and exchanges of the Series 1995 Bonds and Notes by the Beneficial Owners thereof shall occur as described under the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES - Securities Depository" herein.

Each Series 1995 Bond and Note shall be transferable only upon the books of the Authority, which shall be kept for such purpose at the corporate trust office of each Series Registrar, presently the Series 1995 Trustee, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the corresponding Series Registrar duly executed by the Registered Owner or his duly authorized attorney. Upon surrender for transfer of any such Bond or Note, the Authority shall execute and the applicable Series Registrar, if any, or the Series 1995 Trustee shall authenticate and deliver, in the name of the transferee, one or more new fully registered Series 1995 Bonds and Notes of the same aggregate principal amount, same Series, maturity and rate of interest as the surrendered Series 1995 Bond and Note.

The Authority, the corresponding Series Registrar, if any, and the Series 1995 Trustee will deem and treat the person in whose name any Outstanding Series 1995 Bond or Note shall be registered upon the books of the Authority as the absolute owner thereof, whether such Bond or Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of and interest on such Bond or Note and for all other purposes, and payment of the principal, Redemption Price and interest shall be made only to, or upon the order of, such Registered Owner. All such payments to such Registered Owner shall be valid and effectual to satisfy and discharge the liability upon such Bond or Note to the extent of the sum or sums so paid, and none of the Authority, any Series Registrar, if any, or the Series 1995 Trustee shall be affected by any notice to the contrary.

For every such exchange or transfer of Series 1995 Bonds or Notes, whether temporary or definitive, the Authority, the corresponding Series Registrar, if any, or the series 1995 Trustee may make a charge sufficient to reimburse it or them for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Registered Owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Neither the corresponding Series Registrar, if any, or the Series 1995 Trustee shall be obligated to (i) issue, exchange or transfer any Series 1995 Bond or Note of any Series after the Record Date next preceding a Bond Payment Date of the Series 1995 Bonds or Note of such Series, (ii) issue, exchange or transfer any Series 1995 Bond or Note during a period beginning at the opening of business fifteen (15) days next preceding any selection of Series 1995 Bonds or Notes to be redeemed and ending at the close of business on the date of the first mailing of notice of such redemption or (iii) transfer or exchange any Series 1995 Bonds or Notes called or being called for redemption in whole or in part.

#### **Mutilated, Destroyed, Lost and Stolen Series 1995 Bonds and Notes**

If (i) any mutilated Series 1995 Bond or Note is surrendered to the Series 1995 Trustee, or the Series 1995 Trustee and the Authority receive evidence to their satisfaction of the destruction, loss or theft of any Series 1995 Bond or Note, and (ii) there is delivered to the Series 1995 Trustee and the Authority such security or indemnity as may be required by them to save each of them

harmless, then the Authority shall execute, and, upon Authority Request the applicable Series Registrar, if any, or the Series 1995 Trustee shall authenticate and deliver, in exchange for any such mutilated Series 1995 Bond or Note, or in lieu of any such destroyed, lost or stolen Series 1995 Bond or Note, a new Series 1995 Bond or Note of like Series, tenor and principal amount, bearing a number not contemporaneously outstanding. The Series 1995 Trustee shall thereupon cancel any such mutilated Series 1995 Bond or Note so surrendered. In case any such mutilated, destroyed, lost or stolen Series 1995 Bond or Note has become or is about to become due and payable, the Authority in its discretion may, instead of issuing a new Series 1995 Bond or Note, pay such Series 1995 Bond or Note.

Upon the issuance of any new Series 1995 Bond or Note, the Authority may require the payment by the Registered Owner thereof of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Authority, the corresponding Series Registrar, if any, or the Series 1995 Trustee, connected therewith.

### **Securities Depository**

DTC will act as Securities Depository for the Series 1995 Bonds and Notes. The Series 1995 Bonds and Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Series 1995 Bonds and Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 1995 Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1995 Bonds and Notes on DTC's records. The ownership interest of each actual purchaser of each Series 1995 Bond or Note (the "Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 1995 Bonds and Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 1995 Bonds and Notes, except in the event that use of the Book Entry system for the Series 1995 Bonds and Notes is discontinued.

To facilitate subsequent transfers, all Series 1995 Bonds and Notes deposited by Participants with DTC are registered in the name of DTC's partnership

nominee, Cede & Co. The deposit of Series 1995 Bonds and Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1995 Bonds and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 1995 Bonds and Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 1995 Bonds and Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 1995 Bonds and Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1995 Bonds and Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 1995 Bonds and Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable dates. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Series 1995 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Series 1995 Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 1995 Bonds and Notes 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 1995 Bond or Note certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of Book Entry transfers through DTC (or a successor securities depository). In that event, Series 1995 Bond or Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book Entry system has been obtained from DTC (Sample Official Statement Language Describing Book-Entry-Only Issuance, P-1319A 11/91) and from other sources which the Authority believes to be reliable, but the Authority, Bond Counsel, the Underwriter and its counsel, the Master Trustee and the Series 1995 Trustee take no responsibility for the accuracy thereof.

THE AUTHORITY, BOND COUNSEL, THE MASTER TRUSTEE, THE SERIES 1995 TRUSTEE AND THE UNDERWRITER (AND ITS COUNSEL) CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 1995 BONDS AND NOTES: (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 1995 BONDS AND NOTES; (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 1995 BONDS AND NOTES; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 1995 BONDS AND NOTES, OR THAT

THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR ITS PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE MASTER TRUSTEE, THE SERIES 1995 TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS (DIRECT OR INDIRECT) OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO: (i) THE SERIES 1995 BONDS AND NOTES; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 1995 BONDS AND NOTES; (iv) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO REGISTERED OWNERS; (v) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 1995 BONDS AND NOTES; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

In reading this Official Statement, it should be understood that while the Series 1995 Bonds and Notes are in the Book Entry system, references in other sections of this Official Statement to Registered Owner should be read to include the Beneficial Owners of the Series 1995 Bonds and Notes, but: (i) all rights of ownership must be exercised through DTC and the Book Entry system; and (ii) notices that are to be given to Registered Owners by the Authority, the Master Trustee or the Series 1995 Trustee will be given only to DTC.

#### SECURITY AND SOURCES OF PAYMENT

##### Trust Estate

The Master Bond Resolution provides that all Bonds and Notes issued thereunder, including the Series 1995 Bonds and Notes, and the principal of and interest thereon, as well as any Swap Agreement and any Trust Estate Collateral Investment Agreement are limited and special revenue obligations of the Authority secured by and payable solely from revenues, funds and other assets specifically pledged therefor (collectively, the "Trust Estate"), including among other things, all rights, title, interest and privileges of the Authority with respect to:

- A. The Revenues (other than Revenues deposited in the Rebate Fund) and Recoveries of Principal in and payable into the Funds and Accounts created by the Master Bond Resolution;
- B. All moneys and Investment Securities held in the Funds and Accounts created by the Master Bond Resolution;
- C. The Financed Eligible Loans and any other student loans financed by the Authority by the expenditure of amounts pledged to secure the Bonds and Notes under the Master Bond Resolution (including the education loan promissory notes evidencing such indebtedness and related loan documentation);
- D. The rights of the Authority in and to the Authority Guarantee Agreements, the Custodian Agreement, any Servicing Agreement (as defined herein), and any Student Loan Purchase Agreement (as defined herein) as such documents relate to Financed Eligible Loans;
- E. The rights of the Authority in and to any Swap Agreement, or any Trust Estate Collateral Investment Agreement, (each as defined herein), provided that such interest will not be for the benefit of any counterparty with respect to any such agreements; and

- F. Any and all other property, rights and interests of every kind granted, transferred or delivered from time to time to the Master Trustee or any Series Trustee as additional security, whether now existing or hereafter coming into existence and whether now or hereafter acquired.

The Series 1995 Bonds and Notes, and the interest thereon, do not constitute or create an obligation (general or special), debt, liability or moral obligation of the State or of any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever; and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of, premium if any, or interest on the Series 1995 Bonds and Notes. The Series 1995 Bonds and Notes, and the interest thereon, are not personal obligations of the trustees of the Authority and are not a general obligation of the Authority, which has no taxing power.

The Master Bond Resolution provides that the Authority may enter (or instruct the Master Trustee to enter) into the following transactions.

A. One or more written contracts (each a "Swap Agreement") with third parties (each a "Swap Counterparty") rated at least "Aa2/P-1" by Moody's Investors Service, Inc. ("Moody's") pursuant to which the Authority is obligated to pay (whether on a net payment basis or otherwise) certain payments (the "Authority Swap Payments") on one or more scheduled dates in exchange for the Swap Counterparty's obligation to pay certain payments to the Authority on one or more scheduled payment dates. See the captions "SWAP AGREEMENTS" and "REVENUES AND FUNDS - Student Loan Sinking Fund" in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

No voluntary termination payment required to be made by the Authority under a Swap Agreement may be paid from moneys in the Trust Estate unless the Master Trustee shall have received written confirmation from each Rating Agency (as defined herein) that its then applicable ratings on the Bonds and Notes will not be lowered or withdrawn due to such payment.

B. One or more written agreements (each a "Trust Estate Collateral Investment Agreement") with an entity, which may be an affiliate of the Authority, (each a "Trust Estate Collateral Investment Counterparty") which will permit the Trust Estate Collateral Investment Counterparty on any date to demand that the Master Trustee transfer an amount limited by the terms of the Trust Estate Collateral Investment Agreement, to the Trust Estate Collateral Investment Counterparty from any moneys or investments contained in the Trust Estate on a senior priority basis as provided in the Master Bond Resolution. See the captions "TRUST ESTATE COLLATERAL INVESTMENT AGREEMENTS", "REVENUES AND FUNDS - Student Loan Fund", and "REVENUES AND FUNDS - Student Loan Sinking Fund" in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

The Master Trustee is not permitted to enter into any Trust Estate Collateral Agreement unless it receives written confirmation from each Rating Agency (as defined herein) that its then applicable ratings on the Bonds and Notes will not be lowered or withdrawn because of the execution of such Trust Estate Collateral Investment Agreement and the Master Trustee receives a Favorable Opinion (as defined herein).

Each Trust Estate Collateral Investment Agreement shall provide the mechanism for collateralizing the moneys or investment transferred thereunder, provide the repayment terms and provide the circumstances under which the Trust Estate Collateral Investment Counterparty may demand that the Master Trustee transfer such moneys and investment to the Trust Estate Collateral Investment Counterparty.

#### **Certain Payment Priorities**

The Master Bond Resolution establishes three priority levels of Obligations that can be issued: (i) Senior Obligations; (ii) Subordinate Obligations; and

(iii) Junior-Subordinate Obligations; (collectively, the "Obligations") with varying priorities in rights to payment.

A. *Senior Obligations.* Senior Obligations are payable on a superior basis to payments on any Subordinate Obligations (as defined below) and Junior-Subordinate Obligations (as defined below), provided, however, that current principal and interest may be paid on the Subordinate Obligations and Junior-Subordinate Obligations if all principal and interest payments due and owing on the Senior Obligations have been previously made or provided for as set forth in the Master Bond Resolution. Senior Obligations collectively include the following three types of obligations.

1. The payment of principal of, premium if any, and interest on Senior Bonds and Notes.

2. Any Authority Swap Payments secured on a parity with the Senior Bonds and Notes.

3. Any payments to be made to a Trust Estate Collateral Investment Counterparty pursuant to its Trust Estate Collateral Investment Agreement.

Upon issuance, the Series 1995A-1 Notes and Series 1995A-2 Notes will constitute the only Senior Obligations currently issued and outstanding under the Bond Resolution.

B. *Subordinate Obligations.* Subordinate Obligations are payable on a superior basis to payments on any Junior-Subordinate Obligations, provided however, that current principal and interest may be paid on the Junior-Subordinate Obligations if all principal and interest payments due and owing on the Senior Obligations and the Subordinate Obligations have been previously made or provided for as set forth in the Master Bond Resolution. Subordinate Obligations collectively include the following two types of obligations.

1. The payment of principal of, premium if any, and interest on Subordinate Bonds and Notes.

2. Any Authority Swap Payments secured on a parity with the Subordinate Bonds and Notes.

Upon issuance, the Series 1995B-1 Bonds and Series 1995B-2 Bonds will constitute the only Subordinate Obligations currently issued and outstanding under the Bond Resolution.

C. *Junior-Subordinate Obligations.* Junior-Subordinate Obligations may have varying priorities of payment within such category, as determined pursuant to a Supplemental Bond Resolution. Collectively, Junior-Subordinate Obligations include the following two types of obligations.

1. The payment of principal of, premium if any, and interest on Junior-Subordinate Bonds and Notes; and

2. Any Authority Swap Payments secured on a parity with the Junior-Subordinate Bonds and Notes.

Upon issuance of the Series 1995 Bonds and Notes, there will be no Junior-Subordinate Obligations currently issued or outstanding.

#### **Flow of Funds**

Generally, Revenues and Recoveries of Principal deposited to the Tax-Exempt Repayment Account and the Taxable Repayment Account of the Student Loan Sinking Fund are used in the following order of priority:

A. To pay any rebate or excess interest payments required by the Internal Revenue Code of 1986, as amended (the "Code");

- B. To pay any Servicing Fees which are due and payable;
- C. To pay any other Program Expenses which are due and payable;
- D. To pay interest on any Senior Bonds and Notes and to pay any Authority Swap Payments secured on a parity with Senior Bonds and Notes;
- E. To pay the principal on any Senior Bonds and Notes;
- F. To pay interest on any Subordinate Bonds and Notes and to pay any Authority Swap Payments secured on a parity with Subordinate Bonds and Notes;
- G. To pay the principal on any Subordinate Bonds and Notes;
- H. To pay any Administrative Expenses which are due and payable;
- I. To pay interest on any Junior-Subordinate Bonds and Notes and to pay any Authority Swap Payments secured on a parity with Junior-Subordinate Bonds and Notes;
- J. To pay the principal on any Junior-Subordinate Bonds and Notes;
- K. To fund any deficiency in the Debt Service Reserve Account;
- L. Upon an order of the Authority, transferred to the respective Accounts in the Student Loan Fund to finance additional Eligible Loans; and
- M. Upon satisfying certain collateral ratios described under the caption "SECURITY AND SOURCES OF PAYMENT - Releases to the Authority" herein, transferred to the Authority free and clear of lien of the Master Bond Resolution and any Supplemental Bond Resolution.

Prior to the payment of any Subordinate Obligations and/or any Junior-Subordinate Obligations, the Master Trustee is required to set aside an amount sufficient to pay any due and payable principal on any Senior Bonds and Notes, if any, and an amount sufficient to pay the interest accrued to such payment date on all Senior Bonds and Notes and any Authority Swap Payments secured on a parity with the Senior Bonds and Notes and transfers to any Trust Estate Collateral Investment Counterparty pursuant to the Master Bond Resolution.

In addition, prior to the payment of any Junior-Subordinate Obligations, the Master Trustee is required to set aside an amount sufficient to pay any due and payable principal on any Subordinate Bonds and Notes, if any, and an amount sufficient to pay the interest accrued to such payment date on all Subordinate Bonds and Notes and any Authority Swap payments secured on a parity with the Subordinate Bonds and Notes.

For a more detailed description of the flow of funds under the Master Bond Resolution, see the captions "REVENUES AND FUNDS - Student Loan Fund, - Student Loan Sinking Fund and - Debt Service Reserve Account" in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

Notwithstanding the foregoing, moneys or investments in the Tax-Exempt Repayment Account or the Taxable Repayment Account of the Student Loan Sinking Fund or in the Tax-Exempt Loan Account or the Taxable Loan Account of the Student Loan Fund, or any Subaccounts therein, may be transferred on any date to a Trust Estate Collateral Investment Counterparty pursuant to the Master Bond Resolution. See the captions "TRUST ESTATE COLLATERAL INVESTMENT AGREEMENTS", "REVENUES AND FUNDS - Student Loan Fund" and "REVENUE AND FUNDS - Student Loan Sinking Fund" in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

## Debt Service Reserve Account

The Master Bond Resolution establishes a Debt Service Reserve Account within the Student Loan Sinking Fund for the benefit of the Registered Owners of the Obligations, including the Series 1995 Bonds and Notes. Pursuant to the Master Bond Resolution, the Authority is required to maintain the Debt Service Reserve Account at an amount equal to the Debt Service Reserve Account Requirement, which is equal to the sum of the Series Debt Service Reserve Requirements for each Series of the Bonds and Notes issued pursuant to the Master Bond Resolution and the corresponding Supplemental Bond Resolutions.

The Debt Service Reserve Account Requirement for the Series 1995 Bonds and Notes is an amount equal to 2% of the principal amount of the Series 1995 Bonds and Notes outstanding under the Master Bond Resolution. The Series Debt Service Reserve Requirement for the Series 1995 Bonds and Notes will be funded from proceeds of the Series 1995 Bonds and Notes upon the issuance of the Series 1995 Bonds and Notes.

Upon issuance of the Series 1995 Bonds and Notes, the Authority expects to enter into a flexible repurchase investment agreement with respect to amounts in the Series 1995 Debt Service Reserve Account. The repurchase investment agreement will be for a term equal to the final maturity of the Series 1995 Bonds and Notes and will be collateralized by U.S. Treasury securities or certain government agency securities. The provider must be a bank, bank holding company, corporation or other financial institution whose outstanding unsecured long-term debt is rated "Aa2" or higher by Moody's, and if commercial paper is outstanding, whose commercial paper is rated "P-1" by Moody's, or by an insurance company whose claims paying ability is so rated.

To the extent there are insufficient moneys in either the Tax-Exempt Repayment Account or the Taxable Repayment Account of the Student Loan Sinking Fund to make the transfers described in paragraphs A. through J., inclusive, under the caption "SECURITY AND SOURCES OF PAYMENT - Certain Payment Priorities" herein, then, after any required transfer from the Student Loan Fund, the amount of such deficiency will be paid directly from the Debt Service Reserve Account. If the Debt Service Reserve Account is used for the purposes described in the preceding sentence, the Master Trustee will restore the Debt Service Reserve Account to the Debt Service Reserve Account Requirement by transfers from the Tax-Exempt Repayment Account or the Taxable Repayment Account of the Student Loan Sinking Fund. If, on any date, the amount in the Debt Service Reserve Account exceeds the Debt Service Reserve Account Requirement for any reason, the Master Trustee, at the direction of the Authority, will transfer the excess to the corresponding Repayment Account of the Student Loan Sinking Fund.

The Debt Service Reserve Account secures all Obligations issued under the Master Bond Resolution. Consequently, the establishment of a Series Debt Service Reserve Account Requirement with respect to Additional Bonds or Notes at a level less than 2% of the outstanding principal amount of such Additional Bonds or Notes will dilute the security of the Debt Service Reserve Account with respect to the Series 1995 Bonds and Notes. However, Additional Bonds and Notes may only be issued upon receipt by the Authority and the Master Trustee of written confirmation from each Rating Agency that its then-applicable Ratings on the Series 1995 Bonds and Notes will not be lowered or withdrawn due to the issuance of such Additional Bonds and Notes. See the caption "REVENUES AND FUNDS - Debt Service Reserve Account" in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

## Issuance of Additional Bonds and Notes

The Master Bond Resolution provides that the Authority may issue Additional Bonds and Notes upon satisfying certain conditions, including the receipt by the Authority and the Master Trustee of written confirmation from each Rating Agency that its then-applicable Ratings on the Outstanding Bonds and Notes will not be lowered or withdrawn due to the issuance of such Additional Bonds or Notes. See the caption "GENERAL TERMS OF THE BONDS AND NOTES - Provisions for the Issuance of Bonds and Notes" in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND

PROVISIONS OF THE BOND RESOLUTION" herein. Such Additional Bonds or Notes may be issued as Senior Bonds and Notes, Subordinate Bonds and Notes and/or Junior-Subordinate Bonds and Notes, as determined by the Authority in the applicable Supplemental Bond Resolutions issuing such Additional Bonds or Notes. See the caption "SECURITY AND SOURCES OF PAYMENT - Certain Payment Priorities" herein.

**Releases to the Authority**

The Master Bond Resolution permits the Authority to instruct the Master Trustee to transfer certain excess assets of the Trust Estate to the Authority free and clear of the lien of the Master Bond Resolution and any Supplemental Bond Resolution; provided that no such transfer of assets to the Authority shall be made if there is not on deposit in the Debt Service Reserve Account an amount equal to at least the Debt Service Reserve Account Requirement, and unless the Master Trustee has received: (i) a Cash Flow Certificate; (ii) an Authority certificate to the effect that all rebate liability as calculated pursuant to the Tax Regulatory Agreements and Investment Instructions through the date of such transfer has been paid or deposited in the Rebate Fund; and (iii) no transfer shall be made to the Authority unless immediately after taking into account any such transfer, the Aggregate Market Value of the assets in the Trust Estate will be equal to at least, (a) 110.5% of the unpaid principal amount of the Senior Bonds and Notes Outstanding and any Trust Estate Collateral Investment Amount, (b) 103% of the unpaid principal amount of the Senior Bonds and Notes and Subordinate Bonds and Notes Outstanding and any Trust Estate Collateral Investment Amount, and (c) 100% of the unpaid principal amount of the Bonds and Notes Outstanding and any Trust Estate Collateral Investment Amount.

**ESTIMATED SOURCES AND USES OF FUNDS**

The Authority expects to apply the proceeds from the sale of the Series 1995 Bonds and Notes and other moneys as shown on the following table:

Sources

Bond Proceeds	\$34,580,000*
Transfer from the Refunded Note Trust Estate	<u>2,000,000</u>
Total	<u>\$36,580,000</u>

Uses

Deposit to Series 1995 Student Loan Subaccount	\$
Deposit to Refunding Escrow Account	2,000,000
Deposit to Tax-Exempt Repayment Account	
Deposit to Tax-Exempt Debt Service Reserve Subaccount	691,600
Costs of Issuance	95,000
Underwriting Fees and Expenses	
Total	<u>\$36,580,000</u>

\*Preliminary, subject to change.

Accrued interest received upon the sale and delivery of the Series 1995B-1 Bonds and Series 1995B-2 Bonds will be deposited in the Tax-Exempt Repayment Account of the Student Loan Sinking Fund.

**INVESTMENT CONSIDERATIONS**

Prospective purchasers and Beneficial Owners of the Series 1995 Bonds and Notes should consider the following factors which, among other things, could affect the ability of the assets pledged to the Trust Estate for the Series 1995 Bonds and Notes to provide payment of debt service on the Series 1995 Bonds and Notes. In addition, other factors could affect the ability of the Authority to administer the Trust Estate for the Series 1995 Bonds and Notes and service the Eligible Loans in the Trust Estate, and which could affect the marketability or market price of the Series 1995 Bonds and Notes to an extent that can not be

predicted. This section of the Official Statement does not include all such factors, but is merely an attempt to summarize some of these considerations.

#### **Factors Affecting Cash Flow Sufficiency**

The cash flow projections prepared in conjunction with the issuance of the Series 1995 Bonds and Notes (see "Appendix E - CASH FLOW ASSUMPTIONS" herein) utilize assumptions, which the Authority believes are reasonable, regarding the current and future composition of and yield on the Authority's student loan portfolio to be held in the Trust Estate for the Series 1995 Bonds and Notes, the rate of return on moneys to be invested in various Funds and Accounts under the Series 1995 Supplemental Resolutions, and the occurrence of future events and conditions. Such assumptions are derived from the Authority's experience in the administration of its FFEL Program. However, there can be no assurance that actual Revenues and Recoveries of Principal from the Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes will be received as anticipated, that the composition of the Financed Eligible Loan portfolio will be as assumed, that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized, that Interest Benefit Payments and Special Allowance Payments from the USDE will be received in the amounts and at the times anticipated or that actual expenditures related to the Trust Estate or Financing of Eligible Loans will occur as projected. Consequently, actual results should be expected to vary from projected results and such variation may be material. Furthermore, future events over which the Authority has no control may adversely affect the Authority.

Receipt of Revenues and Recoveries of Principal on the Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes may be accelerated due to various factors, including without limitation: (i) default claims or claims due to the disability, death or bankruptcy of the borrowers; (ii) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Authority's student loan portfolio; (iii) the commencement of principal repayment by borrowers on earlier dates than are assumed based upon the current analysis of the Authority's student loan portfolio; and (iv) economic conditions that induce borrowers to refinance or repay their loans prior to maturity, including possible consolidation by the USDE's William D. Ford Federal Direct Loan Program competing with the Authority's FFEL Program. Acceleration of receipt of Revenues and Recoveries of Principal on Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes may adversely affect payment of principal of and interest on the Series 1995 Bonds and Notes when due, including if such timing results in failure to recover from payments on the Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes an amount equal to that portion of the proceeds of the Series 1995 Bonds and Notes used to pay any premium and transfer fee upon the acquisition of Eligible Loans or results in an early redemption of the Series 1995 Bonds and Notes.

Receipt of Revenues and Recoveries of Principal on the Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes may be delayed due to various factors including without limitation: (i) borrowers entering deferment periods due to a return to school or other eligible conditions; (ii) forbearance being granted to borrowers; (iii) loans becoming delinquent for periods longer than assumed; (iv) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Authority's student loan portfolio; and (v) the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the Authority's student loan portfolio. Such delay in the receipt of Revenues and Recoveries of Principal on Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes may adversely affect payment of principal of and interest on the Series 1995 Bonds and Notes when due.

If actual receipt of Revenues and Recoveries of Principal under the Series 1995 Supplemental Resolutions or actual expenditures vary materially adversely from those projected, then the Authority may be unable to pay the principal of and interest on the Series 1995 Bonds and Notes when due. In such event, the Master Bond Resolution authorizes, and under certain circumstances requires, the Master Trustee to declare an Event of Default, accelerate the payment of the

Series 1995 Bonds and Notes, and sell the Eligible Loans in the Trust Estate and all other assets comprising the Trust Estate. See "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein. In such event, it is possible that the Master Trustee would not be able to sell the Eligible Loans in the Trust Estate and the other assets comprising the Trust Estate for a sufficient amount to pay all of the remaining principal of and accrued interest on all Series 1995 Bonds and Notes.

#### **Compliance with the Higher Education Act**

The Higher Education Act requires lenders, including the Authority, making and servicing Eligible Loans, a Guarantee Agency guaranteeing student loans, and third party servicing agents servicing student loans to follow certain due diligence procedures in an effort to ensure that Eligible Loans are properly made and disbursed to, and timely repaid by, the borrowers.

The required due diligence procedures include certain loan application procedures, certain loan origination procedures and, when a student loan is in default, certain loan collection procedures. Such loan application and loan origination procedures are usually performed by the Authority, but in certain instances may have been performed by a prior lender or servicer. Such loan collection procedures are usually performed by the Authority, but in certain instances may have been performed by a prior lender or servicer.

Failure to comply with the required due diligence procedures may result in the Secretary's refusal to make reinsurance payments to the Guarantee Agency on such loans, or in the Guarantee Agency's refusal to honor its guarantee on such loans to the Authority, or in the Authority being required to repay to the Secretary or a Guarantee Agency various federal benefits received by the Authority with respect to an Eligible Loan which is not entitled to receive such amounts. Loss of reinsurance payments by the Secretary could adversely affect the ability of the Guarantee Agency to honor guarantee claims made by the Authority, and loss of guarantee payments to the Authority by a Guarantee Agency or other federal benefits could adversely affect payment of principal of and interest on the Series 1995 Bonds and Notes when due. In certain of such occurrences, the Authority may have the right of reimbursement from a prior servicer that failed to properly service such loans, or the right to cause a prior lender to repurchase a loan which is subject to a loss of guarantee payments.

#### **Financial Status of Guarantee Agencies**

The Authority's ability to pay, when due, the principal of and interest on the Series 1995 Bonds and Notes from monies to be received into the Trust Estate depends in part on the Authority's timely receipt from the Guarantee Agencies of guarantee payments required to be made pursuant to agreements between the Authority and the respective Guarantee Agencies. Although the Guarantee Agencies are obligated to make 100% guarantee claim payments as to guaranteed loans disbursed prior to October 1, 1993, and, with certain exceptions, 98% guarantee claim payments as to guaranteed loans first disbursed on or after October 1, 1993, the Guarantee Agencies rely on reinsurance by the Secretary (which reinsurance amount varies between 78% and 100% of the amount of the claim paid, depending on when the loan was made and on the default "trigger" rate applicable to all loans a Guarantee Agency has guaranteed and not just the loans held by the Authority). The ability of the Guarantee Agencies to make guarantee claim payments with respect to defaulted Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes in full and in a timely manner is dependent, in part, upon factors which are unrelated to the Authority's Eligible Loan portfolio and may be impaired if guarantee claim payments exceed expectations.

The Higher Education Amendments of 1992 to the Higher Education Act contained certain amendments that were intended to enhance the financial status of Guarantee Agencies. See the caption "GUARANTEE AGENCIES - Federal Claim Payments" herein. However, the Student Loan Reform Act of 1993 contained certain amendments affecting Guarantee Agencies, such as reducing the maximum guarantee fee allowed to be charged by Guarantee Agencies, reducing the

reinsurance rates from the Secretary for Eligible Loans first disbursed on or after October 1, 1993 and reducing the defaulted loan collection retention rate, among other things. The Secretary was also given authority to recover and restrict the use of Guarantee Agency reserve funds under certain circumstances.

As of September 30, 1995, approximately 98.6% of the Authority's FFEL Program loans were guaranteed by the State Regents, acting as the State Guarantee Agency. Consequently, the Authority relies significantly on the financial status of the State Guarantee Agency and its obligations to make guarantee claim payments on defaulted Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes. During the federal fiscal year ended September 30, 1995, the State Guarantee Agency received reimbursement from the Secretary for 100% of the claim amount paid. However, during a portion of each of the previous four federal fiscal years ended September 30, the State Guarantee Agency received reimbursement payments from the Secretary on some of its reinsurance requests at the rate of 90% of the claim amount instead of 100% because of the "trigger" rate calculation for such federal fiscal years. See the caption "GUARANTEE AGENCIES" herein, and see also, "Appendix F - THE STATE GUARANTEE AGENCY, DESCRIPTIVE, STATISTICAL AND FINANCIAL STATEMENT INFORMATION" herein.

#### **Changes in Federal Law**

Since its original enactment, the Higher Education Act has been amended and reauthorized several times, including the Higher Education Amendments of 1986, 1990, 1992 and 1993. There can be no assurance that the Higher Education Act, or other relevant law, will not be changed in a manner that could adversely impact the Authority's FFEL Program.

The Student Loan Reform Act of 1993 enacted a variety of changes in the FFEL Program, and enacted a Federal Direct Student Loan Program (now renamed the William D. Ford Federal Direct Loan Program) with direct lending by the USDE to students at eligible institutions participating in that program. Among other things, changes made to the FFEL Program included imposing on lenders or holders certain lender loan fees, a reduction of the insurance or guarantee level on defaulted Eligible Loans to 98% of the claim amount for loans first disbursed on or after October 1, 1993 and a reduction for loans first disbursed on or after July 1, 1995 in Interest Benefit Payments on Eligible Loans while the Secretary is paying interest benefits on such loans, e.g. loans in school, grace or deferment status.

The Student Loan Reform Act of 1993 may have a material adverse impact on Guarantee Agencies and student loan lenders and holders such as the Authority. See "Appendix B - DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" herein.

In addition, numerous provisions are contained in the federal budget reconciliation bills approved by committees of the U.S. House of Representatives and the U.S. Senate and pending action by the Congress of the United States. Such provisions that could adversely affect the Authority, include, without limitation: (i) an increase in the lender loan fee currently assessed at 0.5% of loan principal originated; (ii) fees on purchase of loans; (iii) fees on loan principal held by the lender in repayment status; (iv) elimination of Interest Benefit Payments for Federal Stafford Loans in grace status; and (v) increased co-insurance risk by reducing the maximum guarantee amount paid to eligible lenders to 95% from the current 100% (with certain exceptions, 98% for loans disbursed on or after October 1, 1993). See the caption "Pending Federal Legislation" in "Appendix B - DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" herein.

#### **Competing Direct Loan Program**

Beginning July 1, 1994, USDE began implementing its William D. Ford Federal Direct Loan Program ("FDSLPL") which was authorized by the enactment of the Student Loan Reform Act of 1993. FDSLPL competes with the FFEL Program by lending directly at eligible schools electing to participate in that program, thus

eliminating FFEL Program lenders, such as the Authority, from originating some or all education loans at the participating schools.

FDSLSP could involve increasing reductions in the volume of loans made under the FFEL Program generally. As these reductions occur, servicing cost increases and revenue reductions for lenders and holders, such as the Authority, and for Guarantee Agencies may occur. Additionally, if the volume of loans made under the Authority's FFEL Program is reduced, the Authority may be required to redeem the Series 1995 Bonds and Notes sooner than expected which could adversely affect the cash flow in the Trust Estate.

The Authority is unable to predict the future impact of FDSLSP on its originations of FFEL Program loans or on the effect of FDSLSP on the originations of FFEL Program loans by other eligible lenders that might sell such loans to the Authority.

A. *First Year Participation in FDSLSP.* In the year ended June 30, 1995, FDSLSP nationally achieved a 5% share of the annual student loan volume. In Oklahoma, Oklahoma State University, Stillwater, Oklahoma participated 100% in FDSLSP. In addition to originating new loans, USDE is offering borrowers the opportunity to prepay FFEL Program loans, such as are held by the Authority, and consolidate them as FDSLSP Direct Consolidation Loans.

B. *Comparative Authority Lending Volume.* Despite the presence of FDSLSP, the Authority's lending volume for the Fiscal Year ended June 30, 1995 was approximately \$24,940,000 (plus Consolidation Loans of \$2,650,000 originated) compared with disbursements of approximately \$25,030,000, for the previous Fiscal Year.

C. *Second Year Participation in FDSLSP.* In the second year of FDSLSP ending June 30, 1996, that program is intended to achieve nationally a 40% share of the annual student loan volume. The aggregate lending volume of the additional schools in Oklahoma that are participating in FDSLSP in the second year of its implementation is not material to the Authority's lending volume.

D. *Future Implementation of FDSLSP.* In future years, FDSLSP nationally has a target share of the annual student loan volume of 50% in the years ending June 30, 1997 and 1998, and 60% in the year ending June 30, 1999. The Authority is not able to predict the extent of participation in FDSLSP by schools where the Authority presently lends.

E. *Pending Federal Legislation Regarding FDSLSP.* Several proposals are pending in the Congress of the United States regarding FDSLSP. The President of the United States and USDE have advocated accelerating the implementation of FDSLSP to 100% of the student loan market by 1998. Proposed legislation passed by committees of Congress would limit FDSLSP participation to 20% of the student loan market nationally, or repeal FDSLSP and privatize what has been implemented already. It is impossible to predict the outcome of proposed or pending legislation or the effect on the Authority of any legislation that is enacted.

### **Secondary Market Liquidity**

A Registered or Beneficial Owner's ability to sell their interests in Series 1995 Bonds and Notes, and the price realized therefrom, will be dependent on the secondary market for such securities.

To facilitate secondary market trading for the Auction Remarketed Notes, the Series 1995 Trustee has contracted with the Market Agent and the Auction Agent, and agreed to pay the fees of each from the Trust Estate, to conduct Auctions. In addition, the Underwriter has agreed to act as a Broker-Dealer with respect to Auctions. The Authority has agreed to pay a Broker-Dealer Fee (as defined in the Auction Agency Agreement) to compensate the Broker-Dealer for its handling of Bids and Orders (each as defined herein) on behalf of existing holders or potential holders of the Auction Remarketed Notes. However, under the Broker-Dealer Agreement, the Broker-Dealers will not be obligated to

maintain a secondary market for the Auction Remarketed Notes, or act as a dealer for their own account in buying and selling such securities.

There can be no assurance that sufficient clearing bids will be received to make each Auction successful to enable a holder to sell their interests in the Auction Remarketed Notes. Participation by existing holders and potential holders in the Auctions, the supply and demand for the Auction Remarketed Notes and the results of the Auctions, will be dependent on numerous factors, including without limitation: (i) general economic and securities market conditions; (ii) general levels of interest rates, including interest rates (before and after tax considerations) on comparable securities available on the market; (iii) the credit rating assigned to the Series 1995A-1 Notes and Series 1995A-2 Notes by Moody's which is a current assessment of the credit worthiness of those specific obligations and may be changed, suspended or withdrawn by the agency furnishing same (see the caption "RATINGS" herein); and (iv) the other investment considerations described in this section of the Official Statement.

### **Enforceability of Remedies**

As long as Senior Bonds and Notes or other Senior Obligations are outstanding, the failure to pay the principal of, interest on or other payments due on Subordinate Obligations and the Junior-Subordinate Obligations, when due and payable, if sufficient funds are not available therefor under the Master Bond Resolution, does not constitute an Event of Default under the Master Bond Resolution. Furthermore, as long as there are Senior Bonds or Notes outstanding, the Owners of Subordinate Bonds and Notes and the Junior-Subordinate Bonds and Notes are not permitted to direct any remedies under the Master Bond Resolution. See the captions "DEFAULTS AND REMEDIES - Events of Default", "Remedies on Default" and "Direction of the Master Trustee" in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

The remedies available to the Master Trustee, the Authority or Registered Owners of the Series 1995 Bonds and Notes upon an Event of Default under the Master Bond Resolution are in many respects dependent upon 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 federal bankruptcy code), the remedies provided in the Master Bond Resolution or the Master Trust Agreement may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the Series 1995 Bonds and Notes and the Series 1995 Supplemental Resolutions are qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

### **THE AUTHORITY**

The material in this Section of the Official Statement is a brief overview of the Authority, and does not purport to be complete information on the Authority. Appendix C herein provides additional financial information and operating data, and Appendix D provides the annual audited financial statements, regarding the Authority. Reference is made to "Appendix C - OKLAHOMA STUDENT LOAN AUTHORITY, FINANCIAL INFORMATION AND OPERATING DATA" and "Appendix D - OKLAHOMA STUDENT LOAN AUTHORITY, AUDITED FINANCIAL STATEMENTS" herein for such information.

### **Organization and Powers**

The Authority was created by an express Trust Indenture dated August 2, 1972 (the "Trust Indenture") in accordance with the provisions of the Act. The Student Loan Act authorized the Governor of the State to accept the beneficial interest in the trust, which was so accepted on August 2, 1972, making the State the beneficiary of the trust.

The Authority is governed by five trustees who are appointed by the Governor of the State, subject to the advice and consent of the State Senate, for overlapping five (5) year terms. The present Trustees and their principal occupations are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>	<u>Principal Occupation</u>
Patrick Rooney	Chairman	April 6, 2000	Chairman, Charter National Bank; Oklahoma City, OK
Joe E. White, Jr.	Vice Chairman	April 6, 1996	Attorney, White & Adams; Oklahoma City, OK
Dr. Bill H. Hill	Trustee	April 6, 1997	President, Eastern Oklahoma State College; Wilburton, OK
Christie Woodson	Secretary	April 6, 1998	Chair, Lawton Christian School; Lawton, OK
Ted VanLandingham	Assistant Secretary	April 6, 1999	General Manager & Co-Owner, Devery Implement Company; Alva, OK

The Trust Indenture and the Act empower the trustees of the Authority, among other things, to incur indebtedness by the issuance of revenue notes, bonds or other evidences of indebtedness, and to secure such obligations by lien, pledge or otherwise. In addition, the trustees of the Authority are authorized to make and perform contracts of every kind, to do all acts in their judgement necessary or desirable for the proper and advantageous management, investment and distribution of the trust estate and income therefrom; and to bring any suit or action, which in their judgement is necessary or proper to protect the interests of the trust estate, or to enforce any claim, demand or contract for the Authority. Under the Public Trust Act and the Trust Indenture, 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.

The day-to-day management of the Authority is provided by a President and executive staff appointed by the trustees of the Authority. See the caption "Executive Management" in "Appendix C - OKLAHOMA STUDENT LOAN AUTHORITY, FINANCIAL INFORMATION AND OPERATING DATA" herein.

The offices of the Authority are located at 4545 North Lincoln Boulevard, Suite 66, Oklahoma City, Oklahoma 73105. Its administrative telephone number is (405) 556-9210 and its facsimile transmission number is (405) 556-9255.

### **General**

The primary purpose of the Authority is to provide funds for education loans. In doing so the Authority acts as an originating lender to student borrowers or their parents (approximately 74.9% of Fiscal Year 1995 loan finance activity, including Consolidation Loans) and, in certain instances, purchases guaranteed education loans from other eligible lenders (approximately 24.4% of Fiscal Year 1995 loan finance activity). The Authority is also a Lender of Last Resort for the State Guarantee Agency (approximately 0.7% of Fiscal Year 1995 loan finance activity). See the heading "Lender of Last Resort" in this section of the official Statement.

The Authority services its own education loans and those of another Oklahoma lender utilizing a remote servicing system database pursuant to an agreement with UNIPAC Services Corporation of Aurora, Colorado. Education loan application processing, origination and servicing functions are performed by the Authority under the registered tradename "Oklahoma Student Loan Servicing<sup>R</sup>". See the heading "Loan Servicing" in this section of the Official Statement.

The Authority receives no appropriated funds from the State for its operating expenses. All expenses of the Authority are paid from revenues derived from trust operations in administration of its various education loan programs.

**Lending Programs**

The lending programs offered by the Authority make loans for students enrolled in the following types of post-secondary educational institutions: (i) four year universities and colleges; (ii) two year junior, community and technical colleges; (iii) proprietary vocational and trade schools; and (iv) public vocational-technical schools. Oklahoma residents attending educational institutions out of state are also eligible to borrow from the Authority.

The FFEL lending programs presently offered by the Authority are listed below.

- Federal Stafford Loan ("Stafford") Program
- Unsubsidized Stafford Loans for Middle Income Borrowers ("Unsubsidized Stafford") Program
- Federal Parent Loans to Undergraduate Students ("PLUS") Program
- Federal Consolidation Loan ("Consolidation") Program

The following table illustrates the dollar amount and type of loan principal disbursed by the Authority for the past five Fiscal Years ended June 30:

<u>Fiscal Year</u>	<u>Stafford Loans</u>	<u>Unsubsidized Stafford</u>	<u>PLUS Loans</u>	<u>SLS Loans</u>	<u>Consolidation Loans</u>	<u>Total</u>
1995	\$16,410,000	\$6,030,000	\$2,100,000	\$ 400,000*	\$2,650,000	\$27,590,000
1994	\$16,882,455	\$1,836,639	\$2,431,349	\$3,881,683	\$ 0	\$25,032,126
1993	\$13,763,054	\$ 236,958	\$3,707,397	\$4,447,144	\$2,015,072**	\$24,169,625
1992	\$15,627,661	N/A	\$3,907,382	\$5,638,148	\$2,917,599**	\$28,090,790
1991	\$20,838,491	N/A	\$4,326,004	\$6,933,522	\$3,177,974**	\$35,275,991

\*SLS was repealed by the Higher Education Act for periods of enrollment beginning on or after July 1, 1994.

\*\*Represents Health Education Assistance Loan ("HEAL") volume. The Authority discontinued making HEAL Program loans in May 1993 and sold these loans in November 1994 to a third party.

See "Appendix B - DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" herein for a more complete description of the FFEL Program.

**Acquisition Programs**

Beginning in June 1993, the Authority started acquiring certain guaranteed education loans from other eligible lenders in Oklahoma. Under the provisions of the purchase agreements for such loan acquisitions, the seller agrees to repurchase any loans that have a claim rejected by the guarantor thereof or are not collectible for certain other reasons because of circumstances or events that occurred prior to the acquisition of the loan by the Authority. In the Fiscal Year ended June 30, 1995, the Authority acquired approximately \$8,900,000 principal amount of such loans from other eligible lenders.

In connection with originating and servicing education loans for another eligible lender, the Authority maintains a forward purchase commitment agreement with such lender requiring the Authority to purchase education loans held by such lender from time to time at agreed upon prices. At September 30, 1995, the amount of such loans required to be purchased in the future did not exceed the lines of credit available to the Authority for education loan funding.

**Lender of Last Resort**

In February 1994, the Authority began offering loans to certain students, primarily those attending high default rate schools, under certain conditions pursuant to the State Guarantee Agency's Lender of Last Resort Loan Program. In

the Fiscal Year ended June 30, 1995, the Authority disbursed approximately \$250,000 principal amount of Lender of Last Resort Loans. At June 30, 1995, the Authority held approximately \$578,000 principal amount of such loans.

Students requesting Lender of Last Resort loans generally must have two (2) denial letters from other eligible lenders that will not agree to make the loan to such student. Lender of Last Resort loans that default are guaranteed 100% as to principal and interest by the State Guarantee Agency, even if disbursed on or after October 1, 1993.

### **Loan Servicing**

The Authority is required under the Higher Education Act, the rules and regulations of the Guarantee Agencies and the Master Bond Resolution to use due diligence in the servicing and collection of Financed Eligible Loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other commercial debt. If the Authority does not comply with the due diligence standards in such servicing, the Authority's ability to realize the benefits of guarantee payments and the Guarantee Agencies' ability to realize the benefits of federal reinsurance payments may be adversely affected. See the caption "INVESTMENT CONSIDERATIONS - Compliance with the Higher Education Act" herein.

The Authority originates and services loans at its facilities on a remote servicing system database provided by UNIPAC pursuant to the provisions of a certain Electronic Data Processing Service Agreement dated as of November 1, 1993 for a term ending October 31, 1996. Conversion of the Authority's FFEL Program loans to the UNIPAC remote servicing system database began in December 1993, and effective July 1, 1994, substantially all of the Authority's loans were converted to the UNIPAC remote servicing system.

Such education loan servicing work functions performed by Authority employees include, among other things, application processing and funds disbursement by check or electronic funds transfer in originating loans, customer service, loan account maintenance, including production of notices and forms to borrowers and the processing thereof, billings to USDE for Interest Benefits and Special Allowance Payments, collections of principal and interest from borrowers, filing claims to collect guarantee payments on defaulted loans and accounting. The Authority will be paid Servicing Fees from the Revenues of the Trust Estate for such servicing work functions. The remote servicing software is operated from terminals and a gateway computer file server controlled by the Authority and connected to the UNIPAC data processing facilities by a data channel on a dedicated telecommunications line.

UNIPAC provides the Authority with a mainframe computer data base for storage of loan account data, the use of education loan servicing software and support thereof for the Authority to perform its servicing work functions, maintenance of the education loan servicing software, daily mainframe computer batch processing and reporting of loan data and information to the Authority.

Generally, in its business in the student loan industry, UNIPAC provides education loan servicing, time sharing, administration and other services to lenders and secondary market purchasers throughout the United States. Based on information provided by UNIPAC and not independently verified by the Authority, UNIPAC began its education loan servicing operations on January 1, 1978. UNIPAC is owned 80.5% by Union Bank and Trust Company of Nebraska. As of September 30, 1995, UNIPAC had approximately 630 employees in Aurora, Colorado, and approximately 282 employees in its office in Lincoln, Nebraska. As of September 30, 1995, UNIPAC's full servicing volume was approximately \$4.4 billion for its full service clients. At that date, UNIPAC also had \$1.9 billion of servicing volume on its remote lender servicing system, including the FFEL Program loans held and serviced by the Authority on the Oklahoma remote servicing system database at UNIPAC.

## Plan For Doing Business

The Authority prepared a Plan for Doing Business (the "Plan") which was submitted to the Governor of the State and the State Guarantee Agency. The Plan was approved by the Governor of the State on August 24, 1987 and was transmitted to the Secretary of the USDE.

## Future Loan Programs

The Authority may develop and offer other education lending programs from time to time in the future. Such loans may be financed under the Master Bond Resolution.

## Additional Information

For further information regarding the Authority, including financial and operating data, see "Appendix C - OKLAHOMA STUDENT LOAN AUTHORITY, FINANCIAL INFORMATION AND OPERATING DATA" herein.

Included as Appendix D are the financial statements of the Authority for the Fiscal Years ended June 30, 1995 and 1994. The financial statements are prepared on the basis of generally accepted accounting principles. The financial statements were audited and reported on by KPMG Peat Marwick LLP, Oklahoma City, Oklahoma, independent certified public accountants, whose report thereon is included. The Series 1995 Bonds and Notes, and the interest thereon, are not general obligations of the Authority, but rather are limited and special revenue obligations of the Authority secured by, and payable solely from, the assets of the Trust Estate. The financial statements presented in Appendix D are intended only as background information on the Authority and its overall operations.

## GUARANTEE AGENCIES

The material in this Section of the Official Statement is a very brief overview and does not purport to be complete information on the Guarantee Agencies, including the State Guarantee Agency which is the primary guarantor of education loans held by the Authority. Appendix F herein provides descriptive, statistical and financial statement information on the State Guarantee Agency. Reference is made to "Appendix F - THE STATE GUARANTEE AGENCY, DESCRIPTIVE, STATISTICAL AND FINANCIAL STATEMENT INFORMATION" herein for such information.

### Guarantee and Reinsurance of Loans

The Eligible Loans in the Trust Estate for the Series 1995 Bonds and Notes will be guaranteed: (i) by the State Regents acting as the State Guarantee Agency; or (ii) by other Guarantee Agencies qualified under the Bond Resolution to act in such capacity; or (iii) in certain circumstances by the Secretary.

Pursuant to a contract of guarantee between a guarantor and an eligible lender, such as the Authority, the lender is entitled to a claim payment from the Guarantee Agencies for 98% to 100% of any proven loss resulting from default, death, permanent and total disability, or discharge in bankruptcy of the borrower. In servicing a portfolio of education loans, an eligible lender, including the Authority, is required under the Higher Education Act and the rules and regulations of the Guarantee Agencies 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. The eligible lender, including the Authority, is required to continue collection efforts on a defaulted loan until the loan is 180 days past due and submit a claim for payment thereon to the Guarantee Agency within 90 days thereafter.

Under the Higher Education Act, a guarantor 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, such as the Authority, may reasonably conclude that the borrower no longer intends to honor the repayment obligation and in which the failure persists for 180 days. When a loan becomes 151-180 days past due, the holder is required to make a final demand for payment of the loan by the borrower and to submit a claim for reimbursement within 90 days thereafter to the guarantor. The holder, such as the Authority, is required to continue collection efforts until the loan is 180 days past due. At the time of payment of guarantee benefits, the holder, such as the Authority, must assign to such guarantor all rights accruing to the holder under the notes evidencing the loan.

Pursuant to the Higher Education Act, each respective Guarantee Agency has entered into a guarantee agreement (the "Federal Guarantee Agreement") and a supplemental guarantee agreement (the "Supplemental Guarantee Agreement"), pertaining to the Secretary's reimbursement to each respective Guarantee Agency for amounts expended by such Guarantee Agency in discharge of its guarantee obligation with respect to losses resulting from the default by the borrower in the payment of principal or interest on loans guaranteed by such Guarantee Agency. The Supplemental Guarantee Agreement is subject to annual renegotiation and to termination for cause by the Secretary.

#### **Consolidation of Guarantee Agencies**

There are approximately 42 guarantee agencies participating in the FFEL Program nationally. In view of the planned reduction of the FFEL Program loan volume, USDE has advocated the merger or consolidation of such guarantors into regional combinations with a significantly reduced number continuing to operate as guarantors of FFEL Program loans. Some state guarantee agencies have ceased operating and others have reported mergers or other reorganizations or are reported to be discussing mergers or other reorganizations. The Authority is not able to predict the outcome of this consolidation push or the effect thereof on the Authority.

#### **Federal Payment of Claims**

Pursuant to the Higher Education Act, if the Secretary has determined that a Guarantee Agency is unable to meet its insurance obligations, the holder of loans insured by the Guarantee Agency may submit insurance claims directly to the Secretary and the Secretary will pay to the holder the full insurance obligation of the Guarantee Agency. Such arrangements will continue until the Secretary is satisfied that the insurance obligations have been transferred to another Guarantee Agency who can meet those obligations or a successor will assume the outstanding insurance obligations. There can be no assurance, however, 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**

Substantially all of the guaranteed FFEL Program conducted by the Authority is operated under the guidelines of the State Guarantee Agency. Numerous other lenders also make education loans guaranteed by the State Guarantee Agency utilizing the Guarantee Fund. The State Guarantee Agency is operated by the State Regents, an agency of the State, acting as the State Guarantee Agency and administering and utilizing the Guarantee Fund established in the State Treasury by Title 70 Oklahoma Statutes 1991, Sections 622 and 623, as amended, to guarantee education loans made by various eligible lenders, including the Authority, to applicants who attend approved universities, colleges, vocational education or trade schools.

The State Guarantee Agency has been in operation in the State since November 1965. Except for the Authority, eligible lenders have primarily consisted of banks, savings and loan associations and credit unions. As of September 30, 1995, loans made by various eligible lenders and guaranteed by the State Guarantee Agency

were outstanding in the total principal amount of approximately \$1.3 billion. The Guarantee Fund balance (cash basis) at that date was approximately \$14 million or, 1.08% of the guaranteed principal amount outstanding. This ratio exceeds the requirements of the Higher Education Act. The reserve ratio required by the Higher Education Act for the State Guarantee Agency for the Fiscal Year ended June 30, 1995 was 0.7%, which requirement will increase to 0.9% for the Fiscal Year ending June 30, 1996 and increase to 1.10% for the Fiscal Year ending June 30, 1997.

For a description of the State Guarantee Agency, including statistical and financial statement information, see "Appendix F - THE STATE GUARANTEE AGENCY, DESCRIPTIVE, STATISTICAL AND FINANCIAL STATEMENT INFORMATION" herein.

#### **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 1995 Bonds and Notes or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 1995 Bonds and Notes or the existence or powers of the Authority.

#### **LEGALITY OF INVESTMENT**

The Student Loan Act provides in pertinent part in 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 1995 Bonds and Notes is subject to approval of validity by Kutak Rock, Oklahoma City, Oklahoma, Bond Counsel, whose approving opinion is expected to be delivered substantially in the form attached hereto as Appendix I. Certain legal matters will be passed on for the Authority by its special counsel, Roderick W. Durrell, Esq.; for the Underwriter by its Counsel, Williams & Anderson, Little Rock, Arkansas; and for the Master Trustee and the Series 1995 Trustee by its general counsel, Sam Ott, Esq. Certain legal matters also will be passed on by the Attorney General of the State of Oklahoma in approving the transcript of legal proceedings. See also, the caption "TAX EXEMPTION" herein.

#### **TAX EXEMPTION**

In the opinion of Kutak Rock, Oklahoma City, Oklahoma, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 1995 Bonds and Notes is excludable from gross income of the recipients thereof for federal income tax purposes; however, interest on the Series 1995 Bonds and Notes constitutes a specific item of tax preference for purposes of the federal alternative minimum tax for individuals and corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state and local obligations to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of certain bond proceeds be paid periodically to the United States, except under

certain circumstances, and a requirement that information reports be filed with the Internal Revenue Service. The Authority has covenanted to comply with the requirements of the Code in order to maintain the exclusion from gross income of interest on the Series 1995 Bonds and Notes for federal income tax purposes.

The opinion of Bond Counsel will assume continuing compliance with the covenants of the Authority pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Series 1995 Bonds and Notes for federal income tax purposes and, in addition, will rely on representations by the Authority with respect to matters solely within the knowledge of the Authority which Bond Counsel has not independently verified. If the Authority should fail to comply with its covenants or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Series 1995 Bonds and Notes could become taxable from the date of issuance of the Series 1995 Bonds and Notes, regardless of the date on which the event causing such taxation occurs. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 1995 Bonds and Notes may affect the tax status of interest on the Series 1995 Bonds and Notes.

Although Bond Counsel is of the opinion that interest on the Series 1995 Bonds and Notes is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 1995 Bonds and Notes may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Series 1995 Bonds and Notes, particularly purchasers that are corporations (including S corporations, corporations subject to the environmental tax imposed by section 59A of the Code and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security and Railroad Retirement benefits are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series 1995 Bonds and Notes.

The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Series 1995 Bonds and Notes and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

Bond Counsel is further of the opinion that, pursuant to the Act, the Series 1995 Bonds and Notes and the income therefrom are exempt from taxation in the State.

#### RATINGS

Moody's Investors Service, Inc., 99 Church Street, New York, New York, will assign its separate municipal bond ratings of "\_\_\_" to the Series 1995A-1 and Series 1995A-2 Notes, and separate ratings of "\_\_\_" to the Series 1995B-1 and Series 1995B-2 Bonds. The ratings were applied for by the Authority, which has furnished certain information and materials concerning the Series 1995 Bonds and Notes and regarding the Authority, some of which is not included in this Official Statement. Generally, a rating agency bases its rating on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently. The ratings are not a recommendation to buy, sell or hold the Series 1995 Bonds and Notes and an explanation of the significance of the ratings may be obtained from Moody's.

The ratings are subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Series 1995 Bonds and Notes. Neither the Authority nor the Underwriter has undertaken any responsibility either to bring to the attention of the Registered Owners of the Series 1995 Bonds and Notes any proposed change in, or proposed withdrawal of, the ratings on the Series 1995 Bonds and Notes or to oppose any such change or withdrawal. However, under the Continuing Disclosure Agreement, as hereinafter defined, the Authority has agreed to provide (or cause to be provided), under

certain conditions and in a timely manner, notice of the occurrence of rating changes with respect to the Series 1995 Bonds and Notes.

#### UNDERWRITING

The Series 1995 Bonds and Notes are to be purchased by the Underwriter pursuant to the terms and conditions of a Bond Purchase Agreement (the "Bond Purchase Agreement") entered into by and between the Authority and the Underwriter at a purchase price of \$ \_\_\_\_\_, which is equal to \_\_\_\_% of the aggregate principal amount of the Series 1995 Bonds and Notes, plus accrued interest.

The Bond Purchase Agreement provides that the Underwriter's obligation is subject to certain conditions and that the Underwriter will purchase all of the Series 1995 Bonds and Notes, if any are purchased.

The initial public offering price (as shown on the inside cover page hereof) may be changed from time to time by the Underwriter without notice. The Underwriter may offer and sell the Series 1995 Bonds and Notes to certain dealers (including dealers depositing Series 1995 Bonds and Notes into investment trusts) and others at prices lower than the public offering price shown on the inside cover page hereof.

#### CONTINUING DISCLOSURE OF INFORMATION

Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, requires the Underwriter, before purchasing or selling the Series 1995 Bonds and Notes, to reasonably determine that the Authority and any other "obligated person" has undertaken to provide certain annual financial information and event notices to various information repositories.

In order to assist the Underwriter in complying with the Rule, the Authority and the State Guarantee Agency will enter into separate Continuing Disclosure Agreements (the "Continuing Disclosure Agreements") dated as of November 1, 1995, with the Series 1995 Trustee for the benefit of the Registered and Beneficial Owners of the Series 1995 Bonds and Notes.

Pursuant to the respective Continuing Disclosure Agreements, the Authority and the State Guarantee Agency, as long as each is an "obligated person" with respect to the Series 1995 Bonds and Notes, will agree to provide (or cause to be provided) the following items of information.

A. *Financial Information and Operating Data* at least annually to each nationally recognized municipal securities information repository ("NRMSIR"), and to the appropriate state information depository ("SID"), if any, no later than 180 days after the end of the respective Fiscal Years of the Authority and the State Guarantee Agency, beginning with the Fiscal Years ending June 30, 1996, including:

1. Audited Financial Statements prepared in accordance with generally accepted accounting principles; and

2. Financial Information and Operating Data of the type set forth in,

(a) "Appendix C - OKLAHOMA STUDENT LOAN AUTHORITY, FINANCIAL INFORMATION AND OPERATING DATA" with respect to the Authority, and

(b) Certain captions in "Appendix F - THE STATE GUARANTEE AGENCY, DESCRIPTIVE, STATISTICAL AND FINANCIAL STATEMENT INFORMATION" herein with respect to the State Guarantee Agency.

B. *Notice of Certain Events* with respect to the Series 1995 Bonds and Notes, if material, that are specified in the Rule and in the Continuing Disclosure Agreements, in a timely manner to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to the appropriate SID, if any.

See "Appendix J - SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENTS" herein for further information on the Authority's and the State Guarantee Agency's undertakings with respect to continuing disclosure of information.

MISCELLANEOUS

The information in this Official Statement is presented for the guidance of prospective purchasers of the Series 1995 Bonds and Notes described herein. The information has been compiled from official and other sources which, while not guaranteed by the Authority or the Underwriter, are believed to be reliable. So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Prospective purchasers of the Series 1995 Bonds and Notes are also cautioned that the accuracy of any statistical or economic projection or analysis contained herein is not guaranteed and therefore investors are urged to consult their own advisors concerning such projections or analysis. This Official Statement is not to be construed as a contract or agreement between the Authority or the Underwriter and the purchasers or Registered or Beneficial Owners of any of the Series 1995 Bonds and Notes.

All quotations from, and summaries and explanations of, the Act, the Higher Education Act, the Master Bond Resolution, the respective Series 1995 Supplemental Resolutions, the Master or Series 1995 Trust Agreement, and other documents contained herein do not purport to be complete, and reference is made to such laws, regulations and documents for full and complete statements of their provisions. All of the Appendices attached hereto are a part of this Official Statement.

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 1995 Bonds and Notes.

OKLAHOMA STUDENT LOAN AUTHORITY

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

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Oklahoma Student Loan Authority  
Oklahoma Student Loan Bonds and Notes, Series 1995

SUMMARY OF CERTAIN DEFINITIONS  
AND PROVISIONS OF THE BOND RESOLUTION

Set forth below are abridged or summarized excerpts of certain sections of the Master Bond Resolution as amended and supplemented by the Supplemental Bond Resolutions corresponding to the Series 1995 Bonds and Notes. These excerpts do not purport to be complete or to cover all sections of the Master Bond Resolution as amended and supplemented by the Supplemental Bond Resolutions corresponding to the Series 1995 Bonds and Notes. Furthermore, section headings are not intended to be definitive. Reference is hereby made to the Master Bond Resolution and the Supplemental Bond Resolutions corresponding to the Series 1995 Bonds and Notes, copies of which are on file with the Master Trustee and the Series 1995 Trustee, for a complete statement of the rights, duties and obligations of the Authority, the Master Trustee, the Series 1995 Trustee and the Registered Owners of the Bonds and Notes issued thereunder, including the Series 1995 Bonds and Notes.

DEFINITIONS

"AA' Composite Commercial Paper Rate," on any date of determination, shall mean (i) the interest equivalent of the 30-day rate or such rate as appropriate depending on the length the Auction Rate Period on commercial paper placed on behalf of issuers whose corporate bonds are rated "AA" by S&P, or the equivalent of such rating by S&P, as such 30-day rate or such rate as appropriate depending on the length of the Auction Rate Period is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination; or (ii) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of interest equivalent of the 30-day rate or such rate as appropriate depending on the length of the Auction Rate Period on commercial paper placed on behalf of such issuers, as quoted to the Auction Agent on a discount basis or otherwise by one or more commercial paper dealers, as of the close of business on the Business Day immediately preceding such date of determination. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis (a "discount rate") for commercial paper of a given days maturity shall be equal to the product of (A) 100 times (B) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures and the denominator of which shall be 360.

"Accounts" shall mean any of the trust accounts of the Student Loan Fund and the Student Loan Sinking Fund created and established by, or pursuant to, the Master Bond Resolution.

"Act" shall mean Title 70, Oklahoma Statutes 1991, Section 695.1 *et seq.*, as amended along with Oklahoma Trusts for Furtherance of Public Functions Act being Title 60, Oklahoma Statutes, 1991, Sections 176 to 180.3, inclusive, as amended.

"Administrative Expenses" shall mean all of the Authority's expenses in carrying out the administering its Program (including the acquisition and origination of Eligible Loans) under the Master Bond Resolution and any applicable Supplemental Bond Resolution and shall include, without limitation the generality of the foregoing, salaries, acquisition, origination and servicing fees, supplies, utilities, mailing, labor, materials, office rent or mortgage payment, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, credit and liquidity facility fees and expenses, travel, and payments for pension, retirement, health and hospitalization and life and

disability insurance benefits, in each case as such fees and expenses are related to the Master Bond Resolution.

"Adjustment Date" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, any date on which the rate of interest borne by such Series is subject to change, which shall be the first day of each Interest Period.

"Adjustable Rate" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, a Daily Rate, a Weekly Rate, a Monthly Rate or a Long Rate borne by such Series commencing on the Period Adjustment Date for such Series establishing the Adjustable Rate, and continuing until a Period Adjustment Date establishing an Auction Rate or the Conversion Date for such Series.

"Adjustable Rate Period" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, bearing interest at an Adjustable Rate, the period beginning on an Adjustment Date and ending on the day immediately preceding the next succeeding Adjustment Date or any Conversion Date or Maturity date for such Series, if earlier.

"After-Tax Equivalent Rate," on any date of determination, shall mean the interest rate per annum equal to the product of (i) the "AA" Composite Commercial Paper Rate on such date and (ii) 1.00 minus the Statutory Corporate Tax Rate on such date.

"Aggregate Market Value" shall mean on any calculation date the sum of the Values of all assets of the Trust Estate.

"All-Hold Rate," on any date of determination, shall mean 85% of the lesser of (a) the After-Tax Equivalent Rate or (b) the PSA Municipal Swap Index; provided, however, that in no event shall such All-Hold Rate exceed the lower of (1) 16% per annum or (2) the maximum rate permitted by State law; and provided, further, the All-Hold Rate may not exceed the Maximum Auction Rate.

"Applicable Percentage," on any date of determination, shall mean the percentage determined based upon Moody's or Fitch rating of the Auction Remarketed Notes in effect at the close of business on the Business Day immediately preceding such date, or, if such Auction Remarketed Notes are then rated by both Moody's and Fitch, based on the lower of such ratings on such Business Day, as set forth below:

<u>Moody's Investors Service</u>	<u>Fitch</u>	<u>Applicable Percentage</u>
"Aaa"	"AAA"	175%
"Aa"	"AA"	175%
"A"	"A"	175%
"Baa"	"BB"	200%
Below "Baa"	Below "BBB"	265%

provided, that, in the event that the Auction Remarketed Notes are not rated by a Rating Agency, the Applicable Percentage shall be 265%. For purposes of this definition, Fitch's rating categories of "AAA," "AA," "A" and "BBB," and Moody's rating categories of "Aaa," "Aa," "A" and "Baa," refer to and include the respective rating categories correlative thereto if either or both of such rating agencies have changed or modified their generic rating categories or if Moody's or Fitch no longer rates the Auction Remarketed Notes or have been replaced.

"Assumed Rate" shall mean an annual rate of interest of sixteen percent (16%), or any higher rate that may be established from time to time pursuant to any Supplemental Bond Resolution; provided that, at the time any such increase in the Assumed Rate is to become effective, the Available Amount of any Letter of Credit shall be at least equal to the aggregate principal amount of all Series 1995A-1 Notes or Series 1995A-2 Notes, as applicable, bearing interest at an Adjustable Rate then outstanding and secured by such Letter of Credit plus the

Interest Coverage Requirement with respect thereto assuming an annual rate of interest equal to the Assumed Rate as increased by said Supplemental Bond Resolution.

"Auction" shall mean each periodic implementation of the Auction Procedures.

"Auction Agency Agreement" shall mean, collectively, the Auction Agency Agreements, dated as of November 1, 1995, between the Series 1995 Trustee and the Auction Agent and any similar agreement with a successor Auction Agent, in each case as from time to time amended or supplemented, relating to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable.

"Auction Agent" shall mean Bankers Trust Company or any successor person designated as such in accordance with the terms thereof.

"Auction Agent Fee" shall mean the fee paid to the Auction Agent for performing Auctions.

"Auction Date" shall mean (a) with respect to each Auction Period for the Series 1995A-1 Notes, initially, December 5, 1995, and, thereafter, the last Tuesday of the immediately preceding Auction Period (or such other day that the Market Agent shall establish as the Auction Date); provided, that if such day is not a Business Day, the Auction Date shall be the next preceding Business Day and (b) with respect to each Auction Period for the Series 1995A-2 Notes, initially, May 30, 1996, and, thereafter, each May 31 of the immediately preceding Auction Period (or such other day that the Market Agent shall establish as the Auction Date); provided, that if such day is not a Business Day, the Auction Date shall be the next preceding Business Day.

"Auction Period" shall mean (i) the Initial Auction Period and, thereafter, the Standard Auction Period and (ii) after a Period Adjustment Date to an Auction Rate Period until the next subsequent Period Adjustment Date, Conversion Date or Stated Maturity date of the Auction Remarketed Notes, each period (not to exceed 365 days) from and including the last Interest Payment Date for the immediately preceding Auction Period or Auction Rate Period, as the case may be, to and including the next succeeding Auction Date or, in the event of a Period Adjustment Date or Conversion Date, to but excluding the Period Adjustment Date or Conversion Date, provided, if any day that would be the last day of any such period does not immediately precede a Business Day, such period shall end on the next day which immediately precedes a Business Day.

"Auction Procedures" shall mean the auction procedures set forth in Appendix G to this Official Statement.

"Auction Rate" shall mean, with respect to each Auction Period during an Auction Rate Period (other than the Initial Auction Period or an Initial Auction Period after a Period Adjustment Date to an Auction Rate), the rate of interest per annum determined for the Auction Remarketed Notes pursuant to the implementation of the Auction Procedures or, if such Auction is not held or is cancelled thereunder, the rate determined pursuant to corresponding Supplemental Bond Resolution.

"Auction Rate Period" shall mean any period during which the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, bear interest at an Auction Rate, which period shall commence on the Date of Issuance or on the Period Adjustment Date to an Auction Rate, as the case may be, and shall extend through the day immediately preceding the earlier of (a) the next Period Adjustment Date, (b) the Conversion Date or (c) the Stated Maturity date of such Series.

"Auction Remarketed Notes" shall mean any Series 1995A-1 Notes or Series 1995A-2 Notes, as applicable, bearing interest at an Auction Rate.

"Authority" shall mean the Oklahoma Student Loan Authority, an express trust and agency of the State established pursuant to the Act and the Trust Indenture.

"Authority Swap Payment" shall mean a payment required to be made by or on behalf of the Authority due to a Swap Counterparty pursuant to a Swap Agreement.

"Authority Request," "Authority Order," "Authority Certificate" and "Authority Consent" shall mean, respectively, a written request, order, certificate or consent signed in the name of the Authority by an Authorized Officer and delivered to the Maser Trustee or the corresponding Series Trustee by overnight or same-day mail or courier, telex, telegram or other electronic means or by hand delivery, or in the case of an Authority Request or an Authority Order, an oral request by an Authorized Officer promptly confirmed in writing by such an Authorized Officer in any manner specified above in this definition.

"Authorized Denomination" shall mean the denominations authorized for the Bonds and Notes set forth in the Supplemental Bond Resolution authorizing the issuance of such Bonds and Notes. With respect to the Series 1995 Bonds and Notes, "Authorized Denominations" shall mean, (i) with respect to the Series 1995 Bonds and Notes bearing interest at a Fixed Rate, \$5,000 and any integral multiple thereof, and (ii) with respect to the Series 1995 Bonds and Notes bearing interest at an Auction Rate or at an Adjustable Rate, \$100,000 and any integral multiple thereof.

"Authorized Officer," when used with reference to the Authority, shall mean the Chairman, the Vice Chairman, the President, the Secretary or an Assistant Secretary of the Authority or any other person designated in writing from time to time by the trustees of the Authority.

"Available Amount" shall mean the initial amount of any Letter of Credit (or the aggregate amount of more than one Letter of Credit) set forth therein, as such amount may be reduced or reinstated pursuant to the terms of such Letter of Credit, and available to be drawn under such Letter of Credit.

"Bank" shall mean any bank or banks or other financial institution or institutions which issues and delivers a Letter of Credit pursuant to a Reimbursement Agreement, or any other bank or banks or other financial institution or institutions which may be substituted for such bank pursuant to a Reimbursement Agreement or which may issue and deliver to the Series 1995 Trustee a substitute Letter of Credit. Any Bank issuing a Letter of Credit securing the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, with an Adjustable Rate Period of less than one year must have the highest short-term rating from any Rating Agency then rating the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, and such rating must apply to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, secured by such Bank's Letter of Credit. Any Bank issuing a Letter of Credit securing the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, with an Adjustable Rate Period of one year or more must be rated "Aa" by Moody's and such rating must apply to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, secured by such Bank's Letter of Credit.

"Bid" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"Bidder" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"Bond" or "Bonds" shall mean one or more of the bonds authorized by the Act and authenticated and delivered pursuant to the Master Bond Resolution.

"Bond Counsel" shall mean any Counsel of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Authority and acceptable to the Master Trustee.

"Bond Payment Date" shall mean, for any Bond or Note, any date on which principal or interest is due and payable on such Bond or Note or any date on which an Authority Swap Payment is due and payable.

"Bonds and Notes" shall mean "Bonds and Notes" or "Bonds or Notes," as the context may dictate, issued and secured pursuant to the Master Bond Resolution, as amended and supplemented by any Supplemental Bond Resolutions, including the Series 1995 Bonds and Notes.

"Bond Year" shall mean each calendar year commencing on September 1 and ending the following August 31, provided that the first Bond Year shall commence on the Date of Issuance of the first series of Bonds and Notes and end on August 31, 1996 and the last Bond Year shall end on the last Maturity of any Tax-Exempt Bonds and Notes.

"Bond Yield" shall mean, with respect to each Series of Tax-Exempt Bonds and Notes, the yield on such Tax-Exempt Bonds and Notes computed in accordance with the No Arbitrage Certificate relating to such Series of Tax-Exempt Bonds and Notes computed in accordance with the Code.

"Business Day" shall mean a day of the year other than: (a) a day on which commercial banks located in New York, New York or Oklahoma City, Oklahoma are required or authorized to remain closed, (b) a Saturday, Sunday or legal holiday, and (c) a day on which the New York Stock Exchange or the Authority is closed.

"Capitalized Interest Payments" shall mean any scheduled payments of interest in respect of a Financed Eligible Loan that were not received by a Servicer on the scheduled due date thereof because such payments are subject to deferment pursuant to the Higher Education Act.

"Cash Flow Certificate" shall mean a report prepared on behalf of the Authority by the Cash Flow Consultant, based upon assumptions used with respect to relevant variables that are consistent with criteria approved by the Rating Agencies to be consistent with maintaining the ratings of the Bonds and Notes, showing, with respect to the period extending from the date of the Cash Flow Certificate to each Maturity of the Bonds and Notes, (a) all Revenues and Recoveries of Principal anticipated to be received during such period, taking into account any rebates expected to be payable to student borrowers, (b) the application of all Revenues and Recoveries of Principal in accordance with the provisions of the Master Bond Resolution, taking into account investment earnings, if any, and (c) resulting balances, provided that the Cash Flow Certificate shall show that anticipated Revenues and Recoveries of Principal will be at least sufficient and available to pay all Servicing Fee's and Program Expenses payable under the Master Bond Resolution and the debt service on all obligations during such period.

"Cash Flow Consultant" shall mean any Person appointed by the Authority to prepare the Cash Flow Certificate and other cash flow projections.

"Change of Preference Law" shall mean, with respect to any Registered Owner, any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the Date of Issuance, which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or removes or would remove or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of bonds the interest on which is excluded from federal gross income under Section 103 of the Code.

"Claim Adjustment" shall mean (a) amounts payable to a Guarantee Agency as a result of a determination that the status of any Eligible Loan was "current" subsequent to the submission of a default claim with respect to such Eligible Loan and (b) amounts payable to a Eligible Lender as a reimbursement for amounts paid by the Eligible Lender to repurchase such Eligible Loan pursuant

to its Loan Purchase Agreement as a result of a determination that such Eligible Loan was not required to be repurchased.

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

"Conversion Date" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, the date on which a Fixed Rate becomes effective for such Series.

"Counsel" shall mean an attorney or firm of attorneys duly admitted to practice law before the highest court of any state.

"Counterparty Swap Payments" shall mean any payment to be made to, or for the benefit of, the Authority under a Swap Agreement.

"Custodian" shall mean Boatmen's First National Bank of Oklahoma, as custodian pursuant to the Custodian Agreement, and any successors or assigns, or any other Person appointed by the Authority pursuant to a written agreement to perform such loan custodial functions.

"Custodian Agreement" shall mean the Master Custodian Services Agreement, dated as of September 27, 1994, between the Authority and the Custodian, as amended and supplemented.

"Dated Date" shall mean the date as of which interest is deemed to commence accruing for each Series of Bonds and Series of Notes, as set forth in the corresponding Supplemental Bond Resolution. The Dated Date for the Series 1995A-1 Notes and the Series 1995A-2 Notes will be their Date of Issuance. The Dated Date for the Series 1995B-1 Bonds and the Series 1995B-2 Bonds will be November 1, 1995.

"Date of Issuance" shall mean the date the Bonds and Notes of any Series are delivered, as set forth in the corresponding Supplemental Bond Resolution.

"Daily Rate" shall mean the rate of interest borne by the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, during any Daily Rate Period.

"Daily Rate Period" shall mean an Adjustable Rate Period which may begin and end on the same day. The term "day" shall mean any calendar day, whether or not a Business Day.

"Debt Service Reserve Account" shall mean the Account by that name created within the Student Loan Sinking Fund, including any Subaccounts created therein. See the caption "REVENUES AND FUNDS-Student Loan Sinking Fund-Debt Service Reserve Account" in this Appendix A.

"Debt Service Reserve Account Requirement" shall mean, on any date, an amount equal to the sum of the Series Debt Service Reserve Requirements.

"Eligible Lender" shall mean any "eligible lender," as defined in the Higher Education Act, and which has received an eligible lender designation from the Secretary with respect to Eligible Loans.

"Eligible Loan" shall mean (unless determined otherwise in a Supplemental Bond Resolution pursuant to which particular Bonds or Notes were issued) any loan made to finance post-secondary education that is (a) Guaranteed or Insured and (b) (i) made under the Higher Education Act (subject to any Tax Regulatory Agreement, if any); (ii) insured by the Secretary of Health and Human Services pursuant to the Public Health Services Act (provided a Favorable Opinion is received with respect thereto, and provided further that at the time of any

acquisition thereof, the principal amount of such loans held under the Master Bond Resolution and to be acquired at such time shall not exceed five percent of the principal amount of the Bonds and Notes then Outstanding, unless the Master Trustee and the Authority shall have received written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such acquisition); or (iii) otherwise permitted to be acquired by the Authority pursuant to its Program (provided a Favorable Opinion is received with respect thereto, and provided further that the Master Trustee and the Authority shall have received written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such acquisition).

"Event of Default" shall mean any occurrence or event described under the caption "DEFAULTS AND REMEDIES—Events of Default" in this Appendix A, as the same may be supplemented as to certain Bonds or Notes in the Supplemental Bond Resolution pursuant to which such Bonds or Notes were authorized.

"Excess Interest" shall mean, as of the date of computation, the amount, if any, equal to the amount which, if used to forgive principal of Financed Eligible Loans on such date, would be necessary to cause the Portfolio Yield to be equal to or less than the Bond Yield plus the spread elected by the Authority or such greater spread as may, in the written opinion of Bond Counsel delivered to the Authority and the Master Trustee, be permitted by Treasury Regulation § 1.148-2(d)(2); in any event together with any additional amounts as shall be required by the provisions of the corresponding Tax Regulatory Agreement or as shall otherwise be necessary, in the opinion of Bond Counsel, to prevent such Series of the Tax-Exempt Bonds and Notes from being "arbitrage bonds" within the meaning of Section 148 of the Code. All determinations of Excess Interest shall be made in accordance with the provisions of the corresponding Tax Regulatory Agreement.

"Existing Holder" shall have the meaning ascribed to such term under the caption "AUCTION AGENT MEMBERS—Existing Holders and Potential Holders" in Appendix G to this Official Statement.

"Existing Holder Registry" shall mean the registry of Persons who are Existing Holders, maintained by the Auction Agent pursuant to the Auction Agency Agreement.

"Favorable Opinion" shall mean an opinion of Bond Counsel addressed to the Authority, the Master Trustee and any corresponding Series Trustee to the effect that the action proposed to be taken is authorized or permitted by the Master Bond Resolution and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds and Notes.

"Federal Reimbursement Contracts" shall mean, collectively, any agreement between any Guarantee Agency and the Secretary providing for the payment by the Secretary of amounts authorized to be paid pursuant to the Higher Education Act, including, but not necessarily limited to, reimbursement of amounts paid or payable upon defaulted Financed Eligible Loans and other student loans guaranteed by a Guarantee Agency and federal Interest Benefit Payments and Special Allowance Payments, if applicable, to holders of qualifying student loans guaranteed by a Guarantee Agency.

"Final Payment Date" shall mean, with respect to any Series 1995A-1 Notes or Series 1995A-2 Notes, as applicable, bearing interest at an Adjustable Rate, the Business Day on which payment of such Series is required to be made after receipt by the Interest Rate Services Agent and, if applicable, the Series 1995 Trustee of a Notice and Demand in respect of such Series.

"Financed" when used with respect to Eligible Loans, shall mean or refer to Eligible Loans (i) acquired by the Authority with balances in the Student Loan Fund or otherwise deposited in or accounted for in the Student Loan Fund or otherwise constituting a part of the Trust Estate and (ii) Eligible Loans substituted or exchanged for Financed Eligible Loans, but does not include

Eligible Loans released from the lien of the Master Bond Resolution and sold or transferred, to the extent permitted by the Master Bond Resolution.

"Fiscal Year" shall mean a twelve-month period commencing on the first day of July of any year, or such other twelve-month period adopted by the Authority as its fiscal year for accounting purposes.

"Fitch" shall mean Fitch Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Master Trustee and any corresponding Series Trustee.

"Fixed Rate" shall mean, with respect to any Series 1995 Bonds or Notes, the rate of interest fixed to their Stated Maturity and not subject to adjustment.

"Funds" shall mean the funds continued or established by, or pursuant to, the Master Bond Resolution.

"Governmental Obligations" shall mean any of the following: direct general obligations of, or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America).

"Governor" shall mean the chief executive officer of the State.

"Guarantee" or "Guaranteed" shall mean with respect to an Eligible Loan, the insurance or guarantee by the Guarantee Agency pursuant to such Guarantee Agency's Guarantee Agreement of the maximum percentage of the principal of and accrued interest on such Eligible Loan allowed by the terms of the Higher Education Act with respect to such Eligible Loan at the time it was originated and the coverage of such Eligible Loan by the federal reimbursement contracts, providing, among other things, for reimbursement to the Guarantee Agency for payments made by it on defaulted Eligible Loans insured or guaranteed by the Guarantee Agency of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular Eligible Loan.

"Guarantee Agency" shall mean the State Guarantee Agency, United Student Aid Funds, Inc., and/or any other guarantee agency, provided that the Authority and the Master Trustee receive written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn as a result of such approved additional or substitute Guarantee Agency.

"Higher Education Act" shall mean Title IV, Part B, of the Higher Education Act of 1965, as amended, and the regulations thereunder.

"Highest Priority Bonds and Notes" shall mean, (i) at any time when Senior Bonds and Notes are Outstanding, the Senior Bonds and Notes, (ii) at any time when no Senior Bonds and Notes are Outstanding, the Subordinate Bonds and Notes, and (iii) at any time when no Senior Bonds and Notes or Subordinate Bonds and Notes are Outstanding, the Junior-Subordinate Bonds and Notes (and any priorities as between Junior-Subordinate Bonds and Notes as shall be established by Supplemental Bond Resolutions).

"Hold Order" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"Initial Auction Date" shall mean, with respect to the Series 1995A-1 Notes, December 5, 1995, and, with respect to the Series 1995A-2 Notes, May 30, 1996.

"Initial Auction Period" shall mean, with respect to the Series 1995A-1 Notes, the period commencing on the Date of Issuance thereof and continuing through December 5, 1995, and, with respect to the Series 1995A-2 Notes, the period commencing on the Date of Issuance thereof and continuing through May 31, 1996.

"Insufficient Funds Event" shall mean the failure of the Authority to deposit an amount sufficient to pay the interest on the Auction Rate Securities to the Tax-Exempt Repayment Account of the Student Loan Sinking Fund.

"Insurance" or "Insured" or "Insuring," shall mean, with respect to a Student Loan, the insuring by the Secretary (as evidenced by a certificate of insurance or other document or certification issued under the provisions of the Higher Education Act) of the maximum allowable percentage of the principal of and accrued interest on such Student Loan.

"Interest Benefit Payment" shall mean an interest payment on Eligible Loans received pursuant to the Higher Education Act and an agreement with the federal government, or any similar payments.

"Interest Coverage Requirement" shall mean, (i) with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, bearing interest at an Adjustable Rate with an Adjustable Rate Period of less than one year, an amount equal to interest accruing on such Series for whatever period is required by the Rating Agencies then rating such Series to permit such Rating Agencies to assign their highest short-term ratings to such Series at the Assumed Rate and (ii) with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, bearing interest at an Adjustable Rate with an Adjustable Rate Period of one year or more, an amount equal to interest accruing on such Series for whatever period is required by the Rating Agencies then rating such Series to permit such Rating Agencies to assign their highest liquidity Ratings to such Series at the Assumed Rate.

"Interest Payment Date" shall mean, with respect to each Series of Bonds or Notes, the dates established for the payment of interest on such Bonds or Notes in the Supplemental Bond Resolution authorizing the issuance such Bonds or Notes. The first Interest Payment Date for any Bonds or Notes shall be designated in the Supplemental Bond Resolution providing for the issuance thereof. The final Interest Payment Date for each Series of the Bonds and Notes shall be its corresponding Stated Maturity or earlier date of redemption or acceleration thereof, as the case may be. With respect to the Series 1995 Bonds and Notes, "Interest Payment Date" shall mean (i) with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes bearing interest at an Auction Rate, (A) for the Initial Auction Period, December 6, 1995 for the Series 1995A-1 Notes and June 1, 1996 for the Series 1995A-2 Bonds, (B) for an initial Auction Period immediately succeeding a Period Adjustment Date to an Auction Rate and all subsequent Auction Periods of 91 days or less, the Business Day immediately succeeding such Auction Period, (C) for an initial Auction Period immediately succeeding a Period Adjustment Date to an Auction Rate and all subsequent Auction Periods of more than 91 days, each 13th Wednesday (or, if the Auction Date is changed pursuant to the corresponding Supplemental Bond Resolution, the day of the week which is immediately succeeding the day of the week chosen as the Auction Date) after the first day of such Auction Period and the Business Day immediately succeeding such Auction Period and (D) for an Auction Rate mode with semi-annual payment dates, each June 1 and December 1 following the conversion to such mode, (ii) with respect to any Series 1995A-1 Notes or Series 1995A-2 Notes, as applicable, bearing interest at an Adjustable Rate, (A) with an Adjustable Rate Period of less than one year, the first Wednesday of each month, any Period Adjustment Date and the Conversion Date and (B) with an Adjustable Rate Period of one year or more, each March 1 and September 1, commencing on the March 1 or September 1 next following the first day of such Adjustable Rate Period, any Period Adjustment Date and the conversion Date, (iii) with respect to any Series 1995A-1 Notes or Series 1995A-2 Notes, as applicable, bearing interest at a Fixed Rate, each March 1 and September 1, commencing on the March 1 or September 1 next following the Conversion Date, and (iv) with respect to the

Series 1995B-1 Bonds and the Series 1995B-2 Bonds, each March 1 and September 1, commencing March 1, 1996.

"Interest Period" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, bearing interest at an Auction Rate or an Adjustable Rate, each period commencing on an Adjustment Date for and ending on the day before the next Adjustment Date, as established in accordance with the corresponding Supplemental Bond Resolution, or on a Conversion Date, as established in accordance with the corresponding Supplemental Bond Resolution.

"Interest Rate Services Agent" shall mean the agent appointed by the Authority to determine any Adjustable Rates and to remarket the Series 1995 Bonds and Notes upon any required remarketing thereof, initially Morgan Stanley & Co. Incorporated.

"Interest Rate Services Agreement" shall mean an Interest Rate Services Agreement between the Authority and a Interest Rate Services Agent, or any similar agreement entered into by the Authority with respect to the Series 1995 Bonds and Notes, in each case as originally executed and as from time to time amended or supplemented in accordance with the terms thereof and with the corresponding Supplemental Bond Resolution.

"Interest Rate Services Fee" shall mean the fees payable by the Authority pursuant to an Interest Rate Services Agreement.

"Investment Instructions" shall mean the investment instructions delivered to the Authority, the Master Trustee and the corresponding Series Trustee by Bond Counsel on the Date of Issuance for each Series of Tax-Exempt Bonds and Notes, and any amendments or supplements thereto.

"Investment Securities" shall mean 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 Act, for the moneys proposed to be invested (provided that the Authority may direct the Master Trustee or any Series Trustee in writing to exclude or limit any of the following):

(a) Governmental obligations;

(b) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 12 months or less with any bank, trust company, national banking association or other depository institution, including those of the Master Trustee or any Series Trustee, provided that, at the time of deposit or purchase such investment is rated "P-1" by Moody's;

(c) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 24 months or less, but more than 12 months, with any bank, trust company, national banking association or other depository institution, including those of the Master Trustee or any Series Trustee, provided that, at the time of deposit or purchase such investment is rated "A2" or higher by Moody's;

(d) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of more than 24 months with any bank, trust company, national banking association or other depository institution, including those of the Master Trustee or any Series Trustee, provided that, at the time of deposit or purchase such investment is rated "Aa2" or higher by Moody's;

(e) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation; the Export-Import Bank of the United States; the Federal National Mortgage Association; the Student Loan Marketing Association (but only the government sponsored enterprise thereof); the Farmers Home Administration; Federal Home Loan Banks provided such obligation is rated "Aaa" by Moody's; or any agency or instrumentality

of the United States of America which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;

(f) repurchase agreements and reverse repurchase agreements, other than overnight repurchase agreements and overnight reverse repurchase agreements, with banks, including the Master Trustee and any Series Trustee, which are members of the Federal Deposit Insurance Corporation or firms which are members of the Securities Investors Protection Corporation, in each case whose outstanding, unsecured debt securities are rated "Aa2" or higher by Moody's and, if commercial paper is outstanding, commercial paper which is rated "P-1" by Moody's;

(g) overnight repurchase agreements and overnight reverse repurchase agreements at least 101% collateralized by securities described in subparagraph (a) of this definition and with a counterparty, including the Master Trustee and any Series Trustee, that has senior debt rated "A2" or higher by Moody's and, if commercial paper is outstanding, commercial paper which is rated "P-1" by Moody's or a counterparty approved in writing by Moody's;

(h) investment agreements or guaranteed investment contracts, which may be entered into by and among the Authority, the Master Trustee or any Series Trustee and any bank, bank holding company, corporation or any other financial institution, including the Master Trustee and any Series Trustee, whose outstanding (a) commercial paper is rated "P-1" by Moody's for agreements or contracts with a maturity of 12 months or less; (b) unsecured long-term debt is rated "A2" or higher by Moody's and, if commercial paper is outstanding, commercial paper which is rated "P-1" by Moody's for agreements or contracts with a maturity of 24 months or less, but more than 12 months, or (c) unsecured long-term debt which is rated "Aa2" or higher by Moody's and, if commercial paper is outstanding, commercial paper which is rated "P-1" by Moody's for agreements or contracts with a maturity of more than 24 months, or, in each case, by an insurance company whose claims-paying ability is so rated;

(i) "Tax exempt bonds" as defined in Section 150(a)(6) of the Code, other than "specified private activity bonds" as defined in Section 57(a)(5)(C) of the Code, that are rated in the highest category by Moody's for long-term or short-term debt or shares of a so-called money market mutual fund rated "Aa2" or higher by Moody's that do not constitute "investment property" within the meaning of Section 148(b)(2) of the Code, provided that the fund has all of its assets invested in obligations of such rating quality.

(j) Commercial paper, including that of the Master Trustee or any Series Trustee, which is rated in the single highest classification, "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(k) Investments in a money market fund rated at least "Aa2" by Moody's, including funds for which the Master Trustee or any Series Trustee or an affiliate thereof acts as investment advisor or provides other similar services; and

(l) any other investment (including without limitation any Trust Estate Collateral Investment Agreement, if any) as to which the Authority and the Master Trustee receive written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn due to such investment.

"ISDA Master Agreement" shall mean the ISDA Interest Rate and Currency Exchange Agreement, copyright 1992, as amended from time to time, and as in effect with respect to any Swap Agreement.

"*Junior-Subordinate Bonds and Notes*" shall mean Bonds and Notes designated as "Junior-Subordinate Bonds" or "Junior-Subordinate Notes" pursuant to the Supplemental Bond Resolutions authorizing the issuance of such Bonds and Notes, the principal of and interest on which is payable on a subordinated basis to the payment of the principal of and interest on the Senior Bonds and Notes and the Subordinate Bonds and Notes; provided, however, that any Series of the Junior-Subordinate Bonds and Notes need not necessarily be payable on a parity with all other Series of the Junior-Subordinate Bonds and Notes.

"*Junior-Subordinate Obligations*" shall mean Junior-Subordinate Bonds and Notes and any Authority Swap Payments, the priority of payment of which is equal with that of Junior-Subordinate Bonds and Notes.

"*Letter of Credit*" shall mean any direct-pay irrevocable letter of credit, committed line of credit, surety bond or standby bond purchase agreement, or any combination of the foregoing issued by a Bank to the Series 1995 Trustee for the account of the Authority pursuant to a Reimbursement Agreement, as the same may be amended from time to time in accordance with the terms of a Reimbursement Agreement and the corresponding Supplemental Bond Resolution, the aggregate Available Amount of which is not less than the aggregate principal amount of all Series 1995A-1 Notes or Series 1995A-2 Notes, as applicable, secured by such Letter of Credit and bearing interest at an Adjustable Rate then Outstanding plus the Interest Coverage Requirement with respect to such principal amount of such Series bearing interest at an Adjustable Rate; provided that if at any time more than one Letter of Credit shall be in effect, all such Letters of Credit shall be issued by the same bank or banks; and provided further that any substitute Letter of Credit shall have a term of not less than twelve (12) months (except that any Letter of Credit may provide that it shall terminate on the effective date of any substitute Letter of Credit delivered to the Series 1995 Trustee) and when delivered to the Series 1995 Trustee shall be accompanied by (i) a written statement of each Rating Agency then rating such Series bearing interest at an Adjustable Rate, to the effect that its then-effective Rating on such Series assigned by such Rating Agency will not be reduced or withdrawn as a result of the delivery of such substitute Letter of Credit, and (ii) an opinion of Bond Counsel to the effect that such substitution of the Letter of Credit is authorized or permitted under the corresponding Supplemental Bond Resolution and will not, of itself, cause interest on the Tax-Exempt Bonds and Notes to be subject to federal income taxation.

"*Letter of Credit Fees*" shall mean the amounts payable by the Authority to the Bank, other than for reimbursement of drawings on the Letter of Credit for the purpose of paying principal of, premium, if any, or interest on Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, pursuant to the Reimbursement Agreement.

"*Long Rate*" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, the rate of interest borne by such Series during any Long Rate Period.

"*Long Rate Period*" shall mean an Adjustable Rate Period of not less than ninety (90) days.

"*Mandatory Tender Date*" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, any Period Adjustment Date, any Conversion Date or any date on which the Letter of Credit with respect to such Series is replaced by a Letter of Credit issued by a different Bank.

"*Market Agent*" shall mean Morgan Stanley & Co. Incorporated or another market agent or market agents designated in accordance with the terms of the corresponding Supplemental Bond Resolution, and its or their successors or assigns.

"*Market Agent Agreement*" shall mean, collectively, the Market Agent Agreements, dated as of November 1, 1995, between the Series 1995 Trustee and the Market Agent, and any similar agreement with a successor Market Agent in each case as from time to time amended or supplemented.

"*Master Bond Resolution*" shall mean the Master Bond Resolution adopted by the trustees of the Authority on November \_\_, 1995, and all supplements and amendments thereto, including, but not limited to, every Supplemental Bond Resolution.

"*Master Purchaser Letter*" shall mean with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, bearing interest at an Auction Rate, a letter substantially in the form attached to the Auction Agency Agreement, addressed to, among others, the Authority, the Auction Agent and a Broker-Dealer.

"*Master Trust Agreement*" shall mean the agreement entered in to between the Authority and the Master Trustee.

"*Master Trustee*" shall mean Boatmen's First National Bank of Oklahoma, Oklahoma City, Oklahoma, or any other bank or trust company at any time substituted in its place pursuant to the Master Bond Resolution.

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

"*Maximum Auction Rate*" shall mean the least of:

(i) the Applicable Percentage multiplied by the greater of (a) the After-Tax Equivalent Rate or (b) the PSA Municipal Swap Index; or

(ii) the bond equivalent rate of the 91-day Treasury Bill as of the most recent auction thereof plus 1.5%; or

(iii) lesser of 16% per annum or the maximum rate permitted by State law.

"*Maximum Rate*" shall mean the lesser of (a) 16% per annum or (b) the maximum rate of interest permitted under State law.

"*Monthly Rate*" shall mean, with respect to the Series 1995A-1 Notes and the Series 1995A-2 Notes, as applicable, the rate of interest borne by such Series during any Monthly Rate Period.

"*Monthly Rate Period*" shall mean an Adjustable Rate Period which begins on the first Wednesday of a calendar month and ends on the first Tuesday of the next succeeding calendar month.

"*Moody's*" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Master Trustee and any corresponding Series Trustee.

"*No Arbitrage Certificate*" shall mean the certificates of the Authority, dated each Date of Issuance, relating to the use of proceeds of the Tax-Exempt Bonds and Notes and which set forth the grounds for the Authority's belief that the Tax-Exempt Bonds and Notes are not "arbitrage bonds" within the meaning of the Code, including the exhibits and schedules attached thereto.

"*Note*" or "*Notes*" shall mean one or more of the notes authorized by the Act and authenticated and delivered pursuant to the Master Bond Resolution.

"*Notice and Demand*" shall mean a notice of the tender of Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, bearing interest at an Adjustable Rate, as more fully set forth in the corresponding Supplemental Bond Resolution.

"*Notice of Change in Interest Rate*" shall mean a notice from the Authority delivered to the Master Trustee, the Series 1995 Trustee, the Auction Agent, the Broker-Dealer and the Securities Depository at least thirty days prior to a proposed Period Adjustment Date or Conversion Date to the effect that the Authority has determined to change the interest rate mode for the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, subject to adjustment and has established a Period Adjustment Date or Conversion Date for such change.

"*Obligations*" shall mean, collectively, the Senior Obligations, the Subordinate Obligations and the Junior-Subordinate Obligations.

"*Order*" shall have the ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"*Outstanding*" shall mean, when used in connection with any Bond or Note, a Bond or Note which has been executed and delivered pursuant to the Master Bond Resolution which at such time remains unpaid as to principal or interest, when used in connection with a Swap Agreement, a Swap Agreement which has not expired or been terminated, and when used in connection with a Trust Estate Collateral Investment Agreement, a Trust Estate Collateral Investment Agreement under which amounts can still be demanded by the Trust Estate Collateral Investment Counterparty, unless in all cases provision has been made for such payment pursuant to the Master Bond Resolution, excluding Bonds and Notes which have been replaced pursuant to the Master Bond Resolution.

"*Overdue Rate*" shall mean on any date of determination, a rate per annum equal to the least of (a) 265% of the PSA Municipal Swap Index or (b) 16% per annum or (c) the maximum rate permitted by State law.

"*Participant*" shall mean a financial institution for whom the Securities Depository effects book-entry transfers.

"*Payment Default*" shall mean (i) a default by the Authority in the due and punctual payment of any installment of interest on any of the Bonds and Notes at the time outstanding under the Master Bond Resolution or (ii) a default by the Authority in the due and punctual payment of the principal or premium, if any, on any of the Outstanding Bonds or Notes at their maturity or upon sinking fund redemption.

"*Period Adjustment Date*" shall mean as to the Series 1995A-1 Notes or the Series 1995A-2 Bonds, as applicable: the first day of any Interest Period for such Series unless such Interest Period and the immediately preceding Interest Period are both Daily Rate Periods, Weekly Rate Periods, Monthly Rate Periods or Auction Periods; provided, that a Period Adjustment Date shall occur on any Business Day.

"*Person*" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"*Placement*" shall mean a successful remarketing of the Series 1995A-1 Notes or the Series 1995A-2 Notes subject to such remarketing.

"*Portfolio Yield*" shall mean, with respect to Financed Eligible Loans allocable to any Series of Tax-Exempt Bonds and Notes, the composite yield on the date of calculation of the portfolio of such Financed Eligible Loans computed in accordance with the No Arbitrage Certificate, assuming no additional Eligible Loans are acquired and allocable to such Series of Tax-Exempt Bonds and Notes.

"*Potential Holder*" shall have the meaning ascribed to such term under the caption "AUCTION AGENT MEMBERS-Existing Holders and Potential Holders" in Appendix G to this Official Statement.

"*Program*" shall mean the Authority's program for originating, purchasing or financing Student Loans with proceeds of the Bonds and Notes.

"*Program Expenses*" shall mean the fees and expenses of the Master Trustee, any Series Trustee, any auction agent, any broker-dealer, any remarketing agent, any Series Co-Paying Agent, any Series Registrar, any Series Authenticating Agent, any securities depository and any co-registrar or transfer agent appointed thereunder and fees, payments and expenses payable with respect to the Rating Agencies, legal counsel, any rebate consultant, accountant's fees and the Cash Flow Consultant's fees, in each case as such fees and expenses are related to the Master Bond Resolution, but excluding Administrative Expenses and Servicing Fees. In addition, the term "Program Expenses" shall include Interest Rate Services Fees, Letter of Credit Fees, Auction Agent Fees, Market Agent fees and Broker-Dealer Fees.

"PSA" shall mean the Public Securities Association, its successors and assigns.

"*PSA Municipal Swap Index*" shall mean on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the PSA or any Person acting in cooperation with or under the sponsorship of PSA and acceptable to the Market Agent, and effective from such date.

"*Rate Determination Date*" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, any date on which the rate of interest to be borne by such Series for the succeeding Interest Period is determined in accordance with the corresponding Supplemental Bond Resolution. If a scheduled Rate Determination Date is not a Business Day, the Rate Determination Date shall be the next succeeding Business Day.

"*Rating*" shall mean one of the rating categories of Moody's, S&P or Fitch or any other Rating Agency, provided Moody's, S&P, Fitch or any other Rating Agency, as the case may be, is currently rating the Bonds or Notes.

"*Rating Agencies*" shall mean Fitch, Moody's and S&P, if and to the extent such entity is then rating the Bonds or Notes at the request of the Authority, and any other rating service requested by the Authority to rate any Bonds or Notes.

"*Rebate Amount*" shall mean the amount computed in accordance with a Tax Regulatory Agreement.

"*Rebate Fund*" shall mean the Fund by that name established by the Master Bond Resolution. See the caption "REVENUES AND FUNDS-Rebate Fund" in this Appendix A.

"*Record Date*" shall mean the Record Date established for each Series of the Bonds or Notes established in the Supplemental Bond Resolution authorizing such Series of Bonds or Notes. With respect to the Series 1995 Bonds and Notes, the term "Record Date" shall mean, (i) with respect to the Series 1995A-1 Notes and the Series 1995A-2 Notes bearing interest at an Auction Rate, the Business Day before an Interest Payment Date occurring during an Auction Rate Period, an Auction Date, a Period Adjustment Date or the Conversion Date, (ii) with respect to any Series 1995A-1 Notes or Series 1995A-2 Notes bearing interest at an Adjustable Rate, the tenth (10th) day preceding each Interest Payment Date for such Series and (iii) with respect to any Series 1995 Bonds and Notes bearing interest at a Fixed Rate, the fifteenth day of the calendar month preceding each Interest Payment Date.

"*Recoveries of Principal*" shall mean (unless determined otherwise in the Supplemental Bond Resolution pursuant to which particular Bonds or Notes were issued) all amounts received by or on behalf of the Authority or by the Master Trustee or any Series Trustee for the account of the Authority from or on account of any Financed Eligible Loan (or other student loans pledged pursuant to a Supplemental Bond Resolution) as a recovery of the principal amount thereof, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from the sale, assignment, transfer, reallocation or other disposition

of a Financed Eligible Loan and any payments representing such principal from claim payments on the guarantee or insurance proceeds of any Financed Eligible Loan (or any other such student loan), but excludes any Claim Adjustments relating to principal on an Eligible Loan and any Recoveries of Principal released from the lien of the Trust Estate as provided in the Master Bond Resolution.

"Redemption Price," when used with respect to a Bond or Note or portion thereof to be redeemed, shall mean the principal amount of such Bond or Note or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Master Bond Resolution and the corresponding Supplemental Bond Resolution. With respect to the Series 1995 Bonds and Notes, the term "Redemption Price" shall mean the principal amount of the Series 1995 Bonds and Notes being redeemed.

"Refunding Bonds or Notes" shall mean any Bonds or Notes authenticated in accordance with the Master Bond Resolution, the proceeds of which are used to refund any Bonds or Notes.

"Registered Owner" shall mean the Person in whose name a Bond or Note is registered on the registration books maintained by the corresponding Series Trustee, and shall also mean with respect to a Swap Agreement or a Trust Estate Collateral Investment Agreement, any Swap Counterparty and any Trust Estate Collateral Investment Counterparty, respectively, unless the context otherwise requires.

"Regulations" shall mean the Regulations promulgated from time to time by the Secretary or any Guarantee Agency.

"Reimbursement Agreement" shall mean any reimbursement agreement between the Authority and a Bank, approved as to form and execution by the trustees of the Authority and entered into from time to time by the Authority, providing for the issuance of a Letter of Credit with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, in each case as such agreement is originally executed and as the same may from time to time be amended or supplemented in accordance with its terms and with the corresponding Supplemental Bond Resolution.

"Revenues" shall mean (unless determined otherwise in the Supplemental Bond Resolution pursuant to which particular Bonds or Notes were issued) all payments, proceeds, charges and other income received by or on behalf of the Authority or by the Master Trustee or any corresponding Series Trustee for the account of the Authority from or on account of any Financed Eligible Loan or any other student loan acquired by the Authority by the expenditure of amounts in the Student Loan Fund and held by the Master Trustee or any corresponding Series Trustee as part of the Trust Estate or a result of the sale or alienation thereof, including scheduled, delinquent and advance payments, payouts or prepayments of, and any Guarantee or Insurance proceeds with respect to, interest, including any Interest Benefit Payments, on any Guarantee or principal on any Financed Eligible Loan or other student loan and any Special Allowance Payments received by the Master Trustee, any corresponding Series Trustee, the Authority or a Servicer with respect to any Financed Eligible Loan or any other student loans and all interest earned or gain realized from the investment of amounts in any Fund or Account (other than amounts credited or required to be deposited to the Rebate Fund) and all payments received by the Authority pursuant to a Swap Agreement, but excludes Recoveries of Principal, Claim Adjustments relating to interest on an Eligible Loan and any Revenues released from the lien of the Trust Estate as provided in the Master Bond Resolution.

"Secretary" shall mean the Secretary of the United States Department of Education, or any successor to the functions thereof under the Higher Education Act, or when the context so requires, the former Commissioner of Education of the former United States Department of Health, Education and Welfare.

"Securities Depository" shall mean The Depository Trust Company and its successors and assigns or if, (i) the then Securities Depository resigns from

its functions as depository of the Series 1995 Bonds and Notes or (ii) the Authority discontinues use of the Securities Depository, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Series 1995 Bonds and Notes and which is selected by the Authority with the consent of the Series 1995 Trustee.

"*Sell Order*" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES—Submission of Orders" in Appendix G to this Official Statement.

"*Senior Bonds and Notes*" shall mean the Bonds and Notes designated as "Senior Bonds" or "Senior Notes" pursuant to the Supplemental Bond Resolutions authorizing the issuance of such Bonds and Notes.

"*Senior Obligations*" shall mean Senior Bonds and Notes, any Authority Swap Payment, the priority of payment of which is equal with that of Senior Bonds and Notes, and any Trust Estate Collateral Investment Agreement.

"*Serial Bonds or Notes*" shall mean the Bonds or Notes of any Series so designated in a Supplemental Bond Resolution.

"*Series*" shall mean any Series of Bonds or Notes authorized by a Supplemental Bond Resolution.

"*Series Authenticating Agent*" shall mean, with respect to any specific Series of Bonds and Notes, the corresponding Series Trustee or such other entity appointed as such pursuant to a Supplemental Bond Resolution, and any successor or successors appointed in the manner provided in the Master Bond Resolution. The Series Authenticating Agent with respect to each Series of the Series 1995 Bonds and Notes is initially the Series 1995 Trustee.

"*Series Co-Paying Agent*" shall mean, with respect to any specific Series of Bonds and Notes, any commercial bank or trust company designated pursuant to the Master Bond Resolution or any Supplemental Bond Resolution to serve as a paying agency or place of payment of the principal of and interest on such Series of Bonds and Notes. There are initially no Series Co-Paying Agents for the Series 1995 Bonds and Notes.

"*Series Debt Service Reserve Requirement*" shall mean, for each Series of the Bonds and Notes, the amount required by the Supplemental Bond Resolution authorizing the issuance and delivery of such Series of Bonds or Notes to remain on deposit in the corresponding Subaccount of the Debt Service Reserve Account of the Student Loan fund while such Series of Bonds or Notes are Outstanding. With respect to the Series 1995 Bonds and Notes, the "Series Debt Service Reserve Requirement" is an amount equal to 2% of the principal amount of the Series 1995 Bonds and Notes then Outstanding.

"*Series Loan Subaccount*" shall mean each Subaccount established within the Tax-Exempt Loan Account or the Taxable Loan Account of the Student Loan Fund pursuant to a Supplemental Bond Resolution and corresponding to a specific Series of the Bonds or Notes. See the caption "REVENUES AND FUNDS—Student Loan Fund" in this Appendix A.

"*Series 1995 Bonds and Notes*" shall mean, collectively, the Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Senior Notes, Series 1995A-1, the Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Senior Notes, Series 1995A-2, the Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Subordinate Bonds, Series 1995B-1 and the Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Subordinate Bonds, Series 1995B-2.

"*Series 1995 Financed Eligible Loans*" shall mean the Eligible Loans originated or acquired with moneys on deposit in the Series 1995 Loan Subaccount of the Tax-Exempt Loan Account of the Student Loan Fund.

"Series 1995 Loan Subaccount" shall mean the Series Loan Subaccount established with the Master Trustee relating to the Series 1995 Bonds and Notes. See the caption "REVENUES AND FUNDS-Student Loan Fund" in this Appendix A.

"Series 1995 Tax Regulatory Agreement" shall mean the Series 1995 Tax Regulatory Agreement, dated as of November 1, 1995, among the Master Trustee, the Series 1995 Trustee and the Authority, as amended and supplemented.

"Series 1995 Trust Agreement" shall mean the Series 1995 Trust Agreement, dated as of November 1, 1995, between the Series 1995 Trustee and the Authority, as amended and supplemented.

"Series 1995 Trustee" shall mean Boatmen's First National Bank of Oklahoma, which has been appointed the Series Trustee, the Series Registrar and the Series Authenticating Agent for the Series 1995 Bonds and Notes pursuant to Supplemental Bond Resolutions corresponding to the Series 1995 Bonds and Notes and pursuant to the Series 1995 Trust Agreement.

"Series 1995A-1 Notes" shall mean the Notes of the Authority designated "Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Senior Notes, Series 1995A-1."

"Series 1995A-1 Principal Subaccount" shall mean the Series Principal Subaccount with respect to the Series 1995A-1 Notes. See the caption "REVENUES AND FUNDS-Student Loan Sinking Fund" in this Appendix A.

"Series 1995A-1 Supplemental Bond Resolution" shall mean the Series 1995A-1 Supplemental Bond Resolution adopted on November \_\_, 1995 by the trustees of the Authority, amending and supplementing the Master Bond Resolution.

"Series 1995A-2 Notes" shall mean the Notes of the Authority designated "Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Senior Notes, Series 1995A-2."

"Series 1995A-2 Principal Subaccount" shall mean the Series Principal Subaccount with respect to the Series 1995A-2 Notes. See the caption "REVENUES AND FUNDS-Student Loan Sinking Fund" in this Appendix A.

"Series 1995A-2 Supplemental Bond Resolution" shall mean the Series 1995A-2 Supplemental Bond Resolution adopted on November \_\_, 1995 by the trustees of the Authority, amending and supplementing the Master Bond Resolution.

"Series 1995B-1 Bonds" shall mean the Bonds of the Authority designated "Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Subordinate Bonds, Series 1995B-1."

"Series 1995B-1 Principal Subaccount" shall mean the Series Principal Subaccount with respect to the Series 1995B-1 Bonds. See the caption "REVENUES AND FUNDS-Student Loan Sinking Fund" in this Appendix A.

"Series 1995B-1 Supplemental Bond Resolution" shall mean the Series 1995B-1 Supplemental Bond Resolution adopted on November \_\_, 1995 by the trustees of the Authority, amending and supplementing the Master Bond Resolution.

"Series 1995B-2 Bonds" shall mean the Bonds of the Authority designated "Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Subordinate Bonds, Series 1995B-2."

"Series 1995B-2 Principal Subaccount" shall mean the Series Principal Subaccount with respect to the Series 1995B-2 Bonds. See the caption "REVENUES AND FUNDS-Student Loan Sinking Fund" in this Appendix A.

"Series 1995B-2 Supplemental Bond Resolution" shall mean the Series 1995B-2 Supplemental Bond Resolution adopted on November \_\_, 1995 by the trustees of the Authority, amending and supplementing the Master Bond Resolution.

*"Series Principal Subaccount"* shall mean each Subaccount established within the Tax-Exempt Repayment Account or the Taxable Repayment Account of the Student Loan Sinking Fund pursuant to a Supplemental Bond Resolution and corresponding to a specific Series of the Bonds or Notes. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund" in this Appendix A.

*"Series Registrar"* shall mean, with respect to a particular Series of Bonds or Notes, the corresponding Series Trustee or such other entity appointed as such pursuant to a Supplemental Bond Resolution to keep the Authority's books for the registration and transfer of such Series of Bonds and Notes, and any successor or successors appointed in the manner provided in the Master Bond Resolution. The Series Registrar with respect to each Series of the Series 1995 Bonds and Notes is initially the Series 1995 Trustee.

*"Series Trust Agreement"* shall mean with respect to a Series of Bonds or Notes, the agreement corresponding to such Series of Bonds or Notes entered in to between the Authority and the corresponding Series Trustee.

*"Series Trustee"* shall mean, with respect to a particular Series of Bonds and Notes, the bank or trust company designated to act as such in the Supplemental Bond Resolution pursuant to which such Bonds and Notes were issued and any other person at any time substituted in its place pursuant to the Master Bond Resolution and the corresponding Supplemental Bond Resolution. The Series Trustee with respect to each Series of the Series 1995 Bonds and Notes is initially the Series 1995 Trustee.

*"Servicer"* shall mean the Authority, acting as the servicer of the Financed Eligible Loans and any other entity appointed by the Authority as a servicer with respect to Financed Eligible Loans upon the receipt by the Authority and the Master Trustee of written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of the appointment of such Servicer.

*"Servicing Agreement"* shall mean, collectively, each servicing agreement between the Authority and a Servicer under which the Servicer agrees to act as the Authority's agent in administering and collecting Financed Eligible Loans in accordance with the Master Bond Resolution and any amendments thereto.

*"Servicing Fees"* shall mean any fees payable by the Authority to a Servicer (including the Authority) in respect of Financed Eligible Loans.

*"Sinking Fund Installment"* shall mean, as of any particular date of calculation and with respect to any Series of Bonds or Notes, the amount of money required to be applied, on any Bond Payment Date, as the Redemption Price of Bonds or Notes prior to their Stated Maturity pursuant to the Supplemental Bond Resolution corresponding to such Series, as such Sinking Fund Installment shall have been previously reduced by the principal amount of any Bonds or Notes of such Series of the Stated Maturity with respect to which such Sinking Fund Installment is payable which are purchased by the corresponding Series Trustee in accordance with the provisions of the Master Bond Resolution.

*"S&P"* shall mean Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Master Trustee and any corresponding Series Trustee.

*"Special Allowance Payments"* shall mean 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.

"*Special Record Date*" shall mean the day established by the Master Trustee in accordance with the Master Bond Resolution on which payment of defaulted interest will be determined to be made or made to any Registered Owner.

"*Standard Auction Period*" shall mean, with respect to the Series 1995A-1 Notes, an Auction Period of 35 days following the Initial Auction Period, and, with respect to the Series 1995A-2 Notes, an Auction Period of one year (365 or 366 days, as appropriate) following the Initial Auction Period.

"*State*" shall mean the State of Oklahoma, which is in addition the beneficiary of the Authority.

"*State Guarantee Agency*" shall mean the Oklahoma State Regents for Higher Education, an agency of the State which administers the Student Educational Assistance Fund established pursuant to Title 70, Oklahoma Statutes 1991, Sections 622 and 623, as amended.

"*Stated Maturity*" shall mean the date specified in the Bonds and Notes as the fixed date on which principal of such Bonds and Notes is due and payable. The Stated Maturity for the Series 1995A-1 Notes, the Series 1995A-2 Notes and the Series 1995B-2 Bonds is September 1, 2025. The Stated Maturity for the Series 1995B-1 Bonds is September 1, 2008.

"*Statutory Corporate Tax Rate*" shall mean, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in Section 11 of the Code or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year, which on the Date of Issuance of the Series 1995 Bonds and Notes is 0.35.

"*Student Loan*" shall mean a loan to a person for post secondary education authorized to be made or acquired by the Authority pursuant to the Act.

"*Student Loan Fund*" shall mean the fund by that name established pursuant to Section 695.5 of the Act, continued by the Master Bond Resolution. See the caption "REVENUES AND FUNDS-Student Loan Fund" in this Appendix A.

"*Student Loan Purchase Agreement*" shall mean a loan purchase agreement entered into for the purchase of Eligible Loans.

"*Student Loan Sinking Fund*" shall mean the fund by that name established pursuant to Section 695.6 of the Act, continued by the Master Bond Resolution. See the caption "REVENUES AND FUNDS-Student Loan Sinking Fund" in this Appendix A.

"*Subaccount*" shall mean any subaccount created and designated within an Account or Fund pursuant to the terms of the Master Bond Resolution.

"*Submission Deadline*" shall mean 12:30 p.m. (New York City time) on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit orders to the Auction Agent as specified by the Auction Agent from time to time.

"*Submitted Bid*" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"*Submitted Hold Order*" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"*Submitted Order*" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"Submitted Sell Order" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"Subsequent Auction Period" shall mean an Auction Period succeeding an Initial Auction Period.

"Sufficient Clearing Bids" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES-Submission of Orders" in Appendix G to this Official Statement.

"Subordinate Bonds and Notes" shall mean the Bonds and Notes designated as "Subordinate Bonds" or "Subordinate Notes" pursuant to the Supplemental Bond Resolutions authorizing the issuance of such Bonds and Notes, the principal of and interest on which is payable on a superior basis to the payment of the principal of and interest on the Junior-Subordinate Bonds and Notes but on a subordinated basis to the payment of the principal of and interest on the Senior Bonds and Notes.

"Subordinate Obligations" shall mean Subordinate Bonds and Notes and any Authority Swap Payment, the priority of payment of which is equal with that of Subordinate Bonds and Notes.

"Supplemental Bond Resolution" shall mean any Supplemental Bond Resolution adopted by the Authority, authorizing and providing for the issuance of an Series of Bonds and/or Notes.

"Swap Agreement" shall mean a written contract or agreement between the Authority and a Swap Counterparty, which provides that the Authority's obligations thereunder will be conditioned on the absence of (i) a failure by the Swap Counterparty to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Swap Counterparty, and:

(a) under which the Authority is obligated to pay (whether on a net payment basis or otherwise) on one or more scheduled and specified Swap Payment Dates, the Authority Swap Payments in exchange for the Swap Counterparty's obligation to pay (whether on a net payment basis or otherwise), or to cause to be paid, to the Authority, Swap Payments on one or more scheduled and specified Swap Payment Dates in the amounts set forth in the Swap Agreement;

(b) for which the Authority's obligation to make Authority Swap Payments may be secured by a pledge of and lien on the Trust Estate on an equal and ratable basis with any class of the Authority's Outstanding Bonds and Notes and which Authority Swap Payments may be equal in priority with any priority classification of the Authority's Outstanding Bonds and Notes; and

(c) under which Counterparty Swap Payments are to be made directly to the Master Trustee for deposit into the Student Loan Sinking Fund.

See the caption "SWAP AGREEMENTS" in this Appendix A for a further description of Swap Agreements.

"Swap Counterparty" shall mean a third party which, at the time of entering into a Swap Agreement, has at least an "Aa2/P-1" rating, or its equivalent, from Moody's, and which is obligated to make Counterparty Swap Payments under a Swap Agreement. See the caption "SWAP AGREEMENTS" in this Appendix A.

"Swap Payment Date" shall mean, with respect to a Swap Agreement, any date specified in the Swap Agreement on which both or either of the Authority Swap Payment and/or a Counterparty Swap Payment is due and payable under the Swap Agreement.

"Swap Value" shall mean the value of the Swap Agreement, if any, to the Swap Counterparty, provided that such value is defined and calculated in substantially the same manner as amounts are defined and calculated pursuant to the applicable provisions of an ISDA Master Agreement.

"Tax Regulatory Agreement" shall mean, collectively, the Tax Regulatory Agreements entered into among the Authority, the Master Trustee and the corresponding Series Trustee with respect to each Series of Tax-exempt Bond and Notes, as each are amended or supplemented.

"Taxable Loan Account" shall mean the Account by that name established within the Student Loan Fund pursuant to the Master Bond Resolution. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund" in this Appendix A.

"Taxable Bonds and Notes" shall mean the Bonds and Notes issued and delivered pursuant to the Master Bond Resolution and the corresponding Supplemental Bond Resolution, the interest on which does not purport to be excluded from the federal gross income of the Registered Owners thereof.

"Taxable Debt Service Reserve Subaccount" shall mean the Subaccount by that name established within the Debt Service Reserve Account pursuant to the Master Bond Resolution. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Debt Service Reserve Account" in this Appendix A.

"Taxable Junior-Subordinate Bonds and Notes" shall mean Junior-Subordinate Bonds and Notes which are Taxable Bonds and Notes.

"Taxable Junior-Subordinate Interest Subaccount" shall mean the Subaccount by that name established within the Taxable Repayment Account for the purpose of paying the accrued interest on the Taxable Junior-Subordinate Bonds and Notes and any Authority Swap Payments secured on a parity with the Taxable Junior-Subordinate Bonds and Notes. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Taxable Repayment Account" in this Appendix A.

"Taxable Repayment Account" shall mean the Account by that name established within the Student Loan Sinking Fund pursuant to the Master Bond Resolution. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Taxable Repayment Account" in this Appendix A.

"Taxable Senior Bonds and Notes" shall mean Senior Bonds and Notes which are Taxable Bonds and Notes.

"Taxable Senior Interest Subaccount" shall mean the Subaccount by that name established within the Taxable Repayment Account for the purpose of paying the accrued interest on the Taxable Senior Bonds and Notes and any Authority Swap Payments secured on a parity with the Taxable Senior Bonds and Notes. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Taxable Repayment Account" in this Appendix A.

"Taxable Subordinate Bonds and Notes" shall mean Subordinate Bonds and Notes which are Taxable Bonds and Notes.

"Taxable Subordinate Interest Subaccount" shall mean the Subaccount by that name established within the Taxable Repayment Account for the purpose of paying the accrued interest on the Taxable Subordinate Bonds and Notes and any Authority Swap Payments secured on a parity with the Taxable Subordinate Bonds and Notes. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Taxable Repayment Account" in this Appendix A.

"Tax-Exempt Loan Account" shall mean the Account by that name created within the Student Loan Fund pursuant to the Master Bond Resolution. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund" in this Appendix A.

"*Tax-Exempt Bonds and Notes*" shall mean the Bonds and Notes issued pursuant to the Master Bond Resolution and the corresponding Supplemental Bond Resolution which do not constitute Taxable Bonds and Notes.

"*Tax-Exempt Debt Service Reserve Subaccount*" shall mean the Subaccount by that name created within the Debt Service Reserve Account pursuant to the Master Bond Resolution. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Debt Service Reserve Account" in this Appendix A.

"*Tax-Exempt Junior-Subordinate Interest Subaccount*" shall mean the Subaccount by that name established within the Tax-Exempt Repayment Account for the purpose of paying the accrued interest on the Tax-Exempt Junior-Subordinate Bonds and Notes and any Authority Swap Payments secured on a parity with the Tax-Exempt Junior-Subordinate Bonds and Notes. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Tax-Exempt Repayment Account" in this Appendix A.

"*Tax-Exempt Junior-Subordinate Bonds and Notes*" shall mean Junior-Subordinate Bonds and Notes which are Tax-Exempt Bonds and Notes.

"*Tax-Exempt Repayment Account*" shall mean the Account by that name created within the Student Loan Sinking Fund pursuant to the Master Bond Resolution. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Tax-Exempt Repayment Account" in this Appendix A.

"*Tax-Exempt Senior Bonds and Notes*" shall mean Senior Bonds and Notes which are Tax-Exempt Bonds and Notes.

"*Tax-Exempt Senior Interest Subaccount*" shall mean the Subaccount by that name established within the Tax-Exempt Repayment Account for the purpose of paying the accrued interest on the Tax-Exempt Senior Bonds and Notes and any Authority Swap Payments secured on a parity with the Tax-Exempt Senior Bonds and Notes. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Tax-Exempt Repayment Account" in this Appendix A.

"*Tax-Exempt Subordinate Bonds and Notes*" shall mean Subordinate Bonds and Notes which are Tax-Exempt Bonds and Notes.

"*Tax-Exempt Subordinate Interest Subaccount*" shall mean the Subaccount by that name established within the Tax-Exempt Repayment Account for the purpose of paying the accrued interest on the Tax-Exempt Subordinate Bonds and Notes and any Authority Swap Payments secured on a parity with the Tax-Exempt Subordinate Bonds and Notes. See the caption "REVENUES AND FUNDS—Student Loan Sinking Fund—Tax-Exempt Repayment Account" in this Appendix A.

"*Term Bonds or Notes*" shall mean the Bonds or Notes of any Series so designated in a Supplemental Bond Resolution.

"*Termination Date*" means the date on which the Letter of Credit is terminated in accordance with the terms and provisions of the related Reimbursement Agreement.

"*Trust Estate*" shall mean the property described under the caption "SECURITY AND SOURCES OF PAYMENT—Trust Estate" in the body of this Official Statement.

"*Trust Estate Collateral Investment*" shall mean an investment of moneys or other arrangement granting a security interest in the Trust Estate pursuant to the terms and provisions of a Trust Estate Collateral Investment Agreement and further described under the caption "TRUST ESTATE COLLATERAL INVESTMENT AGREEMENTS" in this Appendix A.

"*Trust Estate Collateral Investment Agreement*" shall mean an agreement entered into between the Master Trustee, at the direction of the Authority, and a Trust Estate Collateral Investment Counterparty providing for an investment

of moneys in the Trust Estate pursuant to the terms and provisions thereof and further described under the caption "TRUST ESTATE COLLATERAL INVESTMENT AGREEMENTS" in this Appendix A.

"Trust Estate Collateral Investment Amount" shall mean the maximum amount of the Trust Estate Collateral Investment that may be outstanding under any particular Trust Estate Collateral Investment Agreement.

"Trust Estate Collateral Investment Counterparty" shall mean a Person, including without limitation an affiliate of the Authority, that has entered into a Trust Estate Collateral Investment Agreement with the Master Trustee at the direction of the Authority.

"Trust Indenture" shall mean that certain trust indenture dated as of the 2nd day of August 1972, providing for the establishment of the Authority pursuant to the Act, for the benefit of the State and the beneficial interest was accepted by the Governor of the State on August 2, 1972.

"Value" on any calculation date when required under the Master Bond Resolution shall mean the value of the Trust Estate calculated by the Authority as to (a) below and by the Master Trustee and any corresponding Series Trustee as to (b) through (e), inclusive, below, as follows:

(a) with respect to any Eligible Loan, the unpaid principal amount thereof plus any accrued but unpaid interest, Interest Benefit Payments and Special Allowance Payments;

(b) with respect to any funds of the Authority held under the Master Bond Resolution and on deposit in any commercial bank or as to any banker's acceptance or repurchase agreement or investment contract, the amount thereof plus accrued but unpaid interest;

(c) with respect to any Investment Securities of an investment company, the bid price of the shares as reported by the investment company;

(d) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; and

(e) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: (i) the lower of the bid prices at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Authority in its absolute discretion) at the time making a market in such investments or (ii) the bid price published by a nationally recognized pricing service.

"Weekly Rate" shall mean, with respect to the Series 1995A-1 Notes or the Series 1995A-2 Notes, as applicable, the rate of interest borne by such Series during any Weekly Rate Period.

"Weekly Rate Period" shall mean an Adjustable Rate Period which begins on any Wednesday and ends on the next succeeding Tuesday.

"Winning Bid Rate" shall have the meaning ascribed to such term under the caption "AUCTION PROCEDURES--Determination of Sufficient Clearing Bids and Auction Rate" in Appendix G to this Official Statement.

Words importing the masculine gender include the feminine gender, and words importing the feminine gender include the masculine gender. Words importing persons include firms, associations and corporations. Words importing the singular number include the plural number and vice versa.

#### **LIMITED OBLIGATIONS OF THE AUTHORITY**

The Authority shall not be obligated to pay the Bonds and Notes or the interest thereon except from the property and income pledged in the Master Bond Resolution and in the any applicable Supplemental Bond Resolution and no recourse shall be had for the payment of the principal thereof or interest thereon against the State, the Authority or the trustees of the Authority or against the property or funds of the State or the Authority or such trustees, except to the extent of the property and income pledged expressly thereto.

#### **GENERAL TERMS OF THE BONDS AND NOTES**

##### **Authorized Amount of Bonds and Notes**

Subject to certain conditions precedent to the issuance of a Series of Bonds or Notes described in the Master Bond Resolution and in each Supplemental Bond Resolution, the total principal amount of Senior Bonds and Notes that may be issued, the total principal amount of Subordinate Bonds and Notes that may be issued and the total principal amount of Junior-Subordinate Bonds and Notes that may be issued is not limited by the Master Indenture.

##### **Provisions for the Issuance of Bonds and Notes**

The issuance of Bonds and Notes of a Series shall be by a Supplemental Bond Resolution or Supplemental Bond Resolutions duly authorized by the Authority and adopted pursuant to the Master Bond Resolution. Each Supplemental Bond Resolution authorizing the issuance of a Series of Bonds and Notes shall either specify or prescribe the manner of determining, among other things, (a) the authorized principal amount, the designation as to whether such Series of the Bonds or Notes constitutes "Senior Obligations," "Subordinate Obligations" or "Junior-Subordinate Obligations" and the Series designation of such Series of Bonds and Notes; (b) the purposes for which such Series of Bonds or Notes are being issued; (c) the amounts to be deposited from the proceeds of such Series of Bonds and Notes in the Funds and Accounts created and established by the Master Bond Resolution and the Supplemental Bond Resolution; (d) the amount, if any, of the Series Debt Service Reserve Requirement for such Series of Bonds or Notes; (e) if a collateral pledge will be made by the Authority in such Supplemental Bond Resolution, the assets to be subject to such pledge; and (f) such additional matters as may be necessary or appropriate to cause interest on the Bonds or Notes of the Series to be issued pursuant to such Supplemental Bond Resolution to be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code if it is intended that such Bonds or Note be Tax-Exempt Bonds and Notes and to prevent the issuance of such Series from adversely affecting the federal income tax treatment of any Outstanding Tax-Exempt Bonds and Notes. Prior to the issuance of any Series of Bonds or Notes, the Master Trustee and the corresponding Series Trustee shall receive, among other things: (a) a copy of the corresponding Supplemental Bond Resolution, certified by an Authorized Officer of the Authority; (b) the amount, if any, necessary for deposit in the Debt Service Reserve Account so that the amount in the Debt Service Reserve Account shall at least equal the Debt Service Reserve Account Requirement calculated immediately after the delivery of such Series of Bonds and Notes; (c) a certificate of an Authorized Officer stating that, upon the issuance of such Series of Bonds and Notes, no Event of Default under the Master Bond Resolution nor an event which with notice or lapse of time or both would become an Event of Default under the Master Bond Resolution has occurred and is continuing; (d) an opinion of Bond Counsel to the effect that the Master Bond Resolution and the Supplemental Bond Resolution authorizing the Series of Bonds or Notes have been duly and lawfully authorized, executed and delivered by the Authority; that the Master Bond Resolution and such Supplemental Bond

Resolution are valid and binding upon the Authority and enforceable in accordance with their terms, subject to State and Federal laws affecting the enforcement of creditors' rights, and no other authorization for the Master Bond Resolution or the Supplemental Bond Resolution is required; and that the Master Bond Resolution creates the valid lien or pledge it purports to create; that the Bonds or Notes of such Series have been duly and validly authorized and issued and constitute valid and binding special obligations of the Authority, enforceable in accordance with their terms and the terms of the Master Bond Resolution and entitled to the benefits of the Master Bond Resolution and such Supplemental Bond Resolution and the Act, as amended to the date of such opinion, except that (i) no opinion need be expressed as to the effect upon such enforceability of bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted for the relief of debtors and (ii) no opinion need be expressed as to the availability of the remedy of specific performance, mandamus, injunctive relief or any other equitable remedy; (e) a Cash Flow Certificate taking into account the issuance of the Bonds and Notes, the Eligible Loans reasonably expected to be financed with the proceeds of such Bonds and Notes and projecting Revenues and Recoveries of Principal sufficient to pay the Servicing Fees, the Program Expenses and the principal of, Redemption Price and interest on all Outstanding Obligations in each Bond Year; and (f) written verification from each Rating Agency (i) that the Ratings on such additional Series of Bonds or Notes is not lower than the Ratings of the Bonds and Notes Outstanding and secured on a parity with the Bonds or Notes to be issued, and (ii) confirming that the Ratings on the Outstanding Series of Bonds and Notes will not be lowered or withdrawn due to the issuance of such additional Bonds or Notes.

#### **REDEMPTION OF BONDS AND NOTES**

##### **Redemption Terms for the Bonds and Notes**

The redemption terms for specific Series of the Bonds and Notes are to be set forth in the Supplemental Bond Resolution issuing such Series of the Bonds and Notes. For the redemption provisions corresponding to the Series 1995 Bonds and Notes, see the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES-Redemption Provisions" in the body of this Official Statement.

##### **Authority's Election To Redeem**

If Bonds and Notes of any Series are subject to redemption at the option of the Authority prior to maturity, the Authority shall give notice by Authority Request to the Master Trustee and to the corresponding Series Trustee of each optional redemption being exercised by the Authority, which Authority Request shall specify the date fixed for redemption and, subject to the provisions of all corresponding Supplemental Bond Resolutions, the Series of Bonds or Notes from which Bonds or Notes are to be redeemed and the aggregate principal amount of Bonds or Notes of each stated Maturity in such Series to be redeemed (and in the case of Bonds or Notes for which Sinking Fund Installments have been established, the amounts to be credited toward those Sinking Fund Installments). Such notice shall be given at least 30 days prior to the date fixed for redemption or such lesser number of days as shall be acceptable to the Master Trustee and to the corresponding Series Trustee.

##### **Redemption Other Than at Authority's Election**

Whenever the Authority or a Series Trustee is required to redeem Bonds or Notes other than at the election of the Authority, the corresponding Series Trustee shall select the Bonds or Notes within each maturity of the Series of Bonds and Notes to be redeemed and shall give the notice such redemption in accordance with the terms of the Master Bond Resolution.

## **OTHER OBLIGATIONS**

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

Except as otherwise provided in Master Bond Resolution, the Authority shall not create or voluntarily permit to be created any debt, lien, or charge which would be on a parity with, junior to, or prior to the lien of the Master Bond Resolution; shall not do or omit to do or suffer to be done or omitted to be done any matter or things whatsoever whereby the lien of the Master Bond Resolution or the priority of such lien for the Obligations thereby secured might or could be 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 Master Bond Resolution as a lien or charge upon the Financed Eligible Loans; provided, however, that nothing in the Master Bond Resolution shall require the Authority to pay, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be by it in good faith contested, unless thereby, in the opinion of the Master Trustee or any corresponding Series Trustee, the same will endanger the security for the Obligations; and provided further that any subordinate lien thereon (i.e., subordinate to the lien securing the Senior Obligations, the Subordinate Obligations and the Junior-Subordinate Obligations) shall be entitled to no payment from the Trust Estate, nor may any remedy be exercised with respect to such subordinate lien against the Trust Estate until all Obligations have been paid or deemed paid pursuant to the Master Bond Resolution.

## **SWAP AGREEMENTS**

The Authority, in the Master Bond Resolution, authorizes and directs the Master Trustee and the corresponding Series Trustee to acknowledge and agree to any Swap Agreement entered into by the Authority and a Swap Counterparty under which (a) the Authority may be required to make, from time to time, Authority Swap Payments and (b) the Master Trustee may receive, from time to time, Counterparty Swap Payments for the account of the Authority. The Swap Agreement will provide that the Authority shall have the right to terminate the Swap Agreement without payment by the Authority of any Swap Value or termination payment or other compensation for any loss or damage to the Swap Counterparty resulting from such termination if the Swap Counterparty's Rating by a Rating Agency is suspended, withdrawn or falls below "A2" with respect to Moody's, and, within 10 days thereafter, the Swap Counterparty fails to provide collateral (consisting of direct obligations of the United States Government or obligations of federal agencies which are fully guaranteed as to principal and interest by the United States Government) securing its obligations under the Swap Agreement and to be held by the Master Trustee (or third party designated by the Authority) in an amount (valued in accordance with the provisions of the Swap Agreement) which is not less than 103% of the maximum aggregate remaining payment obligation of the Swap Counterparty over the remaining term of the Swap Agreement. In connection with the execution of a Swap Agreement, the Master Trustee, on behalf of the Swap Counterparty, shall waive in a Supplemental Bond Resolution executed in connection with a Swap Agreement any and all rights which the Swap Counterparty may have to receive any amounts realized by the Master Trustee from foreclosure upon the Trust Estate consisting of any Counterparty Swap Payment from the Swap Counterparty. In addition, no voluntary termination payment required to be made by the Authority under a Swap Agreement will be paid from moneys in the Trust Estate unless the Master Trustee receives written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn due to such payment.

## **TRUST ESTATE COLLATERAL INVESTMENT AGREEMENTS**

The Authority may direct the Master Trustee to make one or more Trust Estate Collateral Investments by entering into one or more Trust Estate Collateral Investment Agreements with one or more Trust Estate Collateral

Investment Counterparties. Each Trust Estate Collateral Investment Agreement will state the Trust Estate Collateral Investment Amount applicable to the related Trust Estate Collateral Investment and disbursements for a Trust Estate Collateral Investment may not be made in excess of the Trust Estate Collateral Investment Amount specified in its related Trust Estate Collateral Investment Agreement.

The Authority may direct the Master Trustee to enter into a Trust Estate Collateral Investment Agreement or amend or supplement an existing Trust Estate Collateral Investment Agreement if (a) the Master Trustee receives written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn due to the execution and delivery of such Trust Estate Collateral Investment Agreement and (b) the Master Trustee receives a Favorable Opinion. Any initial fee received by the Master Trustee in connection with the execution and delivery of a Trust Estate Collateral Investment Agreement shall be deposited to the Taxable Repayment Account.

Pursuant to a Trust Estate Collateral Investment Agreement, a Trust Estate Collateral Investment Counterparty has the right to require the Master Trustee to make a Trust Estate Collateral Investment from amounts contained in the Trust Estate in an amount not to exceed the Trust Estate Collateral Investment Amount specified in such Trust Estate Collateral Investment Counterparty's Trust Estate Collateral Investment Agreement. Upon written demand from a Trust Estate Collateral Investment Counterparty to the Master Trustee pursuant to its Trust Estate Collateral Investment Agreement, the Master Trustee shall transfer to the Trust Estate Collateral Investment Counterparty, or its designee, the amount, to the extent available at the time of such written demand, and to the extent not so available, when and to the extent from time to time available, in the Funds, Accounts and Subaccounts set forth below, as is demanded by the Trust Estate Collateral Investment Counterparty pursuant to the terms of its Trust Estate Collateral Investment Agreement; provided, however, that such amount, together with all other amounts previously transferred to the Trust Estate Collateral Investment Counterparty pursuant to the Trust Estate Collateral Investment Agreement, and not repaid as provided below, shall not exceed the Trust Estate Collateral Investment Amount specified in such Trust Estate Collateral Investment Counterparty's Trust Estate Collateral Investment Agreement. To the extent that the amount to be transferred pursuant to the Trust Estate Collateral Investment Agreement is held by the Master Trustee in Investment Securities, the Master Trustee shall sell at the best price reasonably obtainable, or present for immediate redemption or purchase, if appropriate, or otherwise convert to cash, such Eligible Investments and transfer the proceeds of such sale or sales to the Trust Estate Collateral Investment Counterparty making the written demand. The Master Trustee shall not be liable or responsible for any loss resulting from the sale of any such Eligible Investments or for any loss resulting from the transfer of moneys pursuant a Trust Estate Collateral Investment Agreement.

The amounts to be transferred pursuant to a Trust Estate Collateral Investment Agreement will be provided from the Funds, Accounts and Subaccounts in the order designated in a Supplemental Bond Resolution executed and delivered in connection with such Trust Estate Collateral Investment Agreement; provided, however, that Trust Estate Collateral Investments shall not be made with amounts contained in the Rebate Fund.

If at any time there are two or more Trust Estate Collateral Investment Agreements in effect, all of the Trust Estate Collateral Investment Counterparties shall be required to enter into an intercreditor agreement to address, among other items, the payment of simultaneous written demands when there are insufficient funds in the Trust Estate.

Each Trust Estate Collateral Investment Agreement must provide the mechanism for collateralizing the Trust Estate Collateral Investment, provide the repayment terms of the Trust Estate Collateral Investment and provide the circumstances under which the Trust Estate Collateral Investment Counterparty may demand that the Master Trustee transfer funds with respect to its Trust

Estate Collateral Investment. If a Trust Estate Collateral Investment Counterparty repays all or a portion of its existing Trust Estate Collateral Investment, the Trust Estate Collateral Investment Counterparty may demand that the Master Trustee reinvest such amount pursuant to the Trust Estate Collateral Investment Agreement, if so permitted by the Trust Estate Collateral Investment Agreement. Upon the receipt by the Master Trustee of amounts representing repayments of a Trust Estate Collateral Investment, the Master Trustee shall (a) deposit the portion of such repayment representing principal of the Trust Estate Collateral Investment to the credit of the Fund, Account or Subaccount from which such amount was originally transferred, provided, however, that if such Fund, Account or Subaccount is no longer operative under the Master Bond Resolution, then such amount shall be credited to the Taxable Loan Account, and (b) deposit the portion of such repayment representing interest on the Trust Estate Collateral Investment to the credit of the Taxable Repayment Account (if and to the extent such moneys were derived from the Taxable Loan Account, the Taxable Repayment Account or the Taxable Debt Service Reserve Subaccount) or to the Tax-Exempt Repayment Account (if and to the extent such moneys were derived from the Tax-Exempt Loan Account, the Tax-Exempt Repayment Account or the Tax-Exempt Debt Service Reserve Subaccount).

## **REVENUES AND FUNDS**

### **Funds and Accounts**

Pursuant to the Master Bond Indenture, following Funds to be held and maintained by the Master Trustee are continued for the benefit of the Registered Owners:

(i) Student Loan Fund (originally established pursuant to Section 695.5 of the Act), including a Tax-Exempt Loan Account (including the Series Loan Subaccounts established therein) and a Taxable Loan Account (including the Series Loan Subaccounts established therein) established therein, and

(ii) Student Loan sinking Fund (originally established pursuant to Section 695.6 of the Act), including a Tax-Exempt Repayment Account (including the Series Principal Subaccounts, the Tax-Exempt Senior Interest Subaccount, the Tax-Exempt Subordinate Interest Account and the Tax-Exempt Junior-Subordinate Interest Subaccount established therein), a Taxable Repayment Account (including the Series Principal Subaccounts, the Taxable Senior Interest Subaccount, the Taxable Subordinate Interest Account and the Taxable Junior-Subordinate Interest Subaccount established therein), and a Debt Service Reserve Account (including the Tax-Exempt Debt Service Reserve Subaccount and the Taxable Debt Service Reserve Subaccount established therein) established therein.

In addition, the Master Bond Resolution creates and establishes the Rebate Fund, to be held and maintained by the Master Trustee, in which neither the Authority nor the Registered Owners have any right, title or interest.

The Master Trustee and each Series Trustee are also authorized for the purpose of facilitating the administration of the Trust Estate and for the administration of any Bonds and Notes issued pursuant to a Supplemental Bond Resolution to create further Accounts or Subaccounts in any of the various Funds and Accounts established thereunder which are deemed necessary or desirable.

### **Student Loan Fund**

On the Date of Issuance of each Series of Tax-Exempt Bonds and Notes, there will be transferred to the corresponding Series Loan Subaccount of the Tax-Exempt Loan Account the amount set forth in the Supplemental Bond Resolution authorizing the issuance of such Series of Tax-Exempt Bonds and Notes to be deposited in the corresponding Series Loan Subaccount of the Tax-Exempt Loan Account. Thereafter, there will be deposited into the corresponding Series Loan Subaccount of the Tax-Exempt Loan Account the Recoveries of Principal transferred

thereto from the Tax-Exempt Repayment Account. Financed Eligible Loans acquired with amounts on deposit in the a Series Loan Subaccount of the Tax-Exempt Loan Account shall be held by the Master Trustee or its agent or bailee (including the Custodian and the Servicer) and will be pledged to and accounted for as a part of that Series Loan Subaccount of the Tax-Exempt Loan Account. The Supplemental Bond Resolutions corresponding to the Series 1995 Bonds and Notes establish the Series 1995 Loan Subaccount within the Tax-Exempt Loan Account of the Student Loan Fund.

Moneys on deposit in any Series Loan Subaccount of the Tax-Exempt Loan Account will be used upon Authority Order solely to pay costs of issuance for Tax-Exempt Bonds and Notes, to redeem Tax-Exempt Bonds and Notes in accordance with the Master Bond Resolution and any Supplemental Bond Resolution, and to acquire Eligible Loans in amounts and at prices not in excess of amounts and prices permitted under applicable law and which would permit the results of cash flow analyses provided to each Rating Agency on the Date of Issuance of the corresponding Series of Tax-Exempt Bonds and Notes to be sustained; provided that such amounts and/or prices may be increased if the Authority and the Master Trustee receive written confirmation from each Rating Agency that, based on new cash flow analyses containing such assumptions as the Authority shall reasonably determine, its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn. If the Authority determines that all or any portion of such moneys cannot be so used, or that any further conditions, if any, described in any Supplemental Bond Resolution exist, then an Authorized Officer of the Authority may by Authority Order direct the Master Trustee and the corresponding Series Trustee to redeem Tax-Exempt Bonds and Notes in accordance with the Master Bond Resolution and any Supplemental Bond Resolution. See the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES--Redemption Provisions" in the body of this Official Statement.

No amount credited to the Tax-Exempt Loan Account will be used to acquire any Eligible Loan unless it was or is made for or on behalf of a student who is or was at the time the Eligible Loan was made a resident of the State and/or who is or was, at the time the Eligible Loan was made, enrolled at an educational institution located in the State (notwithstanding the foregoing, the Authority may acquire Eligible Loans from the Tax-Exempt Loan Account not meeting the foregoing requirements so long as at least 90% of the proceeds of the Tax-Exempt Bonds and Notes, without regard to amounts deposited in the Tax-Exempt Debt Service Reserve Subaccount, shall be used directly or indirectly to acquire Eligible Loans described in the preceding portion of this sentence).

On the Date of Issuance of each Series of Taxable Bonds and Notes, there will be transferred to the corresponding Series Loan Subaccount of the Taxable Loan Account the amount set forth in the Supplemental Bond Resolution authorizing the issuance of such Series of Taxable Bonds and Notes to be deposited in the corresponding Series Loan Subaccount of the Taxable Loan Account. Thereafter, there will be deposited into the corresponding Series Loan Subaccount of the Taxable Loan Account moneys transferred thereto from the Taxable Repayment Account. Financed Eligible Loans acquired with amounts on deposit in a Series Loan Subaccount of the Taxable Loan Account shall be held by the Master Trustee or its agent or bailee (including the Custodian and the Servicer) and will be pledged to and accounted for as a part of that Series Loan Subaccount of the Taxable Loan Account.

Moneys on deposit in any Series Loan Subaccount of the Taxable Loan Account will be used upon Authority Order solely to pay costs of issuance for Taxable Bonds and Notes, to redeem Taxable Bonds and Notes in accordance with the Master Bond Resolution and any Supplemental Bond Resolution, and to acquire Eligible Loans in amounts and at prices not in excess of amounts and prices permitted under applicable law and which would permit the results of cash flow analyses provided to each Rating Agency on the Date of Issuance of the corresponding Series of Taxable Bonds and Notes to be sustained; provided that such price may be increased if the Authority and the Master Trustee receive written confirmation from each Rating Agency that, based on new cash flow analyses containing such assumptions as the Authority shall reasonably determine, its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn. If the

Authority determines that all or any portion of such moneys cannot be so used, or that any of the other conditions, if any, described in any Supplemental Bond Resolution exist then an Authorized Officer of the Authority may by Authority Order direct the Master Trustee and the corresponding Series Trustee to redeem Taxable Bonds and Notes in accordance with the Master Bond Resolution and any Supplemental Bond Resolution.

Notwithstanding the foregoing, if on any date there are not sufficient moneys on deposit in the Tax-Exempt Repayment Account to make the transfers therefrom described in paragraphs (a) through (k) under the caption "Student Loan Sinking Fund—*Tax-Exempt Repayment Account*" below, then, an amount equal to any such deficiency shall be transferred, on a pro rata basis, directly from each Series Loan Subaccount of the Tax-Exempt Loan Account; and if on any date there are not sufficient moneys on deposit in the Taxable Repayment Account to make the transfers therefrom described in paragraphs (a) through (j) under the caption "Student Loan Sinking Fund—*Taxable Repayment Account*" below, then an amount equal to any such deficiency shall be transferred, on a pro rata basis, directly from each Series Loan Subaccount of the Taxable Loan Account.

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

I. an Authority Order stating the purchase price and directing that Financed Eligible Loans be sold, transferred or otherwise disposed of and delivered to

(i) if the Eligible Loan is originated under the Higher Education Act and the Higher Education Act requires any such Eligible Loan to be held only by an Eligible Lender, an Eligible Lender under the Higher Education Act whose name shall be specified; or

(ii) the trustee under another resolution or indenture securing bonds issued by the Authority or another higher education authority whose name shall be specified in such Authority Order; and

II. a certificate signed by an Authorized Officer of the Authority to the effect that:

A. the disposition price is equal to or in excess of the principal amount thereof (plus accrued interest) or equal to or in excess of the purchase price paid by the Authority for such Financed Eligible Loan (less principal amounts received with respect to such Financed Eligible Loan); or

B. the disposition price is lower than the principal amount thereof (plus accrued interest), and (A) the Authority reasonably believes that the Revenues and Recoveries of Principal expected to be received (after giving effect to such disposition) would be at least equal to the Revenues and Recoveries of Principal expected to be received assuming no such sale, transfer or other disposition occurred, or (B) the Authority shall remain able to pay debt service on the Bonds and Notes and make payment on any other Obligations on a timely basis (after giving effect to such sale, transfer or other disposition) whereas it would not have been able to do so on a timely basis if it had not sold, transferred or disposed of the Financed Eligible Loans at such discounted amount, or (C) the Aggregate Market Value of the Trust Estate (after giving effect to such sale, transfer or other disposition) will be at least equal to 100% of the aggregate principal amount of the Obligations plus accrued interest, or (D) the amount for which the Financed Eligible Loans are being sold, assigned, transferred or disposed of is equal to the purchase price paid by the Authority for such Financed Eligible Loans (less principal amounts received with respect to such Financed Eligible Loans).

For purposes of such certificate, accrued interest and Special Allowance Payments are to be taken into account on both the asset and liability side of such statement.

Further, Financed Eligible Loans will also be sold, transferred or otherwise disposed of by the Master Trustee pursuant to an Authority Order in which the Authority determines that such disposition of Financed Eligible Loans from the Trust Estate is necessary in order to avoid the occurrence of an Event of Default or to avoid any default in the payment obligations of the Authority under any reimbursement agreement, in such amount and at such times and prices as may be specified in such Authority Order. The Master Trustee, following receipt of the foregoing and of a certificate of the Authority indicating that such purchaser or transferee is one of the entities described in clause (I) above, shall deliver such Financed Eligible Loans free from the lien of the Master Bond Resolution upon the receipt of the purchase price or consideration specified in the Authority Order, in compliance with the foregoing. The Master Trustee shall deposit the proceeds of any such sale, transfer or other disposition into the Series Loan Subaccount with respect to which such Financed Eligible Loans were attributable. Notwithstanding any of the foregoing, the Authority will not direct the Master Trustee to sell, transfer or otherwise dispose of Financed Eligible Loans if such disposition would have an adverse effect on the exclusion from gross income of interest on any Tax-Exempt Bonds and Notes for federal income tax purposes.

Notwithstanding the foregoing, moneys or investments in the Tax-Exempt Loan Account or the Taxable Loan Account of the Student Loan Fund, and any Subaccounts therein, may be transferred on any date to a Trust Estate Collateral Investment Counterparty pursuant to the provisions of the Master Bond Resolution and the related Trust Estate Collateral Investment Agreement, and moneys or investments received from the repayment of a Trust Estate Collateral Investment funded from the Student Loan Fund shall be deposited to the corresponding Account therein, in accordance with the Master Bond Resolution and the related Trust Estate Collateral Investment Agreement.

#### **Student Loan Sinking Fund**

**Tax-Exempt Repayment Account.** The Master Trustee will deposit into the Tax-Exempt Repayment Account all Revenues and Recoveries of Principal derived from Financed Eligible Loans acquired by the Authority from moneys on deposit in any Series Loan Subaccount of the Tax-Exempt Loan Account, and all other Revenue derived from moneys or assets on deposit in any Series Loan Subaccount of the Tax-Exempt Loan Account, the Tax-Exempt Debt Service Reserve Subaccount and the Tax-Exempt Repayment Account, all Swap Payments with respect to Tax-Exempt Bonds and Notes, all amounts received from the repayment of a Trust Estate Collateral Investment which are required to be deposited thereto, and any other amounts deposited thereto upon receipt of an Authority Order. The Supplemental Bond Resolutions corresponding to the Series 1995 Bonds and Notes establish the Series Principal Subaccounts corresponding to the Series 1995 Bonds and Notes.

All Recoveries of Principal deposited in the Tax-Exempt Repayment Account to be used to finance additional Eligible Loans shall be transferred, as soon as practicable, to the Series Loan Subaccount of the Tax-Exempt Loan Account from which such Recovery of Principal was derived or as otherwise provided in any Supplemental Bond Resolution. Recoveries of Principal deposited to the Tax-Exempt Repayment Account and not required to be transferred to the Tax-Exempt Loan Fund shall be deposited to the Series Principal Subaccounts corresponding to the Series of Tax-Exempt Bonds and Notes which financed the Eligible Loans from which such Recoveries of Principal were derived or as otherwise provided in a Supplemental Bond Resolution. Pursuant to the Supplemental Bond Resolutions relating to the Series 1995 Bonds and Notes, the Recoveries of Principal corresponding to the Series 1995 Financed Eligible Loans will be deposited to the Series 1995 Loan Subaccount until November 1, 1998, unless the Authority and the Master Trustee receive written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such extension of the acquisition period. Any Supplemental Bond Resolution may require that amounts representing Capitalized Interest Payments on Financed Eligible Loans acquired by the Authority from moneys on deposit in any Series Loan Subaccount of the Tax-Exempt Loan Account be deducted from Recoveries of Principal deposited to the Tax-Exempt Repayment Account prior to their transfer pursuant to this paragraph and treated as a Revenue for purposes

of the Tax-Exempt Repayment Account. Pursuant to the Supplemental Bond Resolutions relating to the Series 1995 Bonds and Notes, the Authority may, by Authority Order on any Bond Payment Date, require that amounts representing Capitalized Interest Payments on the Series 1995 Financed Eligible Loans be deducted from any subsequently received Recoveries of Principal corresponding to the Series 1995 Financed Eligible Loans deposited to the Tax-Exempt Repayment Account and treated as Revenues for purposes of the Tax-Exempt Repayment Fund. The amount of the Recoveries of Principal corresponding to the Series 1995 Financed Eligible Loans which may be redesignated as Revenues shall not exceed, together with all previous redesignations of such Recoveries of Principal on Series 1995 Financed Eligible Loans, the amount of all Capitalized Interest Payments on the Series 1995 Financed Eligible Loans as of such date.

In addition, as set forth below, money in the Tax-Exempt Repayment Account shall be used and transferred to other Funds, Accounts or Persons in the following order of precedence (any money not so transferred or paid to remain in the Tax-Exempt Repayment Account until subsequently applied as set forth below):

(a) on any date, to the Rebate Fund, if necessary to comply with any Investment Instructions or any Tax Regulatory Agreement with respect to rebate or Excess Interest;

(b) on the date any current Servicing Fees with respect to the Tax-Exempt Bonds and Notes are due and payable, to the Servicer (or to the Authority as a reimbursement), the amount of such current Servicing Fees with respect to Financed Eligible Loans financed with amounts deposited to the Tax-Exempt Loan Account;

(c) on the date any current Program Expenses with respect to the Tax-Exempt Bonds and Notes are due and payable, to the Person due any Program Expenses with respect to Tax-Exempt Bonds and Notes (or to the Authority as a reimbursement for the payment of such Program Expenses), the amount of such Program Expenses;

(d) on each Bond Payment Date, to the Tax-Exempt Senior Interest Subaccount of the Tax-Exempt Repayment Account, the amount, if any, necessary to increase the amount on deposit in the Tax-Exempt Senior Interest Account to an amount equal the interest due on all Tax-Exempt Senior Bonds and Notes and the amount of any Authority Swap Payment secured on a parity with the Tax-Exempt Senior Bonds and Notes which would be due on such Bond Payment Date, regardless of whether such Bond Payment Date is a Bond Payment Date with respect to the Tax-Exempt Senior Bonds and Notes or a payment date with respect to any Authority Swap Payment secured on a parity with the Tax-Exempt Senior Bonds and Notes, and to the extent there are insufficient moneys available in the Taxable Repayment Account to make the transfer described in paragraph (c) under the caption "Taxable Repayment Account" below, to the Taxable Senior Interest Subaccount of the Taxable Repayment Account, the amount of such deficiency:

(e) on each Bond Payment Date, on a parity basis, to the corresponding Series Principal Subaccount established within the Tax-Exempt Repayment Account for any Series of the Tax-Exempt Senior Bonds and Notes, the amount, if any, necessary to increase the amount on deposit in such Series Principal Subaccount to an amount equal to the principal due on such Bond Payment Date for the corresponding Series of the Tax-Exempt Senior Bonds and Notes, and to the extent there are insufficient moneys available in the Taxable Repayment Account to make the transfer described in paragraph (d) under the caption "Taxable Repayment Account" below, to the appropriate Series Principal Subaccounts of the Taxable Repayment Account, the amount of such deficiency:

(f) on each Bond Payment Date, to the Tax-Exempt Subordinate Interest Subaccount of the Tax-Exempt Repayment Account, the amount, if any, necessary to increase the amount on deposit in the Tax-Exempt Subordinate Interest Account to an amount equal the interest due on all

Tax-Exempt Subordinate Bonds and Notes and the amount of any Authority Swap Payment secured on a parity with the Tax-Exempt Subordinate Bonds and Notes which would be due on such Bond Payment Date, regardless of whether such Bond Payment Date is a Bond Payment Date with respect to the Tax-Exempt Subordinate Bonds and Notes or a payment date with respect to any Authority Swap Payment secured on a parity with the Tax-Exempt Subordinate Bonds and Notes, and to the extent there are insufficient moneys available in the Taxable Repayment Account to make the transfer described in paragraph (e) under the caption "Taxable Repayment Account" below, to the Taxable Subordinate Interest Subaccount of the Taxable Repayment Account, the amount of such deficiency:

(g) on each Bond Payment Date, on a parity basis, to the corresponding Series Principal Subaccount established within the Tax-Exempt Repayment Account for any Series of the Tax-Exempt Subordinate Bonds and Notes, the amount, if any, necessary to increase the amount on deposit in such Series Principal Subaccount to an amount equal to the principal due on such Bond Payment Date for the corresponding Series of the Tax-Exempt Subordinate Bonds and Notes, and to the extent there are insufficient moneys available in the Taxable Repayment Account to make the transfer described in paragraph (f) under the caption "Taxable Repayment Account" below, to the appropriate Series Principal Subaccounts of the Taxable Repayment Account, the amount of such deficiency:

(h) on any Bond Payment Date any current Administrative Expenses with respect to the Tax-Exempt Bonds and Notes are due and payable, to the Authority the amount of such Administrative Expenses;

(i) on each Bond Payment Date, to the Tax-Exempt Junior-Subordinate Interest Subaccount of the Tax-Exempt Repayment Account, the amount, if any, necessary to increase the amount on deposit in the Tax-Exempt Junior-Subordinate Interest Account to an amount equal the interest due on all Tax-Exempt Junior-Subordinate Bonds and Notes and the amount of any Authority Swap Payment secured on a parity with the Tax-Exempt Junior-Subordinate Bonds and Notes which would be due on such Bond Payment Date, regardless of whether such Bond Payment Date is a Bond Payment Date with respect to the Tax-Exempt Junior-Subordinate Bonds and Notes or a payment date with respect to any Authority Swap Payment secured on a parity with the Tax-Exempt Junior-Subordinate Bonds and Notes, and to the extent there are insufficient moneys available in the Taxable Repayment Account to make the transfer described in paragraph (h) under the caption "Taxable Repayment Account" below, to the Taxable Junior-Subordinate Interest Subaccount of the Taxable Repayment Account, the amount of such deficiency:

(j) on each Bond Payment Date, on a parity basis, to the corresponding Series Principal Subaccount established within the Tax-Exempt Repayment Account for any Series of the Tax-Exempt Junior-Subordinate Bonds and Notes, the amount, if any, necessary to increase the amount on deposit in such Series Principal Subaccount to an amount equal to the principal due on such Bond Payment Date for the corresponding Series of the Tax-Exempt Junior-Subordinate Bonds and Notes, and to the extent there are insufficient moneys available in the Taxable Repayment Account to make the transfer described in paragraph (i) under the caption "Taxable Repayment Account" below, to the appropriate Series Principal Subaccounts of the Taxable Repayment Account, the amount of such deficiency:

(k) on each Bond Payment Date, on a parity basis, to the Tax-Exempt Debt Service Reserve Subaccount the amount, if any, described under the caption "Debt Service Reserve Account" below and to the Taxable Debt Service Reserve Subaccount the amount, if any, described under the caption "Debt Service Reserve Account" below;

(l) on the first Bond Payment Date on or after each March 1 and September 1 of each year, at the option of the Authority and upon Authority Order, any remaining amounts on deposit in the Tax-Exempt Repayment Account may be redesignated as Recoveries of Principal with respect to the

Outstanding Series of Tax-Exempt Bonds and Notes and, if redesignated, shall be allocated among the Outstanding Series of Tax-Exempt Bonds and Notes according to their respective principal amounts outstanding; and

(m) on the first Bond Payment Date on or after each March 1 and September 1 of each year, at the option of the Authority and upon Authority Order, to the Authority to the extent permitted by the Master Bond Resolution and described under the caption "Transfers to the Authority" below.

On each Bond Payment Date for the Tax-Exempt Bonds and Notes, the Master Trustee shall transfer amounts on deposit in the corresponding Accounts and Subaccounts of the Tax-Exempt Repayment Account to the appropriate Series Trustee or Series Co-Paying Agent to be paid to the Registered Owners of such Tax-Exempt Bonds and Notes.

*Taxable Repayment Account.* The Master Trustee will deposit into the Taxable Repayment Account all Revenues and Recoveries of Principal derived from Financed Eligible Loans acquired by the Authority from moneys on deposit in any Series Loan Subaccount of the Taxable Loan Account, and all other Revenues derived from moneys or assets on deposit in any Series Loan Subaccount of the Taxable Loan Account, the Taxable Debt Service Reserve Subaccount and the Taxable Repayment Account, all Swap Payments with respect to Taxable Bonds and Notes, all amounts received from the repayment of a Trust Estate Collateral Investment which are required to be deposited thereto, any fee received with respect to a Trust Estate Collateral Investment Agreement, and any other amounts deposited thereto upon receipt of an Authority Order.

All Recoveries of Principal deposited in the Taxable Repayment Account to be used to finance additional Eligible Loans will be transferred, as soon as practicable, to the Series Loan Subaccount of the Taxable Loan Account from which such Recovery of Principal was derived or as otherwise provided in any Supplemental Bond Resolution. Recoveries of Principal deposited to the Taxable Repayment Account and not required to be transferred to the Taxable Loan Fund will be deposited to the Series Principal Subaccounts corresponding to the Series of Taxable Bonds and Notes which financed the Eligible Loans from which such Recoveries of Principal were derived or as otherwise provided in a Supplemental Bond Resolution. Any Supplemental Bond Resolution may require that amounts representing Capitalized Interest Payments on Financed Eligible Loans acquired by the Authority from moneys on deposit in any Series Loan Subaccount of the Taxable Loan Account be deducted from Recoveries of Principal deposited to the Taxable Repayment Account prior to their transfer pursuant to this paragraph and treated as a Revenue for purposes of the Taxable Repayment Account.

In addition, as set forth below, money in the Taxable Repayment Account will be used and transferred to other Funds, Accounts or Persons in the following order of precedence (any money not so transferred or paid to remain in the Taxable Repayment Account until subsequently applied as set forth below):

(a) on the date any current Servicing Fees with respect to the Taxable Bonds and Notes are due and payable, to the Servicer (or to the Authority as a reimbursement), the amount of such current Servicing Fees with respect to Financed Eligible Loans financed with amounts deposited to the Taxable Loan Account;

(b) on the date any current Program Expenses with respect to the Taxable Bonds and Notes are due and payable, to the Person due any Program Expenses with respect to Taxable Bonds and Notes (or to the Authority as a reimbursement for the payment of such Program Expenses), the amount of such Program Expenses;

(c) on each Bond Payment Date, to the Taxable Senior Interest Subaccount of the Taxable Repayment Account, the amount, if any, necessary to increase the amount on deposit in the Taxable Senior Interest Account to an amount equal the interest due on all Taxable Senior Bonds and Notes and the amount of any Authority Swap Payment secured on a parity with the

Taxable Senior Bonds and Notes which would be due on such Bond Payment Date, regardless of whether such Bond Payment Date is a Bond Payment Date with respect to the Taxable Senior Bonds and Notes or a payment date with respect to any Authority Swap Payment secured on a parity with the Taxable Senior Bonds and Notes, and to the extent there are insufficient moneys available in the Tax-Exempt Repayment Account to make the transfer described in paragraph (d) under the caption "Tax-Exempt Repayment Account" above, to the Tax-Exempt Senior Interest Subaccount of the Tax-Exempt Repayment Account, the amount of such deficiency:

(d) on each Bond Payment Date, on a parity basis, to the corresponding Series Principal Subaccount established within the Taxable Repayment Account for any Series of the Taxable Senior Bonds and Notes, the amount, if any, necessary to increase the amount on deposit in such Series Principal Subaccount to an amount equal to the principal due on such Bond Payment Date for the corresponding Series of the Taxable Senior Bonds and Notes, and to the extent there are insufficient moneys available in the Tax-Exempt Repayment Account to make the transfer described in paragraph (e) under the caption "Tax-Exempt Repayment Account" above, to the appropriate Series Principal Subaccounts of the Tax-Exempt Repayment Account, the amount of such deficiency:

(e) on each Bond Payment Date, to the Taxable Subordinate Interest Subaccount of the Taxable Repayment Account, the amount, if any, necessary to increase the amount on deposit in the Taxable Subordinate Interest Account to an amount equal the interest due on all Taxable Subordinate Bonds and Notes and the amount of any Authority Swap Payment secured on a parity with the Taxable Subordinate Bonds and Notes which would be due on such Bond Payment Date, regardless of whether such Bond Payment Date is a Bond Payment Date with respect to the Taxable Subordinate Bonds and Notes or a payment date with respect to any Authority Swap Payment secured on a parity with the Taxable Subordinate Bonds and Notes, and to the extent there are insufficient moneys available in the Tax-Exempt Repayment Account to make the transfer described in paragraph (f) under the caption "Tax-Exempt Repayment Account" above, to the Tax-Exempt Subordinate Interest Subaccount of the Tax-Exempt Repayment Account, the amount of such deficiency:

(f) on each Bond Payment Date, on a parity basis, to the corresponding Series Principal Subaccount established within the Taxable Repayment Account for any Series of the Taxable Subordinate Bonds and Notes, the amount, if any, necessary to increase the amount on deposit in such Series Principal Subaccount to an amount equal to the principal due on such Bond Payment Date for the corresponding Series of the Taxable Subordinate Bonds and Notes, and to the extent there are insufficient moneys available in the Tax-Exempt Repayment Account to make the transfer described in paragraph (g) under the caption "Tax-Exempt Repayment Account" above, to the appropriate Series Principal Subaccounts of the Tax-Exempt Repayment Account, the amount of such deficiency:

(g) on any Bond Payment Date any current Administrative Expenses with respect to the Taxable Bonds and Notes are due and payable, to the Authority the amount of such Administrative Expenses;

(h) on each Bond Payment Date, to the Taxable Junior-Subordinate Interest Subaccount of the Taxable Repayment Account, the amount, if any, necessary to increase the amount on deposit in the Taxable Junior-Subordinate Interest Account to an amount equal the interest due on all Taxable Junior-Subordinate Bonds and Notes and the amount of any Authority Swap Payment secured on a parity with the Taxable Junior-Subordinate Bonds and Notes which would be due on such Bond Payment Date, regardless of whether such Bond Payment Date is a Bond Payment Date with respect to the Taxable Junior-Subordinate Bonds and Notes or a payment date with respect to any Authority Swap Payment secured on a parity with the Taxable Junior-Subordinate Bonds and Notes, and to the extent there are insufficient moneys available in the Tax-Exempt Repayment Account to make the transfer

described in paragraph (i) under the caption "*Tax-Exempt Repayment Account*" above, to the Tax-Exempt Junior-Subordinate Interest Subaccount of the Tax-Exempt Repayment Account, the amount of such deficiency:

(i) on each Bond Payment Date, on a parity basis, to the corresponding Series Principal Subaccount established within the Taxable Repayment Account for any Series of the Taxable Junior-Subordinate Bonds and Notes, the amount, if any, necessary to increase the amount on deposit in such Series Principal Subaccount to an amount equal to the principal due on such Bond Payment Date for the corresponding Series of the Taxable Junior-Subordinate Bonds and Notes, and to the extent there are insufficient moneys available in the Tax-Exempt Repayment Account to make the transfer described in paragraph (j) under the caption "*Tax-Exempt Repayment Account*" above, to the appropriate Series Principal Subaccounts of the Tax-Exempt Repayment Account, the amount of such deficiency:

(j) on each Bond Payment Date, on a parity basis to the Taxable Debt Service Reserve Subaccount the amount, if any, described under the caption "*Debt Service Reserve Account*" below and to the Tax-Exempt Debt Service Reserve Subaccount the amount, if any, described under the caption "*Debt Service Reserve Account*" below;

(k) on the first Bond Payment Date on or after each March 1 and September 1 of each year, at the option of the Authority and upon Authority Order, any remaining amounts on deposit in the Taxable Repayment Account may be redesignated as Recoveries of Principal with respect to the Outstanding Series of Taxable Bonds and Notes and, if redesignated, shall be allocated among the Outstanding Series of Taxable Bonds and Notes according to their respective principal amounts Outstanding; and

(l) on the first Bond Payment Date on or after each March 1 and September 1 of each year, at the option of the Authority and upon Authority Order, to the Authority to the extent permitted by the Master Bond Resolution and described under the caption "*Releases to the Authority*" below.

On each Bond Payment Date for the Taxable Bonds and Notes, the Master Trustee shall transfer amounts on deposit in the corresponding Accounts and Subaccounts of the Taxable Repayment Account to the appropriate Series Trustee or Series Co-Paying Agent to be paid to the Registered Owners of such Taxable Bonds and Notes.

Notwithstanding the foregoing, moneys or investments in the Tax-Exempt Repayment Account or the Taxable Repayment Account of the Student Loan Sinking Fund, and any Subaccounts therein, may be transferred on any date to a Trust Estate Collateral Investment Counterparty pursuant to the provision of the Master Bond Resolution and the related Trust Estate Collateral Investment Agreement, and moneys or investments received from the repayment of a Trust Estate Collateral Investment may be deposited to the Student Loan Sinking Fund, and any Account or Subaccount therein, in accordance with the Master Bond Resolution and the related Trust Estate Collateral Investment Agreement.

*Debt Service Reserve Account.* The Master Trustee will deposit to the Tax-Exempt Debt Service Reserve Subaccount the amount specified therefor in any Supplemental Bond Resolution. On each Bond Payment Date, to the extent there are insufficient moneys in the Tax-Exempt Repayment Subaccount to make the transfers required by paragraphs (a) through (j) under the caption "*Tax-Exempt Repayment Account*" above, then, after any required transfer from the Tax-Exempt Loan Account, the amount of such deficiency will be paid directly from the Tax-Exempt Debt Service Reserve Subaccount.

If the Tax-Exempt Debt Service Reserve Subaccount is used for the purposes described above, the Master Trustee will restore the Tax-Exempt Debt Service Reserve Subaccount to the Debt Service Reserve Account Requirement with respect to the Tax-Exempt Bonds and Notes by transfers from the Tax-Exempt Repayment Account on the next Bond Payment Date pursuant to the transfer described in

paragraph (k) under the caption "Tax-Exempt Repayment Account" above and from the Taxable Repayment Account on the next Bond Payment Date pursuant to the transfer described in paragraph (j) under the caption "Taxable Repayment Account" above. If the full amount required to restore the Tax-Exempt Debt Service Reserve Subaccount to the Debt Service Reserve Account Requirement with respect to the Tax-Exempt Bonds and Notes is not available in such Accounts on such next succeeding Bond Payment Date, the Master Trustee will continue to transfer funds from such Accounts as they become available until the deficiency in the Tax-Exempt Debt Service Reserve Subaccount has been eliminated. On any day that the amount in the Tax-Exempt Debt Service Reserve Subaccount exceeds the Debt Service Reserve Account Requirement with respect to the Tax-Exempt Bonds and Notes for any reason, the Master Trustee, at the direction of the Authority, shall transfer the excess to the Tax-Exempt Repayment Account.

The Master Trustee will deposit to the Taxable Debt Service Reserve Subaccount the amount specified therefor in any Supplemental Bond Resolution. On each Bond Payment Date, to the extent there are insufficient moneys in the Taxable Repayment Account to make the transfers required by paragraphs (a) through (i) under the caption "Taxable Repayment Account" above, then, after any required transfer from the Taxable Loan Account, the amount of such deficiency will be paid directly from the Taxable Debt Service Reserve Subaccount.

If the Taxable Debt Service Reserve Subaccount is used for the purposes described above, the Master Trustee will restore the Taxable Debt Service Reserve Subaccount to the Debt Service Reserve Account Requirement with respect to the Taxable Bonds and Notes by transfers from the Taxable Repayment Account on the next Bond Payment Date pursuant to the transfer described in paragraph (j) under the caption "Taxable Repayment Account" above and from the Tax-Exempt Repayment Account on the next Bond Payment Date pursuant to the transfer described in paragraph (k) under the caption "Tax-Exempt Repayment Account" above. If the full amount required to restore the Taxable Debt Service Reserve Subaccount to the Debt Service Reserve Account Requirement with respect to the Taxable Bonds and Notes is not available in such Accounts on such next succeeding Bond Payment Date, the Master Trustee will continue to transfer funds from such Accounts as they become available until the deficiency in the Taxable Debt Service Reserve Subaccount has been eliminated. On any day that the amount in the Taxable Debt Service Reserve Subaccount exceeds the Debt Service Reserve Account Requirement with respect to the Taxable Bonds and Notes for any reason, the Master Trustee, at the direction of the Authority, will transfer the excess to the Taxable Repayment Account.

Notwithstanding the foregoing, moneys or investments in the Debt Service Reserve Account, and any Subaccounts therein, may be transferred on any date to a Trust Estate Collateral Investment Counterparty pursuant to the Master Bond Resolution and the related Trust Estate Collateral Investment Agreement, and moneys or investments received from the repayment of a Trust Estate Collateral Investment may be deposited to the Debt Service Reserve Account, and any Subaccount therein, in accordance with the Master Bond Resolution and the related Trust Estate Collateral Investment Agreement.

#### Rebate Fund

The Master Trustee shall, in accordance with the transfer described in paragraph (a) under the caption "Tax-Exempt Repayment Account" above, withdraw from the Tax-Exempt Repayment Account and deposit to the Rebate Fund an amount such that the balance held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the Computation Date pursuant to written instructions from the Authority. In addition, the Master Trustee shall, in accordance with the transfer described in paragraph (a) under the caption "Tax-Exempt Repayment Account" above, withdraw from the Tax-Exempt Repayment Account and deposit to the Rebate Fund such amount as shall be required to be paid to the federal government as Excess Interest. Alternatively, upon Authority Order the Authority may from time to time forgive Financed Eligible Loans to satisfy such requirement, in accordance with the Tax Regulatory Agreements. Payments of such amounts to the federal government will be made in accordance with the Tax Regulatory Agreements and the Investment Instructions.

## **Servicing Fees and Program Expenses**

The amount used to pay Servicing Fees, Program Expenses and Administrative Expenses from the Student Loan Sinking Fund and, if necessary, from the Student Loan Fund, and the schedule of payments shall be determined by the Authority, but the amounts so paid in any one Fiscal Year shall not exceed the amount budgeted by the Authority as Servicing Fees, Program Expenses and Administrative Expenses for such Fiscal Year with respect to the Bonds and Notes and as may be limited by a Supplemental Bond Resolution, and shall not exceed the amount designated therefor in the cash flows provided to the Rating Agencies on the Date of Issuance of any Outstanding Bonds and Notes, unless the Authority, after furnishing the Rating Agencies with revised cash flows, shall have received written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn due to the payment of such additional Servicing Fees, Program Expenses and/or Administrative Expenses.

## **Transfers to Authority**

Pursuant to the Master Bond Resolution, the Authority may instruct the Master Trustee to transfer certain excess Revenues to the Authority free and clear of the lien of the Master Bond Resolution in accordance with the transfer described in paragraph (m) under the caption "*Tax-Exempt Repayment Account*" above and the transfer described in paragraph (l) under the caption "*Taxable Repayment Account*" above; provided, however, that no transfer of assets to the Authority (other than pursuant to the payments otherwise permitted in the Master Bond Resolution) will be made if there is not on deposit in the Debt Service Reserve Account an amount equal to at least the Debt Service Reserve Account Requirement, and unless the Master Trustee has received (i) a Cash Flow Certificate, (ii) an opinion of Bond Counsel stating that adequate provision has been made to assure that such transfer shall not impair the Authority's capacity to comply with its obligations relative to the restrictions upon Excess Interest and Portfolio Yield and to the rebate of certain amounts to the federal government as such obligations would be calculated upon the date of such opinion in accordance with the Tax Regulatory Agreements and Investment Instructions and that such transfer will not affect adversely the exclusion from federal income taxation of interest on any Tax-Exempt Bonds and Notes and (iii) an Authority Certificate to the effect that all rebate liability as calculated pursuant to the Tax Regulatory Agreements and Investment Instructions through the date of such transfer has been paid or deposited in the Rebate Fund; and further provided, that no transfer shall be made to the Authority unless immediately after taking into account any such transfer, the Aggregate Market Value of the assets in the Trust Estate will be equal to at least (a) 110.5% of the unpaid principal amount of the Senior Bonds and Notes Outstanding and any Trust Estate Collateral Investment Amount, (b) 103% of the unpaid principal amount of the Senior Bonds and Notes and Subordinate Bonds and Notes Outstanding and any Trust Estate Collateral Investment Amount and (c) 100% of the unpaid principal amount of the Bonds and Notes Outstanding and any Trust Estate Collateral Investment Amount.

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

The Master Trustee will invest money held for the credit of any Fund, Account or Subaccount held by the Master Trustee under the Master Bond Resolution as directed in writing (or orally, confirmed in writing) by an Authorized Officer of the Authority or a designee appointed in writing by an Authorized Officer of the Authority, to the fullest extent practicable and reasonable, in Investment Securities which shall mature or be redeemed at the option of the holder prior to the respective dates when the money held for the credit of such Fund, Account or Subaccount will be required for the purposes intended. In the absence of any such direction, the Master Trustee shall invest such amounts in Government Obligations. Earnings with respect to, and any net gain on the disposition of, any such investments, except on investments contained in the Rebate Fund, shall be deposited into the corresponding Account of the Student Loan Sinking Fund. Earnings on amounts contained in the Rebate Fund shall remain in the Rebate Fund. Investment are valued monthly at their Value.

## COVENANTS OF THE AUTHORITY

### **Pledge for Payment**

The Bonds and Notes and interest thereon and all other Obligations will be payable from and equally secured (except as to priority of payment of the Senior Obligations over Subordinate Obligations and Junior-Subordinate Obligations, the priority of payment of the Subordinate Obligations over the Junior-Subordinate Obligations, and the priority, if any, of payment of one series of Junior-Subordinate Obligations over any other series of Junior-Subordinate Obligations) by an irrevocable first lien on and pledge of the properties constituting the Trust Estate, subject to the application thereof as permitted by the Master Bond Resolution, but in no event shall the Registered Owners of any Obligations, have any right to possession of any Financed Eligible Loans, which shall be held only by the Authority or its agent or bailees, including the Custodian.

### **Covenants as to Additional Conveyances**

At any and all times, the Authority will duly execute, acknowledge, and deliver, or will cause to be done, executed, and delivered, all and every such further acts, conveyances, transfers, and assurances in law as the Master Trustee shall reasonably require for the better conveying, transferring, and pledging and confirming unto the Master Trustee, all and singular, the properties constituting the Trust Estate.

### **Servicing Agreement**

The Authority covenants in the Master Bond Resolution that, for any Financed Eligible Loans not being serviced by the Authority, it will keep in force and effect one or more Servicing Agreement whereby a Servicer will be responsible for the performance of certain administrative functions in connection with such Financed Eligible Loans.

### **Additional Covenants by the Authority to Conform to the Higher Education Act**

The Authority covenants in the Master Bond Resolution that, so long as it is necessary in order to maintain the various federal benefits under the Higher Education Act with respect to the Financed Eligible Loans originated under the Higher Education Act, or otherwise, it will at all times permit only an Eligible Lender under the Higher Education Act to act as Master Trustee under the Master Bond Resolution; and that it will not cause or permit the Master Trustee to dispose of or deliver any Eligible Loans or any security interest in any such Eligible Loans to any party who is not an Eligible Lender so long as the Higher Education Act or Regulations require an Eligible Lender to be the owner or holder of Eligible Loans.

The Authority recognizes and acknowledges in the Master Bond Resolution that (i) under the Regulations, a Financed Eligible Loan made under the Higher Education Act may not be transferred or assigned, nor may an assignment be made with such Financed Eligible Loans as security to any person who is not at the time an Eligible Lender under the Higher Education Act; and (ii) the Authority and the Master Trustee are Eligible Lenders and as a part of the contracts with the Secretary and any Guarantee Agency, an Eligible Lender must comply with the appropriate provisions of the Higher Education Act and the Regulations in order that the insurance or guarantee on the loans as well as the entitlements to Interest Benefit Payments and Special Allowance Payments, if any, will not be affected.

### **Maintain and Enforce Agreements; No Amendments Adverse to Registered Owners**

The Authority will, from and after the time it has either entered into, or succeeded to the rights and interests of any Eligible Lender under any guarantee agreement covering Financed Eligible Loans, maintain the same and

diligently enforce its rights thereunder, and not consent to or permit any rescission of or consent to any amendment thereto or otherwise take any action under or in connection therewith which in any manner would adversely affect the rights of the Registered Owners.

The Authority will maintain its agreements with the Guarantee Agencies under the Higher Education Act, and the Authority will diligently enforce its rights thereunder and will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection therewith which in any manner will adversely affect the rights of the Registered Owners.

#### **Eligible Loans; Collections Thereof; Assignment Thereof**

The Authority will, or through its Servicers will, diligently collect all principal and interest payments on all Financed Eligible Loans, and all Interest Benefit Payments, insurance and default claims and Special Allowance Payments, if any, which relate to such Financed Eligible Loans (provided that this covenant will not preclude the forgiveness of principal or interest on the Financed Eligible Loans to the extent necessary to comply with the Authority's tax covenants nor preclude the Authority (or the Master Trustee as directed by the Authority) from contractually lowering the interest rate on Financed Eligible Loans so long as, at the time such contractual obligation is undertaken, such lower rate of interest would not materially adversely affect the ability of the Authority to repay the Bonds and Notes). The Authority will, or through its Servicers will, cause the filing and assignment of such claims (prior to the timely-filing deadline for such claims under the Regulations) by the Master Trustee. The Authority will comply with the Higher Education Act and Regulations which apply to the Financed Eligible Loans.

#### **Plan for Doing Business**

The Authority covenants in the Master Bond Resolution that it will at all times operate under a plan for doing business which is in conformity with the Higher Education Act and the laws of the State and will maintain its status as an express trust for the benefit of the State of Oklahoma.

#### **Tax Covenants**

The Authority covenants that it will not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Tax-Exempt Bonds and Notes, including the Series 1995 Bonds and Notes, under Section 103 of the Code. In furtherance of the foregoing covenant, the Authority covenants to comply with the Tax Regulatory Agreements.

#### **DISCHARGE OF MASTER BOND RESOLUTION**

If the Authority shall (x) pay, or cause to be paid, or there shall otherwise be paid (i) to the Registered Owners of the Bonds and Notes, the principal of and interest on the Bonds and Notes, at the times and in the manner stipulated in the Master Bond Resolution and the corresponding Supplemental Bond Resolutions, (ii) to each Swap Counterparty, all Authority Swap Payments then due and (iii) to the United States of America, the amount required to be rebated in satisfaction of its obligations as described in the Investment Instructions and the Tax Regulatory Agreements and (y) have provided for the payment of any amounts which may become due and owing to a Trust Estate Collateral Investment Counterparty pursuant to the corresponding Collateral Investment Agreement, then the pledge of the Trust Estate, except the Rebate Fund, which is not pledged thereunder, and all covenants, agreements, and other obligations of the Authority to the Registered Owners will thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds and Notes or interest installments shall be deemed to have been paid within the meaning of the Master Bond Resolution if money for the payment or redemption thereof has been set aside and is being held in trust by the Master Trustee at the Stated Maturity or earlier redemption date thereof. Any Outstanding Bond shall, prior to the Stated Maturity or earlier redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Master Bond Resolution if (i) such Bond or Note is to be redeemed on any date prior to its Stated Maturity and (ii) the Authority shall have given notice of redemption as provided in the Master Bond Resolution on said date, there shall have been deposited with the Master Trustee either money (fully insured by the Federal Deposit Insurance Corporation or fully collateralized by Governmental Obligations) in an amount which shall be sufficient, or Governmental Obligations (including any Governmental Obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Master Trustee at the same time, shall be sufficient, to pay when due the principal of and interest to become due on such Bond or Note on and prior to the redemption date or Stated Maturity thereof, as the case may be.

Any Authority Swap Payments are deemed to have been paid and the corresponding Swap Agreement terminated when payment of all Authority Swap Payments due and payable to each Swap Counterparty under its respective Swap Agreement have been made or duly provided for to the satisfaction of each Swap Counterparty and the respective Swap Agreement has been terminated.

Any payments required to be made to a Trust Estate Collateral Investment Counterparty pursuant to the corresponding Trust Estate Collateral Investment Agreement are deemed to have been provided for if sufficient moneys have been set aside outside of the Trust Estate to pay the Trust Estate collateral Investment Amount.

#### DEFAULTS AND REMEDIES

##### Events of Default

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

- (a) default in the due and punctual payment of the principal of or interest on any of the Senior Bonds and Notes when due or failure to make any payment due under any other Senior Obligations when due;
- (b) if no Senior Obligations are outstanding, default in the due and punctual payment of the principal of or interest on any of the Subordinate Bonds and Notes when due or failure to make any payment due under any other Subordinate Obligations when due;
- (c) if no Senior Obligations or Subordinate Obligations are outstanding, default in the due and punctual payment of the principal of or interest on any of the Junior-Subordinate Bonds and Notes when due or failure to make any payment due under any other Junior-Subordinate Obligations when due;
- (d) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Authority to be kept, observed, and performed contained in the Master Bond Resolution, in any Supplemental Bond Resolution or in any Bonds or Notes, and continuation of such default for a period of 90 days after written notice thereof by the Master Trustee to the President of the Authority; and
- (e) the occurrence of an "event of default" under any Tax Regulatory Agreement.

## Remedy on Default; Possession of Trust Estate

Subject to the provisions described under the caption "Accelerated Maturity" below, upon the happening and continuance of any Event of Default, the Master Trustee personally or by its attorneys or agents may enter into and upon and take possession of such portion of the Trust Estate as shall be in the custody of others, and all property comprising the Trust Estate, and each and every part thereof, and exclude the Authority and its agents, servants, and employees wholly therefrom, and have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Authority or otherwise, as they shall deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and powers of the Authority and use all of the then existing Trust Estate for that purpose, and collect and receive all charges, income and Revenue and Recoveries of Principal of the same and of every part thereof, and after deducting therefrom all expenses incurred thereunder and all other proper outlays authorized in the Master Bond Resolution, and all payments which may be made as just and reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Master Trustee will apply the rest and residue of the money received by the Master Trustee as follows:

(a) if the principal of none of the Obligations shall have become due, first, to the payment of the interest in default on the Senior Bonds and Notes and to the payment of all Authority Swap Payments secured on a parity with the Senior Bonds and Notes then due and to the payment of any amounts previously or then demanded by a Trust Estate Collateral Investment Counterparty pursuant to a Trust Estate Collateral Investment Agreement, in order of the maturity of the installments thereof, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds and Notes on which such interest shall be in default and any such Authority Swap Payments as provided in the ISDA Master Agreement then due and under such Trust Estate Collateral Investment Agreement, such payments to be made ratably to the parties entitled thereto without discrimination or preference, second, to the payment of the interest in default on the Subordinate Bonds and Notes and to the payment of all Authority Swap Payments secured on a parity with the Subordinate Bonds and Notes then due, in order of the maturity of the installments of such interest and any such Authority Swap Payments, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds and Notes on which such interest shall be in default and any such Authority Swap Payments as provided in the ISDA Master Agreement then due, such payments to be made ratably to the parties entitled thereto without discrimination or preference and, third, to the payment of the interest in default on the Junior-Subordinate Bonds and Notes and to the payment of all Authority Swap Payments secured on a parity with such Junior-Subordinate Bonds and Notes then due, in order of the maturity of the installments of such interest and any such Authority Swap Payments, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Junior-Subordinate Bonds and Notes on which such interest shall be in default and any such Authority Swap Payments as provided in the ISDA Master Agreement then due, such payments to be made ratably to the parties entitled thereto without discrimination or preference, except as may be provided in a Supplemental Bond Resolution; and

(b) if the principal of any of the Obligations shall have become due by declaration of acceleration or otherwise, first to the payment of the interest in default on the Senior Bonds and Notes and all Authority Swap Payments secured on a parity with the Senior Bonds and Notes then due and to the payment of any amounts previously or then owed to a Trust Estate Collateral Investment Counterparty pursuant to a Trust Estate Collateral Investment Agreement, in the order of the maturity of the installments thereof, with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds and Notes on which such interest shall be in default and such Authority Swap Payments as provided in the ISDA Master Agreement then due and under such Trust Estate

Collateral Investment Agreement, as the case may be, second, to the payment of the principal of all Senior Bonds and Notes then due and any amount owed to a Swap Counterparty secured on a parity with Senior Obligations under the ISDA Master Agreement and, to be deposited to a separate account established with the Master Trustee under the Trust Estate, an amount equal to the aggregate amount of all Trust Estate Collateral Investment Amounts (less amounts already transferred to each Trust Estate Collateral Investment Counterparty) to be used in the future to fund demands from the Trust Estate Collateral Investment Counterparties, such payments to be made ratably to the parties entitled thereto without discrimination or preference, third, to the payment of the interest in default on the Subordinate Bonds and Notes and all Authority Swap Payments secured on a parity with the Subordinate Bonds and Notes then due, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds and Notes on which such interest shall be in default and such Authority Swap Payments as provided in the ISDA Master Agreement then due, as the case may be, fourth, to the payment of the principal of all Subordinate Bonds and Notes then due and any amount owed to a Swap Counterparty secured on a parity with Subordinate Obligations under the ISDA Master Agreement, such payments to be made ratably to the parties entitled thereto without discrimination or preference, fifth, to the payment of the interest in default on the Junior-Subordinate Bonds and Notes and all Authority Swap Payments secured on a parity with such Junior-Subordinate Bonds and Notes then due, in the order of the maturity of the installments thereof, with interest on overdue installments thereof at the same rates, respectively, as were borne by the Junior-Subordinate Bonds and Notes on which such interest shall be in default and such Authority Swap Payments as provided in the ISDA Master Agreement then due, as the case may be, and sixth, to the payment of the principal of all Junior-Subordinate Bonds and Notes then due and any amount owed to a Swap Counterparty secured on a parity with Junior-Subordinate Obligations under the ISDA Master Agreement, such payments to be made ratably to the parties entitled thereto without discrimination or preference, except as may be provided in a Supplemental Bond Resolution.

#### **Accelerated Maturity**

If an Event of Default shall have occurred and be continuing, the Master Trustee may declare, or upon the written direction by the Registered Owners of at least 25% of the collective aggregate principal amount of the Highest Priority Bonds and Notes then Outstanding, shall declare, the principal of all Obligations then Outstanding, and the interest thereon, if not previously due, immediately due and payable, anything in the obligations or the Master Bond Resolution to the contrary notwithstanding; provided, however, that for a declaration of acceleration upon a default described in paragraphs (d) or (e) under the caption "Events of Default" above shall require the consent of 100% of the Registered Owners of the collective aggregate principal amount of the Senior Bonds and Notes and Subordinate Bonds and Notes then Outstanding (or, if there are no Senior Bonds and Notes or Subordinate Bonds and Notes Outstanding, the consent of 100% of the Registered Owners of the collective aggregate principal amount of the Junior-Subordinate Bonds and Notes then Outstanding).

#### **Direction of Master Trustee**

Upon the happening of any Event of Default, the Registered Owners of at least 25% of the collective aggregate principal amount of the Highest Priority Bonds and Notes then Outstanding, have the right by an instrument or instruments in writing delivered to the Master Trustee to direct and control the Master 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 Master Bond Resolution to be so taken or to be discontinued or delayed; provided, however, that such Registered Owners shall not be entitled to cause the Master Trustee to take any proceedings which in the Master Trustee's opinion would be unjustly prejudicial to non-assenting Registered Owners of Obligations, but the

Master Trustee shall be entitled to assume that the action requested by the Registered Owners of 25% of the collective aggregate principal amount of the Highest Priority Bonds and Notes then Outstanding will not be prejudicial to any non-assenting Registered Owners unless the Registered Owners of more than 50% of the collective aggregate principal amount of the non-assenting Registered Owners of such Highest Priority Bonds and Notes, in writing, show the Master Trustee how they will be prejudiced. Provided, however, that anything in the Master Bond Resolution to the contrary notwithstanding, the Registered Owners of a majority of the collective aggregate principal amount of the Highest Priority Bonds and Notes then Outstanding together with the Registered Owners of a majority of the collective aggregate principal amount of all other Bonds and Notes then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Bond Resolution, or for the appointment of a receiver or any other proceedings thereunder, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Bond Resolution.

#### **Right to Enforce in Master Trustee**

No Registered Owner of any Obligation or any Series Trustee shall have any right as such Registered Owner or Series Trustee to institute any suit, action, or proceedings for the enforcement of the provisions of the Master Bond Resolution or for the execution of any trust thereunder or for the appointment of a receiver or for any other remedy thereunder, all rights of action thereunder being vested exclusively in the Master Trustee, unless and until such Registered Owner or Series Trustee shall have previously given to the Master Trustee written notice of a default thereunder, and of the continuance thereof, and also unless the Registered Owners of the requisite principal amount of the Obligations then Outstanding shall have made written request upon the Master Trustee and the Master Trustee shall have been afforded reasonable opportunity to institute such action, suit or proceeding in its own name, and unless the Master Trustee shall have been offered reasonable indemnity and security satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby and the Master Trustee for 30 days after receipt of such notification, request, or offer of indemnity, shall have failed to institute any such action, suit or proceeding. It is understood and intended that no one or more Registered Owners of the Obligations or any Series Trustee shall have the right in any manner whatever by his or their action to affect, disturb, or prejudice the lien of the Master Bond Resolution or to enforce any right thereunder except in the manner therein provided and for the equal benefit of the Registered Owners of not less than a majority of the collective aggregate principal amount of the Obligations then Outstanding.

#### **Waivers of Events of Default**

Subject to certain limitations, the Master Trustee may in its discretion waive any Event of Default and its consequences and rescind any declaration of acceleration of Obligations, and shall do so upon the written request of the Registered Owners of at least a majority of the collective aggregate principal amount of the Highest Priority Bonds and Notes then Outstanding.

### **THE MASTER TRUSTEE AND THE SERIES TRUSTEES**

#### **Resignation and Removal of the Master Trustee**

The Master Trustee and any successor to the Master Trustee may resign and be discharged from the trust created by the Master Bond Resolution and any Supplemental Bond Resolution by giving to the President of the Authority notice in writing which notice shall specify the date on which such resignation is to take effect; provided, however, that such resignation shall only take effect on the day specified in such notice if a successor Master Trustee shall have been appointed (and is qualified to be the Master Trustee under the requirements of the Master Bond Resolution). If no successor Master Trustee has been appointed

by the date specified or within a period of 90 days from the receipt of the notice by the Authority, whichever period is the longer, the Master Trustee may (A) appoint a temporary successor Master Trustee having the qualifications provided in the Master Bond Resolution or (B) request a court of competent jurisdiction to (1) require the Authority to appoint a successor, within three days of the receipt of citation or notice by the court, or (2) appoint a Master Trustee having the qualifications provided in the Master Bond Resolution. In no event may the resignation of the Master Trustee be effective until a qualified successor Master Trustee shall have been selected and appointed.

The Master Trustee or any successor Master Trustee may be removed (i) at any time by the Registered Owners of a majority of the collective aggregate principal amount of the Highest Priority Bonds and Notes then Outstanding, (ii) by the Authority for cause or upon the sale or other disposition of the Master Trustee or its trust functions or (iii) by the Authority without cause so long as no Event of Default exists or has existed within the last 90 days, upon payment to the Master Trustee so removed of all money then due to it and appointment of a successor thereto by the Authority and acceptance thereof by said successor. One copy of any such instrument shall be filed with the Secretary of the Authority and the other with the Master Trustee so removed.

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

#### **Successor Master Trustee**

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

Every successor Master Trustee appointed by the Registered Owners, by a court of competent jurisdiction, or by the Authority shall be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein, which has a reported capital and surplus of not less than \$25,000,000, be authorized under the law to exercise corporate trust powers, be subject to supervision or examination by a federal or state authority, and be an Eligible Lender so long as such designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the Financed Eligible Loans originated under the Higher Education Act.

#### **Resignation and Removal of any Series Trustee**

Any Series Trustee and any successor to a Series Trustee may resign and be discharged from the trust created by the Master Bond Resolution and any Supplemental Bond Resolution by giving to the President of the Authority notice in writing which notice shall specify the date on which such resignation is to take effect; provided, however, that such resignation shall only take effect on the day specified in such notice if a successor Series Trustee shall have been appointed (and is qualified to be a Series Trustee under the requirements of the Master Bond Resolution). If no successor Series Trustee has been appointed by the date specified or within a period of 90 days from the receipt of the notice by the Authority, whichever period is the longer, the Series Trustee may (A) appoint a temporary successor Series Trustee having the qualifications provided

in the Master Bond Resolution or (B) request a court of competent jurisdiction to (1) require the Authority to appoint a successor, within three days of the receipt of citation or notice by the court, or (2) appoint a Series Trustee having the qualifications provided in the Master Bond Resolution. In no event may the resignation of a Series Trustee be effective until a qualified successor Series Trustee shall have been selected and appointed. In the event a temporary successor Series Trustee is appointed pursuant to (A) above, the Authority may remove such temporary successor Series Trustee and appoint a successor thereto.

Any Series Trustee or any successor Series Trustee may be removed (i) at any time by the Registered Owners of a majority of the collective aggregate principal amount of corresponding Series of Bonds or Notes then Outstanding, (ii) by the Authority for cause or upon the sale or other disposition of the Series Trustee or its trust functions or (iii) by the Authority without cause so long as no Event of Default exists or has existed within the last 90 days, upon payment to the Series Trustee so removed of all money then due to it and appointment of a successor thereto by the Authority and acceptance thereof by said successor.

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

#### **Successor Series Trustee**

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

Every successor Series Trustee appointed by the Registered Owners, by a court of competent jurisdiction, or by the Authority shall be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein, which has a reported capital and surplus of not less than \$25,000,000, be authorized under the law to exercise corporate trust powers, and be subject to supervision or examination by a federal or state authority.

#### **Special Circumstances Leading to Resignation of Master Trustee**

Because the Master Trustee serves as trustee under the Master Bond Resolution for Obligations of different priorities, it is possible that circumstances may arise which will cause the Master Trustee to resign from its position as trustee for one or more of the Obligations. In the event that the Master Trustee makes a determination that it should so resign, due to the occurrence of an Event of Default or potential default, or otherwise, the Authority may permit such resignation as to one or more of the Obligations or request the Master Trustee's resignation as to all Obligations, as the Authority may elect. If the Authority should determine that a conflict of interest has arisen as to the trusteeship of any of the Obligations, it may authorize and execute a Master Trust Agreement or supplemental resolution with one or more successor Master Trustees, under which the administration of certain of the Obligations would be separated from the administration of the other Obligations.

## SUPPLEMENTAL RESOLUTIONS

### Supplemental Resolutions Not Requiring Consent of Registered Owners

The Authority may, with the consent of the Master Trustee and any affected Series Trustee but without the consent of or notice to any of the Registered Owners, adopt any resolution or resolutions supplemental to the Master Bond Resolution for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Master Bond Resolution;

(b) To grant to or confer upon the Master Trustee, any Series Trustee, any Series Co-Paying Agent, any Series Registrar or any Series Authenticating Agent 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, the Master Trustee or any Series Trustee, or to make any change which, in the judgment of the Master Trustee, is not to the material prejudice of the Registered Owners;

(c) To subject to the Master Bond Resolution additional revenues, properties or collateral;

(d) To modify, amend or supplement the Master Bond Resolution or any resolution supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds and Notes 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 Master Bond Resolution or any resolution supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(e) To evidence the appointment of a separate or co-Master Trustee, a co-Series Trustee or a co-registrar or transfer agent or the succession of a new Master Trustee, Series Trustee, Series Co-Paying Agent, Series Registrar or Series Authenticating Agent, or any additional or substitute Guarantee Agency or Servicer;

(f) To make any change which affects the Bonds and Notes only when they bear a type of interest rate other than the one borne at the time of delivery of the Master Bond Resolution or the supplemental resolution upon receipt by the Authority and the Master Trustee of written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such change;

(g) To add such provisions to or to amend such provisions of the Master Bond Resolution as may, in Bond Counsel's opinion, be necessary or desirable to assure implementation of the Program in conformance with the Higher Education Act if along with such supplemental resolution there is filed a Bond Counsel's opinion to the effect that the addition or amendment of such provisions will in no way impair the existing security of the Registered Owners of any outstanding obligations;

(h) To make any change as shall be necessary in order to obtain for the Bonds and Notes an investment-grade rating from a nationally recognized rating service or to qualify them to be in book-entry form, which changes, in the opinion of the Master Trustee are not to the prejudice of the Registered Owner of any of the obligations;

(i) To make any change as shall be necessary in order to maintain the exclusion of interest on the Tax-Exempt Bonds and Notes from gross

income of the Registered Owners of the Tax-Exempt Bonds and Notes for federal income tax purposes;

(j) To enter into a Supplemental Bond Resolution for the purposes of issuing Bonds and Notes to acquire or refinance Eligible Loans or for any other purpose authorized under the Master Bond Resolution;

(k) To make the terms and provisions of the Master Bond Resolution, including the lien and security interest granted in the Master Bond Resolution, applicable to a Swap Agreement or a Trust Estate Collateral Investment Agreement;

(l) To create any additional Funds or Accounts or Subaccounts under the Master Bond Resolution deemed by the Master Trustee to be necessary or desirable; or

(m) To make any other change, except for any change described under the caption "Supplemental Resolutions Requiring Consent of Registered Owners" below which requires the consent of all the Registered Owners, upon receipt by the Authority and the Master Trustee of written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such change;

provided, however, that no such supplement which adversely affects the rights or interests of the Swap Counterparty may be entered into without the prior consent of the Swap Counterparty.

#### **Supplemental Resolutions Requiring Consent of Registered Owners**

Exclusive of supplemental resolutions described under the caption "Supplemental Resolutions Not Requiring Consent of Registered Owners" above and subject to the terms and provisions contained in this paragraph, and not otherwise, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Obligations then Outstanding which in the opinion of the Master Trustee are affected shall have the right, from time to time, to consent to and approve the adoption by the Authority of such other resolution or resolutions supplemental thereto as shall be deemed necessary and desirable by the Master Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Bond Resolution or in any supplemental resolution; provided, however, that nothing in this paragraph shall permit, or be construed as permitting (1) without the consent of the Registered Owners of all then Outstanding Obligations affected thereby, (a) an extension of the maturity date of the principal of or the interest on any Obligation, or (b) a reduction in the principal amount of any Obligation or the rate of interest thereon, or (c) a privilege or priority of any Obligation or Obligations over any other Obligation or Obligations except as otherwise provided therein, or (d) a reduction in the aggregate principal amount of the Obligations required for consent to such supplemental resolution, or (e) the creation of any lien other than a lien ratably securing all of the Obligations at any time Outstanding thereunder except as otherwise provided therein or (2) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Master Trustee or any Series Trustee without the prior written approval of the Master Trustee or Series Trustee affected thereby.

#### **LIMITED OBLIGATION OF THE AUTHORITY AND STATE**

The Bonds and Notes and any other Obligations issued or entered into under the Master Bond Resolution, and the interest thereon, shall not be an indebtedness or obligation of the State, or of any political subdivision thereof (other than the Authority), or of the trustees of the Authority, and neither the faith and credit nor the taxing power of the State (or any political subdivision thereof) shall be obligated to pay the principal of, premium, if any, or interest on the Bonds and Notes. The Bonds and Notes and other Obligations shall be

obligations of the Authority payable solely from the Trust Estate and other property or income pledged thereto as specified in the Master Bond Resolution. The Authority has no taxing power.

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**Oklahoma Student Loan Authority**  
**Oklahoma Student Loan Bonds and Notes, Series 1995**

The summary set forth below regarding the guaranteed Federal Family Education Loan Program as established by the Higher Education Act does not purport to be comprehensive or definitive. The summary is qualified in its entirety by reference to the Higher Education Act and the regulations promulgated thereunder.

**DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM**

**Introduction**

The following descriptions of the Federal Family Education Loan ("FFEL") Program, formerly known as the Guaranteed Student Loan Program, including the Federal Stafford Loan ("Stafford Loans") Program, the Federal Supplemental Loans for Students ("SLS") Program, Federal Parent Loans for Undergraduate Students ("PLUS") Program, and Federal Consolidation Loan Program as authorized under Title IV, Part B of the Higher Education Act of 1965, as amended (the "Higher Education Act") are qualified in their entirety by reference to the Higher Education Act.

The Higher Education Act provides for a program of: (i) direct federal insurance of student loans; and (ii) reinsurance of student loans guaranteed or insured by a state agency or private nonprofit corporation. Several types of loans are currently authorized as "Family Education Loans" pursuant to this program. These include: (i) loans to students with respect to which the federal government makes interest payments available to reduce student interest cost during periods of enrollment ("Subsidized Stafford Loans"); (ii) loans to students with respect to which the federal government does not make such interest payments ("Unsubsidized Stafford Loans"); (iii) supplemental loans to parents of dependent students ("PLUS"); and (iv) loans to fund payment and consolidation of certain of the borrower's obligations ("Consolidation Loans").

Since its original enactment in 1965, the Higher Education Act has been amended and reauthorized several times, including by legislation enacted in 1986, 1990, 1992 and 1993. There can be no assurance that the Higher Education Act or other relevant law or regulations promulgated thereunder will not be changed in a manner that will adversely impact the programs described below. In particular, the enacted legislation and other measures described under the caption "Legislative and Administrative Matters" below, or proposed or future measures to reduce the federal budget deficit, may adversely affect these programs.

Currently, there are multiple competing proposals being considered by Congress that would affect the FFEL Program. See the caption "Pending Federal Legislation" in this Appendix. It is impossible to predict whether any of the proposed legislation will be adopted by Congress, or signed into law by the President. Further, legislation is being proposed in both the House and the Senate, and the provisions of the bills vary radically. The Authority cannot predict the outcome of the legislative process and there can be no assurance that the FFEL Program will continue as summarized herein.

**Legislative and Administrative Matters**

*General.* Both the Higher Education Act and the regulations promulgated thereunder have been the subject of extensive amendments in recent years and there can be no assurance that further amendments will not materially change the provisions described herein or the effect thereof. The Higher Education Act was amended by enactment of the Higher Education Amendments of 1986 (the "1986 Amendments"), the general provisions of which took effect on October 17, 1986 and which extended the principal provisions of the FFEL Program to September 30,

1992 (or in the case of borrowers who have received loans prior to that date, September 30, 1997). The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-503) (the "1990 Reconciliation Act") also contained major revisions to the Higher Education Act and the Congressional Budget Act affecting the FFEL Program. Those changes include the Credit Reform Act of 1990, revisions to the budget process, and new restrictions on the eligibility of education institutions in the FFEL Program.

On July 23, 1992, the President signed into law P.L. 102-325 (the "1992 Reauthorization Bill") that reauthorized the FFEL Program through October 1, 1998 and made a number of revisions thereto. Most recently, on August 10, 1993, the President signed into law the Student Loan Reform Act of 1993 which further amended the Higher Education Act (the "1993 Amendments") by revising a number of provisions to the FFEL Program and enacted a Federal Direct Student Loan Program ("FDSLSP") and on December 20, 1993, the President signed into law the Higher Education Technical Amendments Act of 1993 (the "1993 Technical Amendments") which made further changes to the Higher Education Act.

*Credit Reform.* The 1990 Reconciliation Act included the Credit Reform Act of 1990. Under this legislation, beginning in federal fiscal year 1992, the budgeted cost of the FFEL Program included the present value of the long-term cost to the government of loans reinsured during the fiscal year (excluding administrative costs and certain incidental costs), regardless of how far into the future the costs will be incurred. The costs resulting from loan reinsurance commitments made prior to federal fiscal year 1992 are also reflected in future budgets based on the years in which they are paid.

*Enforcement of Spending Limits.* To ensure that revenue levels and spending limits established in the 1990 Reconciliation Act are realized during the five-year period covered by the Higher Education Act, the legislation creates a "pay-as-you-go" process that includes budget sequestration. The legislation divides the budget into three parts for this purpose--receipts (e.g., tax revenues), discretionary spending and entitlements. The FFEL Program is considered an entitlement for this purpose.

If new entitlement spending would cause the entitlement spending limits of the 1990 Reconciliation Act to be breached in a fiscal year, the President is required to order "across-the-board" cuts in entitlements to ensure that the spending limits are met. Thus, new spending in Medicare, for example, could cause a sequester affecting the FFEL Program.

New entitlement spending caused by economic conditions (e.g., higher than projected interest rates) or increased utilization rates do not violate the spending limits established by the Higher Education Act. Only legislative actions creating new spending are covered.

A special sequestration rule applicable to the FFEL Program under prior law is maintained in the budget process. See Section 256(c) of the Balanced Budget and Deficit Reduction Act of 1985, 2 U.S.C. § 906(c) (the "1985 Budget Act"). Under this special rule, any Guaranteed Student Loan made in the fiscal year for which sequestration is in effect is subject to a reduced special allowance rate based on the 91-day Treasury bill rate plus 3% for the first four calendar years that the loan is outstanding and, for a Stafford Loan, the borrower's loan origination fee is increased by 0.5%.

Thus, no assurance can be given that sequestration will not have an adverse effect on the FFEL Program in future years.

*Eligibility Requirements for Educational Institutions.* The 1990 Reconciliation Act made major changes in the provisions granting eligibility to educational institutions (each an "institution") to participate in the FFEL Program. The 1990 Reconciliation Act eliminated eligibility for any institution with a default rate over 35%, with the exception of historically black colleges, certain tribally controlled community colleges and other schools that can demonstrate "exceptional mitigating circumstances" to the satisfaction of the Secretary (the "Secretary") of the U.S. Department of Education ("USDE"). In

addition, the 1990 Reconciliation Act extended a requirement originally enacted in the 1989 Budget Act excluding institutions with a default rate over 30% from the SLS program. Both of these changes are expected to eliminate from the FFEL Program many new loans with a high probability of default. In addition, the Reauthorization Bill lowered the default rate trigger for disqualifying schools to 25% beginning in federal fiscal year 1994, further reducing the risk of default in the program.

*Reauthorization of the Higher Education Act; Financial Status of Guarantee Agencies.* Included in the 1992 Reauthorization Bill is a provision that requires each Guarantee Agency to maintain a current minimum reserve level of at least 0.7% and 0.9% of the total attributable amount of all outstanding loans guaranteed by the Guarantee Agency for the federal fiscal years beginning in 1994 and 1995, respectively, and 1.1% for federal fiscal years beginning in fiscal year 1996 and thereafter.

Annually, the Secretary will collect information from each Guarantee Agency to determine the Guarantee Agency's solvency. If (i) the Guarantee Agency's current reserve level falls below the required minimum for any two consecutive years, (ii) the Guarantee Agency's federal reimbursement payments are reduced to 80% or (iii) the Secretary determines that the administrative or financial condition of a Guarantee Agency jeopardizes such Guarantee Agency's ability to perform its responsibilities, the Secretary may require the Guarantee Agency to submit and implement a management plan acceptable to the Secretary. If the Guarantee Agency fails to submit a plan acceptable to the Secretary, has failed to improve substantially its financial condition or is in danger of financial collapse, the Secretary may terminate the Guarantee Agency's reinsurance contract with the Secretary and, among other things, permit the transfer of guarantees to another Guarantee Agency or to the Secretary for the payment by the Secretary of any claims with respect thereto.

If the Secretary has determined that a Guarantee Agency is unable to meet its insurance obligations, the holder of loans insured by the Guarantee Agency may submit insurance claims directly to the Secretary and the Secretary will pay to the holder the full insurance obligation of the Guarantee Agency, in accordance with insurance requirements no more stringent than those of the Guarantee Agency. Such arrangements will continue until the Secretary is satisfied that the insurance obligations have been transferred to another Guarantee Agency who can meet those obligations or a successor will assume the outstanding insurance obligations. There can be no assurance, however, that the Secretary will make such a determination or will do so in a timely manner. The 1992 Reauthorization Bill 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.

*Federal Direct Student Loan Program.* Commencing in academic year 1994-1995, the 1993 Amendments initiated FDSLPL. In order to ensure expeditious but orderly transition from the FFEL Program to the FDSLPL, the Secretary entered into FDSLPL participation agreements with institutions of higher education such that new federal student loan volume under the FDSLPL and the FFEL Program combined (excluding Consolidation Loans) would be comprised of FDSLPL loans to the extent of 5% in academic year 1994-1995; increasing to 40% in academic year 1995-1996; to 50% in academic year 1996-1997; at 50% in academic year 1997-1998; and to 60% for the academic year beginning in 1998. The Secretary may exceed the goals established for academic years commencing after 1995-1996 if the Secretary determines that a higher percentage is warranted by the number of institutions of higher education that desire to participate in the FDSLPL and meet the eligibility requirements.

Generally, student loans made under the FDSLPL will have parallel terms and conditions, benefits and amounts as the Stafford Loans, PLUS and Unsubsidized Stafford Loans described herein. The FDSLPL will provide a variety of flexible repayment plans, including graduated and income contingent plans, forbearance of payments during periods of national service and consolidation of FDSLPL loans with FFEL Program loans.

See the caption "Pending Federal Legislation" herein regarding certain proposals to limit or eliminate FDSLPL, but it is impossible to predict the outcome of these proposals.

*Risk Sharing Provisions.* Under the 1993 Amendments, effective for FFEL Program loans disbursed after October 1, 1993, (i) the federal reinsurance paid to Guarantee Agencies was reduced from 100%, 90% and 80% for claims rates of 0%-5%, 5%-9% and 9% or greater, respectively, to 98%, 88% and 78%, respectively and (ii) guaranty payments from Guarantee Agencies to eligible lenders (each, a "Lender") were reduced from 100% to 98%.

Effective October 1, 1994, states in which there are institutions with a cohort default rate exceeding 20% will be required to pay to the Secretary a fee equal to 12.5% of all new loan volume attributable to all institutions in that state for fiscal year 1995 (increased to 20% for fiscal year 1996 and 50% for fiscal years 1997 and thereafter) multiplied by the quotient resulting from dividing the amount by which the cohort default rates for all of the state's institutions exceeds 20% by the total amount of loan volume attributable to current and former students of institutions in the state entering into repayment for the period used to calculate the cohort default rate.

Congress is considering proposals that would reduce the federal reinsurance paid to 96%, 86% and 76%, respectively, depending on claim rates in a federal fiscal year; and reducing Guarantee Agencies payments to Lenders to 95% of claim amounts. See the caption "Pending Federal Legislation" herein.

*Guarantee Agency and Lender Provisions.* In addition to the changes discussed under "Risk Sharing Provisions" above, the 1993 Amendments include certain other amendments affecting Guarantee Agencies and eligible lenders. Most notably, the Secretary was granted authority to recover and restrict the use of reserve funds of any Guarantee Agency as well as any assets purchased with such reserve funds if the Secretary determines that it is in the best interests of the FFEL Program or an orderly transition to complete reliance on the FDSLPL to do so. These and other amendments could adversely affect the ability of a Guarantee Agency to remain solvent.

Other amendments include reducing the Guarantee Agency default collection retention rate from 30% to 27%, reducing the maximum insurance premium charged by a Guarantee Agency from 3% to 1% and authorizing the Secretary to terminate a Guarantee Agency's reinsurance agreement if the Secretary determines such action is necessary to protect federal fiscal interests or ensure an orderly transition to full implementation of the FDSLPL.

In addition, Administrative Cost Allowance ("ACA") was eliminated; however legislative history suggests that Congress intended that Guarantee Agencies will continue to receive a 1% ACA. For Stafford Loans disbursed on or after July 1, 1995, the Lender yield on student loans during in-school, grace and deferment periods was reduced from the 91-day Treasury bill rate plus 3.1% to 91-day Treasury bill rate plus 2.5% (not to exceed 8.25%). Lenders are also be required to pay a 1.05% annual fee to the Secretary on the principal plus accrued but unpaid interest of all Consolidation Loans made on or after October 1, 1993. Also effective for student loans first disbursed on or after October 1, 1993, Lenders will be assessed an up-front, user/origination fee equal to 0.5% of the principal amount of the student loan.

*Servicer Provisions and Third-Party Servicer Regulations.* The Reauthorization Bill authorized the Secretary to regulate servicers, including the regulation of their financial responsibility. On April 29, 1994, final regulations were published in the *Federal Register* by the Secretary amending the Student Assistance General Provisions and FFEL Program regulations. These regulations, among other things, establish requirements governing contracts between institutions and third-party servicers, strengthen sanctions against institutions for violations of the program requirements of the Higher Education Act, establish similar sanctions for third-party servicers and establish standards of administrative and financial responsibility for third-party

servicers that administer any aspect of a Guarantee Agency's or Lender's participation in the FFEL Program.

### Eligibility Requirements for Stafford Loans

The Higher Education Act provides for federal (i) insurance or reinsurance of eligible Stafford Loans, (ii) interest subsidy payments ("Interest Benefit Payments") to eligible Lenders with respect to certain eligible Stafford Loans, and (iii) special allowance payments ("Special Allowance Payments") representing an additional subsidy paid by the Secretary to such holders of eligible guaranteed student loans.

Stafford Loans are eligible for reinsurance under the Higher Education Act if the eligible student to whom the loans are 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 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. Both aggregate limitations exclude loans made under the Supplemental Loans for Students and PLUS Programs. The Secretary has discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subject to these limits, Stafford Loans are available to borrowers in amounts not exceeding their unmet need for financing and determined and provided in the Higher Education Act. Provisions addressing the implementation of needs analysis and the relationship between unmet need for financing and the availability of Stafford Loan program funding have been the subject of frequent and extensive amendments in recent years. There can be no assurance that further amendment to such provisions will not materially affect the availability of Stafford Loan funding to borrowers or the availability of Stafford Loans for secondary market acquisition. As used in this summary, a new borrower is an individual who has no outstanding balance due upon prior loans under the FFEL Program.

*Qualified Student.* Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who (i) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution, (ii) 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, (iii) has agreed to notify promptly the holder of the loan of any address change, (iv) meets the applicable "needs" requirements and (v) if such person is an undergraduate enrolled in an institution participating in the Pell Grant Program, then such person's eligibility or ineligibility for the Pell Grant Program must have been determined. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. Each loan is to be evidenced by an unsecured note.

*Principal and Interest.* Stafford Loans may bear interest at a rate not in excess of 7% per annum if made to a borrower to cover costs of instruction for any period beginning prior to January 1, 1981 or, subsequent to such date, if made to a borrower who, upon entering into a note for a loan, has outstanding student loans under the FFEL Program for which the interest rate does not exceed 7%. Stafford Loans made for periods of instruction between January 1, 1981 and September 13, 1983 bear interest at a rate of 9% per annum, and for periods of instruction beginning on or after September 13, 1983, the rate is 8% per annum.

Further, loans to first time borrowers for periods of enrollment beginning on or after July 1, 1988 bear interest at rates of 8% per annum from disbursement through four years after repayment commences and 10% per annum thereafter, subject to a provision requiring annual discharge of principal or rebate to the borrower to the extent that the sum of quarterly calculations of the amount by which interest calculated upon the latter rate (10%) exceeds the amount which would result from application of a rate equivalent to the 91-day Treasury bill

rate plus 3.25%. However, under the 1993 Technical Amendments, lenders were required to convert all loans subject to this provision to a variable rate equal to the 91-day Treasury bill rate plus 3.25% or, in the case of a loan made to a borrower with outstanding student loans under the FFEL Program after October 1, 1993, the 91-day Treasury bill rate plus 3.13 before January 1, 1995. The converted loans will not thereafter be subject to the rebate requirements.

Under the Reauthorization Bill, Stafford Loans to new borrowers made on or after October 1, 1992 bear interest at a variable rate adjusted annually based on the most recent bond equivalent rate of the 91-day Treasury bill rate plus 3.13. The 1993 Amendments changed the interest rates on Subsidized Stafford Loans made to new borrowers on or after July 1, 1994 to the 91-day T-bill rate plus 3.13, not to exceed 8.25%. The interest rates on these loans made on or after July 1, 1995 during school and any grace period is the 91-day T-bill plus 2.53, not to exceed 8.25%. The interest rate on Subsidized Stafford Loans and Unsubsidized Stafford Loans made on or after July 1, 1998 will be the bond equivalent rate of the security with a comparable maturity as established by the Secretary plus 1.03, not to exceed 8.25%.

*Disbursement Requirements.* The Higher Education Act requires that all Stafford Loans and PLUS be disbursed by eligible lenders in at least two separate installments. The proceeds of a loan made to any undergraduate first-year student borrowing for the first time under the program must be delivered to the student no earlier than thirty days after the enrollment period begins. Under the Reauthorization Bill, the annual Stafford limit for first year students is \$2,625 (except that lower limits apply to certain short-term courses of study) but increases to \$3,500 for second year students, \$5,500 for third and fourth year students, and \$8,500 for graduate and professional students. The aggregate limit is at \$23,000 for undergraduates and \$65,500 for graduate and professional students.

*Repayment.* Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student, but generally begins upon expiration of the applicable Grace Period, as described below. Such Grace Periods may be waived by borrowers. In general, each such loan must be scheduled for repayment over a period of not more than ten years after the commencement of repayment. The Higher Education Act currently requires minimum payments of \$50 per month including principal and interest, unless the borrower and the lender agree to lesser payments; in instances in which a borrower and spouse both have such loans outstanding, the total of combined payments for such a couple may not be less than \$600 per year. No penalties may be charged for early repayment.

*Grace Period, Deferment Periods, Forbearance.* Repayment of principal of an insured student loan must generally commence following a period of not more than six months after the student borrower ceases to pursue at least a half-time course of study (a "Grace Period").

During certain other periods and subject to certain conditions, no principal repayments need be made, including periods when the student has returned to an eligible educational institution on a full-time basis or is pursuing studies pursuant to an approved graduate fellowship program, or when the student is a member of the Armed Forces or a volunteer under the Peace Corps Act or the Domestic Volunteer Service Act of 1973, or when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment by reason of the care required by a dependent who is disabled (the "Deferment Periods").

The Lender may also allow periods of forbearance during which the borrower may defer principal payments because of temporary financial hardship. The Reauthorization Bill simplified the deferment categories for new loans and expanded the opportunities for students to obtain forbearance from Lenders due to temporary financial hardship.

## **Interest Benefit Payments**

Interest Benefit Payments are interest payments paid during certain periods by the Secretary with respect to Stafford Loans which meet certain requirements. With respect to loans for which the eligible institution has completed its portion of the loan application after September 30, 1981, Interest Benefit Payments are available only if certain income and need criteria are met by the borrower. Interest Benefit Payments are paid: (i) during a period in which the borrower is enrolled at least half-time in an eligible institution; (ii) during a six-month grace period pending commencement of repayment of the loans; (iii) during certain deferment periods; and (iv) in the case of loans initially disbursed prior to October 1, 1981, during a six-month grace period following any authorized deferment period before repayment is required to resume.

The Secretary makes Interest Benefit Payments quarterly on behalf of the borrower to the holder of the loan in an amount equal to the interest accruing on the unpaid principal amount of the loan during the applicable period. The Higher Education Act provides that the holder of a loan meeting the specified criteria has a contractual right to receive Interest Benefit Payments from the Secretary. Receipt of Interest Benefit Payments is conditioned on the eligibility of the loan for insurance or reinsurance benefits. Such eligibility may be lost, if the requirements of the federal government and the guarantor relating to the servicing and collection of the loans are not met. If Interest Subsidy Payments have not been paid within 30 days after the Secretary receives an accurate, timely and complete request therefor, the Secretary must pay interest on the amounts due beginning on the 31st day at the Special Allowance Payment rate plus the rate of interest applicable to the affected loans.

## **Special Allowance Payments**

The Higher Education Act provides, subject to certain conditions, for Special Allowance Payments to be made quarterly by the Secretary to owners of qualifying Stafford Loans, PLUS Loans and SLS Loans.

The rate of Special Allowance Payments for a particular loan is dependent on a number of factors including when the loan was disbursed and for what period of enrollment the loan covers costs. Generally, the sum of the stated interest on the loan and the applicable Special Allowance Payment for a quarter will be between 3.1 and 3.5 percentage points above the average of bond equivalent rates of 91-day Treasury bills auctioned for that quarter.

Under the 1992 Reauthorization Bill, the Special Allowance Payment will be calculated based on the bond equivalent rate of the 91-day Treasury bill plus 3.1% for loans made on or after October 1, 1992, except that, under the 1993 Amendments, Stafford Loans made on or after July 1, 1995 qualify for Special Allowance Payments based on the 91-day Treasury bill rate plus 2.5% while the borrower is in in-school, grace or deferment status.

In the case of certain loans made or purchased with funds obtained from the issuance of tax-exempt obligations originally issued prior to October 1, 1993, the Special Allowance Payments are reduced by approximately one-half, but not less than certain minimums provided in the Higher Education Act. These minimum Special Allowance Payment rates effectively insure an overall minimum return of 9.5% on such Stafford Loans. However, loans acquired with the proceeds of tax-exempt obligations originally issued after September 30, 1993, will no longer be assured of a minimum Special Allowance Payment. In addition, the formula will be the same as for loans acquired with taxable proceeds (i.e., the full, rather than half, Special Allowance Payment rate).

The formula for Special Allowance Payment rates for PLUS Loans and SLS Loans is similar to that for the Subsidized Stafford Loans except that no such payments are made until the rate on the PLUS Loan or SLS Loan exceeds a certain rate per annum according to the type of loan and based on when the loan was first disbursed. In order to be eligible for Special Allowance Payments, the rate on PLUS first disbursed on or after October 1, 1992 must exceed 10% and for SLS Loans first disbursed on or after October 1, 1992 the rate must exceed 11%.

The rate of Special Allowance Payments for Subsidized Stafford Loans first disbursed on or after October 1, 1992 is based on the bond equivalent 91-day T-bill Rate plus 3.10%. The Special Allowance Payment rates applicable to Consolidation Loans are determined in the same manner as Subsidized Stafford Loans made on or after October 1, 1980. The rate of Special Allowance Payments is subject to reduction by the amount of certain origination fees charged to borrowers and may be reduced as a result of certain federal budget deficit reduction measures.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive Special Allowance Payments has a contractual right during the life of the loan, to receive those Special Allowance Payments. 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 the federal or guarantor regulations specifying servicing and collection of the loan in the event of delinquency. The Higher Education Act also provides that if Special Allowance Payments have not been made within 30 days after the Secretary receives an accurate, timely and complete request therefor, the Secretary must pay interest on the amounts due beginning on the 31st day at the Special Allowance Payment rate plus the rate of interest applicable to the affected loans.

#### **Unsubsidized Stafford Loan Program**

Under the 1992 Reauthorization Bill, a new type of Stafford Loan was created for students who do not qualify for the full subsidized Stafford Loan after application of the need analysis methodology. Such students are entitled to borrow the difference between the Stafford Loan maximum and their Stafford eligibility through the new program. The new unsubsidized Stafford Loan is substantially identical to other Stafford Loans, except that the interest accruing on the loan while the student is in school or in grace or deferment accrues and is capitalized or paid by the student, rather than paid by the Secretary through Interest Benefit Payments.

#### **PLUS and SLS Loans**

Under the 1980 amendments to the Higher Education Act, Congress established a program to provide loans to parents of dependent undergraduate students herein designated "PLUS". The 1981 amendments to the Higher Education Act revised and expanded the initial program to also provide loans to graduate and professional students and independent undergraduate students herein designated "SLS". The basic provisions applicable to PLUS and SLS are similar to those of Stafford Loans with respect to the involvement of guarantee agencies and the Secretary in providing federal insurance on the loans. However, PLUS and SLS Loans differ significantly from Stafford Loans, particularly because federal Interest Benefit Payments are not available under the PLUS and SLS programs and Special Allowance Payments are more restricted.

PLUS are limited, generally, to the cost of attendance minus other financial aid for which the student is eligible. Under the 1992 Reauthorization Bill, there are no annual or aggregate limits applicable to PLUS loans, except that parents continue to be prohibited from borrowing amounts in excess of the student's cost of attendance. Aggregate limits are \$23,000 for undergraduate students and \$73,000 for graduate and professional students.

The applicable interest rate on PLUS depends upon the date of issuance of the loan and the period of enrollment for which the loan is to apply. For PLUS Loans issued on or after October 1, 1981, but for periods of educational enrollment beginning prior to July 1, 1987, the applicable rate of interest is either 12% or 14% per annum. A variable interest rate applies to PLUS and SLS Loans made and disbursed on or after July 1, 1987 or made to refinance PLUS Loans pursuant to the Higher Education Act. This rate is determined on the basis of any 12-month period beginning on July 1 and ending on the following June 30, such that the rate will be the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to the June 1 preceding the applicable 12-month period, plus 3.25%, with a maximum rate of 12% per annum.

Special Allowance Payments are available on variable rate PLUS and SLS Loans only if the rate determined by the formula above exceeds 12%.

Under the 1992 Reauthorization Bill, PLUS loans carry a variable interest rate based on the bond equivalent rate of the 52-week Treasury bill rate plus 3.1%, capped at 10%, for loans first disbursed on or after October 1, 1992, which cap has been further reduced by the 1993 Amendments to 9% for such loans disbursed on or after July 1, 1994. For PLUS Loans disbursed on or after July 1, 1998 the interest rate will be the bond equivalent yield of a security of a comparable maturity plus 2.1% not to exceed 9%. SLS Loans carry the same interest rate but are capped at 11%. Special Allowance Payments are available if the interest rate calculated under the new formula would exceed the applicable cap.

Commencing July 1, 1994, however, the SLS Loan program was merged into the unsubsidized Stafford Loan program with annual loan limits in the merged program equal to the combined limits of the two programs prior to the merger. See the caption "Special Allowance Payments" herein.

Repayment of principal of PLUS and SLS Loans is required to commence no later than 60 days after the date of disbursement of such loan, subject to certain deferral provisions. The deferral provisions which apply are more limited than those which apply to Stafford Loans. Interest Benefit Payments are not available for such deferments, however, the Higher Education Act provides an opportunity for the capitalization of interest during such periods upon the agreement of the Lender and borrower. The applicable annual loan limit is not violated by any decision to capitalize interest.

A borrower may refinance all outstanding PLUS Loans under a single repayment schedule for principal and interest, with a new repayment period calculated from the date of repayment of the most recent included loan. The interest rate of such a combined PLUS Loan is the weighted average of the rates of all loans being refinanced. A second type of refinancing enables an eligible lender to reissue a PLUS Loan which was initially originated at a fixed rate prior to July 1, 1987 in order to permit the borrower to obtain the variable interest rate available on PLUS Loans on and after July 1, 1987. If a lender is unwilling to reissue the original PLUS Loan, the borrower may obtain a loan from another lender for the purpose of discharging the loan and obtaining a variable interest rate. Substantially identical combined repayment and refinancing options are also available for SLS Loans.

### **Consolidation Loans**

Under the 1986 Amendments, Congress established a program to provide loans to eligible borrowers for consolidating their student loans. The Reauthorization Bill and the 1993 Amendments amended certain provisions of the Consolidation Loan program. Under the program, an eligible borrower means a borrower with an outstanding indebtedness of at least \$7,500, who is in repayment status or in a grace period preceding repayment, or is a delinquent or defaulted borrower who will reenter repayment through loan consolidation. The \$7,500 threshold is eliminated for loans consolidated on or after July 1, 1994. The loans under this program are designated "Consolidation Loans." Under this program, a lender will make a Consolidation Loan to an eligible borrower at the request of the borrower if the lender holds an outstanding loan of the borrower or the borrower certifies that he has been unable to obtain a Consolidation Loan from the holders of the outstanding loans of the borrower.

Consolidation Loans consolidated on or after July 1, 1995, bear an interest rate equal to the weighted average of the interest rates on the loans consolidated, rounded up to the nearest whole percent. Consolidation Loans consolidated prior to July 1, 1994 bear an interest rate not less than nine percent per annum. The repayment schedules for consolidation Loans will not exceed: 12 years for loans greater than or equal to \$7,500, but less than \$10,000; 15 years for loans greater than or equal to \$10,000, but less than \$20,000; 20 years for loans greater than or equal to \$20,000, but less than

\$40,000; 25 years for loans greater than or equal to \$40,000, but less than \$60,000; and not more than 30 years for loans in excess of \$60,000.

Effective July 1, 1994, Consolidation Loans for less than \$7,500 will have a repayment schedule of not more than 10 years. Repayment must commence within 60 days after all holders have discharged the liability of the borrower on the loans selected for consolidation. Effective for Consolidation Loan applications received by lenders on or after August 10, 1993, the Secretary no longer makes Interest Benefit Payments on Consolidation Loans other than those loans which consolidate only Subsidized Stafford Loans.

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

Under the U.S. Bankruptcy Code, education loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8) provides as follows:

(a) A discharge under Section 727, 1141, 1228(a), 1228(b), or 1328(b) of this title does not discharge an individual debtor from any debt ---

(8) for an educational 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 a nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless --

(A) such loan, benefit, scholarship or stipend overpayment first became due before seven years (exclusive of any applicable suspension of the repayment period) before the date of the filing of the petition; or

(B) excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

The 1990 Budget Reconciliation Act included language (Publication L101-508) amending the Bankruptcy Code to clarify the nondischargeability of educational loans under Chapter 13 bankruptcy filings. The legislative intent behind the nondischargeable status of educational loans is twofold: first, to prevent abuse and fraud by student borrowers in declaring bankruptcy immediately after completion of school, but before accumulation of any attachable assets; and second, as a public policy issue to encourage and ensure the continued availability of credit and funding for educational borrowing.

#### **Guarantee and Reimbursement**

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

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

Each guarantee agency (or any other 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. Due diligence

failures by a guarantee agency may result in the disallowance of federal reimbursement payments with respect to the loans which were the subject of such failures. If a guarantee agency has probable cause to believe that the holder has made misrepresentations or failed to comply with the terms of its agreement for guarantee, the guarantee agency may take reasonable action including withholding payments or requiring reimbursement of funds. The guarantee agency may also terminate the agreement for cause upon notice and hearing.

Pursuant to most typical agreements for guarantee between a guarantee agency and the originator of the loan, any eligible holder of a loan insured by such a guarantee agency is entitled to reimbursement from such guarantee agency for 100% (or, for claims resulting other than from the death, bankruptcy or total and permanent disability of the borrower made on or after October 1, 1993, 98%) of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability or discharge in bankruptcy of the student borrower. Guarantee agencies generally deem default to mean a student'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 loans may reasonably conclude that the student no longer intends to honor the repayment obligation and for which the failure persists for 180 days in the case of a loan payable in monthly installments or for 240 days in the case of a loan payable in less frequent installments. When a loan becomes 60 days past due, the holder is permitted to request preclaims assistance from the applicable guarantee agency in order to attempt to cure the delinquency. When a loan becomes 150 days past due, the holder is required to make a final demand for payment of the loan by the student and to submit a claim for reimbursement to the applicable guarantee agency. The holder is required to continue collection efforts until the loan is 180 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable guarantee agency all rights accruing to the holder under the note evidencing the loan.

If a student who has received any loan directly insured by the Secretary dies, becomes totally and permanently disabled or is discharged in bankruptcy, the Secretary is required to discharge the borrower's liability on the loan by repaying the amount owed.

#### **Pending Federal Legislation**

In September 1995, budget reconciliation bills were approved by the House Economic and Educational Opportunities Committee ("House Committee") and the Senate Labor and Human Resources Committee ("Senate Committee"). The final language of these bills is not yet enacted and, therefore, the Authority has prepared this summary on the basis of information currently available. This summary covers only selected portions of the bills and does not purport to address all aspects of the bills. Moreover, the Authority can make no representation as to whether or not these bills, or any substitute or additional student loan bills, will be enacted into law, or as to the exact provisions of these bills or of any such other bills when and if they are enacted into law. Based on the information currently available, the Authority believes that certain provisions of these bills would, if enacted in their current form, have a significant impact on the FFEL Program and FDSLPL. The limitation or termination of the FDSLPL could be beneficial to the Authority. The proposed changes to the FFEL Program could, if so enacted, adversely affect the Authority and the Guarantee Agencies.

A. *FFEL Program Provisions.* The Senate Committee's bill would increase the origination fee lenders are required to pay to USDE from 0.50% to 1.0%. The House Committee's bill would reduce the fee lenders pay to USDE from 0.50% to 0.30%, but would require lenders to pay an additional fee of .70% to guarantors.

The House Committee's bill would require holders who purchase FFEL Program loans to pay the Department a single fee equal to 0.20% of the principal amount of each loan they purchase on or after January 1, 1996.

The Senate Committee's bill would require holders to pay to USDE an annual fee equal to 0.05% of the principal amount of each loan in repayment they hold. This fee would apply to Stafford Loans made on or after January 1, 1996.

Both bills would eliminate federal Interest Benefit Payments on Subsidized Stafford Loans during the six-month grace period that occurs after student borrowers graduate or withdraw from school. The House Committee's bill would eliminate such payments for all Subsidized Loans made on or after January 1, 1996, while the Senate Committee's bill would eliminate such payments only for subsidized Stafford Loans made to new borrowers on or after January 1, 1996.

Both bills would increase the interest rate on PLUS from the 52-week T-bill rate plus 3.1% to the 52-week T-bill rate plus 4.0%. The House Committee's bill would raise the statutory limit on the PLUS interest rate from 9% to 11% while the Senate Committee's bill would raise this statutory limit from 9% to 10%. Both bills would require PLUS lenders to rebate to the federal government a percentage (not more than 2%) of the interest payments they receive from borrowers.

Effective for loans for which the first disbursement is made on or after January 1, 1996, both bills would reduce the maximum amount of insurance paid to the holders of defaulted FFEL Program loans from 98% of principal and accrued interest to 95% of principal and accrued interest.

Except in limited circumstances, both bills would require that guarantors use at least 50% of their reserve funds to purchase defaulted loans which they have guaranteed and hold the same for a period of time that extends beyond the period of time at which reinsurance may be requested currently.

The House Committee's bill, but not the Senate Committee's bill, would reduce guarantor reinsurance levels from 100% (or 98% for certain loans first disbursed after October 1, 1993) to 96% when annual claims rates are 0% to 5%; from 90% (or 88% for certain loans) to 86% when annual claims rates are 5% to 9%; and from 80% (or 78% for certain loans) to 76% when annual claims rates are 9% or over; for loans on which the first disbursement is made on or after January 1, 1996.

The Senate Committee's bill, but not the House Committee's bill, would reduce the administrative cost allowance the Department pays guarantors from an amount equal to 1% of the principal amount of loans guaranteed to, at each guarantor's discretion, an amount equal to 0.85% of the principal amount of loans guaranteed or 0.08% of the original principal balance of loans guaranteed by the guarantor that are still outstanding at the end of each federal fiscal year.

For budget scoring purposes, both bills would reauthorize the FFEL Program through September 30, 2002. The FFEL Program is otherwise scheduled to be considered for reauthorization on or before September 30, 1997.

Both bills are generally effective on January 1, 1996.

**B. FDSLPL Provisions.** The House Committee's bill would terminate the FDSLPL effective June 30, 1996. The Senate Committee's bill would limit the FDSLPL to 20% of the nation's new student loan volume beginning in academic year 1996-1997.

**Oklahoma Student Loan Authority**  
**Oklahoma Student Loan Bonds and Notes, Series 1995**

**OKLAHOMA STUDENT LOAN AUTHORITY**  
 CUSIP Base Number: 679110

**FINANCIAL INFORMATION AND OPERATING DATA**

The presentation of financial information and operating data in this Appendix is intended to show recent historical information and is not intended to indicate future or continuing trends with respect to the education loan portfolios or the Series 1995 Bonds and Notes.

The information provided herein is subject to change without notice, and the delivery hereof shall not, under any circumstances, create any implication that there has been no change after the date hereof. In addition, the delivery hereof shall not, under any circumstances, create any implication that there have been no other changes in the affairs of the Authority after the date of the official statement for the Series 1995 Bonds and Notes.

**MASTER BOND RESOLUTION**

Pursuant to the Master Bond Resolution adopted by the Trustees of the Oklahoma Student Loan Authority (the "Authority"), the Authority expects to issue separate series of student loan revenue bonds under separate Supplemental Bond Resolutions. Upon delivery of the Series 1995 Bonds and Notes, the Authority will have issued and have outstanding under the Master Bond Resolution, the following:

<u>Series</u>	<u>Dated As Of</u>	<u>Maturity</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding*</u>
1995A-1 <sup>1</sup>	Date of Issuance	September 1, 2025	\$21,600,000	\$21,600,000
1995A-2 <sup>1</sup>	Date of Issuance	September 1, 2025	\$ 7,000,000	\$ 7,000,000
1995B-1 <sup>2</sup>	November 1, 1995	September 1, 2008	\$ 2,000,000	\$ 2,000,000
1995B-2 <sup>2</sup>	November 1, 1995	September 1, 2025	\$ 3,980,000	\$ 3,980,000

\*As of the date of delivery of the Series 1995 Bonds and Notes.

<sup>1</sup>Senior Auction Remarketed Notes, subject to conversion to adjustable or fixed interest rates.

<sup>2</sup>Subordinate Bonds, bearing fixed rates of interest.

The Master Bond Resolution permits the issuance of Additional Bonds and Notes by adoption of Supplemental Bond Resolutions under certain conditions. Such Additional Bonds and Notes, if issued, may be on a parity with one or more other series of Bonds and Notes issued pursuant to the Master Bond Resolution.

**GENERAL**

The Authority acts as an originating lender to student borrowers or their parents, purchases guaranteed education loans from other eligible lenders, and is also a Lender of Last Resort ("LLR") for the Oklahoma State Regents for Higher Education, acting as the "State Guarantee Agency".

The Fiscal Year of the Authority is presently from July 1 of each year through June 30 of the next succeeding calendar year. The information presented herein is for the Fiscal Year ended June 30, 1995.

The offices of the Authority are located at 4545 North Lincoln Boulevard, Suite 66, Oklahoma City, Oklahoma 73105. Its telephone number is (405) 556-9210 and its facsimile transmission number is (405) 556-9255.

## ADMINISTRATION

### Governing Board

The Authority was created by an express Trust Indenture dated August 2, 1972 for the benefit of the State of Oklahoma (the "State"). The Authority is governed by five trustees who are appointed by the Governor of the State, subject to the advice and consent of the State Senate, for overlapping five (5) year terms.

### Executive Management

The day-to-day management of the Authority is vested in a president and executive staff appointed by the trustees of the Authority. The present executive officers of the Authority are listed below.

*Dr. Gene Satterfield, President.* Dr. Satterfield became President and Chief Executive Officer of the Authority on January 22, 1991. From 1973 until assuming his current position, he was the University Business Manager of Oklahoma State University, Stillwater, Oklahoma. Prior to that he was the Assistant Controller for Oklahoma State University. He has also served as the Controller and Secretary-Treasurer for the Oklahoma State University Education and Research Foundation. Dr. Satterfield is a member of the Oklahoma and the Central Associations of College and University Business Officers as well as various civic organizations. Dr. Satterfield received a Bachelor of Science degree in Business in 1961, a Master of Arts degree in 1984 and a Doctor of Education degree in 1988 from Oklahoma State University.

*Patricia VanAntwerp, Esq., Vice President - Lending.* Ms. VanAntwerp has been employed by the Authority in her current position since July 1, 1987. From 1984 to 1987, Ms. VanAntwerp was employed by the Oklahoma State Regents for Higher Education as Director of the Oklahoma Student Loan Program. From 1979 to 1984, Ms. VanAntwerp was Assistant General Counsel for the Oklahoma Corporation Commission. Ms. VanAntwerp received a Bachelor of Science degree in Business from Oklahoma State University in 1960. In 1977, she received a Juris Doctor degree from Oklahoma City University School of Law. She is a member of the Oklahoma Bar Association, the American Bar Association, the Oklahoma County Bar Association, Women Lawyers of Oklahoma, National Association of Women Lawyers and the Oklahoma and National Business and Professional Women's Organizations.

*Roderick W. Durrell, Esq., Vice President - Finance.* Mr. Durrell has been employed by the Authority since July 1, 1990 with primary responsibilities in financial analysis and planning. Prior to joining the Authority, Mr. Durrell was in private practice specializing in public finance law in Oklahoma City and an officer of municipal securities broker-dealer firms in Oklahoma City. Mr. Durrell is a member of the Oklahoma Bar Association and the National Association of Bond Lawyers. Mr. Durrell received his Bachelor of Science degree from the University of Vermont in 1967, his Master of Business Administration degree from the University of Hartford in 1972 and his Juris Doctor degree from the University of Oklahoma in 1975.

*Graden Perry, Vice President - Loan Management.* Mr. Perry joined the Authority staff on July 8, 1991 and assumed the position of Vice President on January 1, 1992. Mr. Perry was employed by Continental Federal Savings & Loan Association, Oklahoma City, Oklahoma, from 1976 to June, 1991. He was Retail Banking Division Manager, Senior Vice President from 1984 to 1991; Chief Loan Officer, Senior Vice President from 1983 to 1984; Personal Lending Division Manager, Senior Vice President 1980 to 1983; and Branch Manager, Vice President from 1976 to 1980. While at Continental Federal, Mr. Perry's responsibilities included developing and managing its guaranteed student loan activities. From 1959 to 1976, Mr. Perry was employed by Transamerica Financial Corporation in Oklahoma City. Mr. Perry attended the University of Tulsa and the University of Central Oklahoma.

William A. Rogers, C.P.A., Controller and Vice President - Operations. Mr. Rogers has been employed by the Authority as Controller since October 1, 1991. His primary duties as Controller are the production of accrual basis financial statements, related management reports and the management of systems related thereto. 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. From 1978 to 1981, Mr. Rogers worked for the State of Arkansas, Division of Legislative Audits, performing financial and compliance audits of municipal and county governments in Arkansas. 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.

**Employment**

The Authority has approximately 34 full time equivalent employees, including the individuals listed above.

**LOAN FINANCE PROGRAMS**

During the Fiscal Year ended June 30, 1995, total loan financing by the Authority in the Federal Family Education Loan ("FFEL") Program was approximately as shown in the following table:

	<u>Authority Total Amount</u>	<u>Per Cent</u>
Origination of Basic Loans	\$24,690,000	67.6%
Origination of Consolidation Loans	2,650,000	7.3
Origination of LLR Loans	250,000	0.7
Acquisition of Loans	<u>8,900,000</u>	<u>24.4</u>
 Total Loans Financed	 <u>\$36,490,000</u>	 <u>100.0%</u>

**LOAN PORTFOLIO DATA**

**General**

At June 30, 1995, the current principal balance of the Authority's education loan principal receivable from borrowers and average borrower indebtedness was approximately as shown in the following table:

<u>Holder</u>	<u>Loan Principal</u>	<u>Average Borrower Indebtedness</u>
Authority Total	\$111,041,000	\$3,140
Series 1995 Trust Estate	\$ N/A*	\$ N/A*

\*Not Applicable at June 30, 1995. Numbers to be provided in subsequent years.

**Loan Guarantee or Insurance**

At June 30, 1995, the current principal balance of the Authority's education loans were guaranteed approximately as shown in the table on the following page:

<u>Guarantor</u>	<u>Principal Location</u>	<u>Per Cent of Total Portfolio</u>	<u>Per Cent of Series 1995 Trust Estate**</u>
State Guarantee Agency	Oklahoma City, OK	98.6%	N/A%
USAF	Indianapolis, IN	1.3	N/A
Secretary, USDE	Washington, DC	<u>0.1*</u>	<u>N/A</u>
		<u>100.0%</u>	<u>N/A%</u>

\*Less than 0.1%.

\*\*Not Applicable at June 30, 1995. Numbers to be provided in subsequent years.

At June 30, 1995, the loan guarantee eligibility (percentage of the principal amount of a default claim) was approximately as shown in the following table:

<u>Guarantee Eligibility</u>	<u>Per Cent of Total Portfolio</u>	<u>Per Cent of Series 1995 Trust Estate*</u>
100%	64.1%	N/A%
98%	35.9	N/A
Other	<u>0.0</u>	<u>N/A</u>
Total	<u>100.0%</u>	<u>N/A%</u>

\*Not Applicable at June 30, 1995. Numbers to be provided in subsequent years.

#### Loan Type

At June 30, 1995, the current principal balance of the Authority's education loans by loan type was approximately as shown in the following table:

<u>Loan Type</u>	<u>Per Cent of Total Portfolio</u>	<u>Per Cent of Series 1995 Trust Estate**</u>
Federal Stafford Subsidized	77.6%*	N/A%
Unsubsidized	<u>6.9</u>	<u>N/A</u>
Total Stafford	84.5%	N/A%
Federal SLS	5.9	N/A
Federal PLUS	7.2	N/A
Federal Consolidation	<u>2.4</u>	<u>N/A</u>
Loan Principal Receivable	<u>100.0%</u>	<u>N/A%</u>

\*Includes Federal Insured Student Loans insured directly by the Secretary of USDE.

\*\*Not Applicable at June 30, 1995. Numbers to be provided in subsequent years.

#### Loan Status

At June 30, 1995, the current principal balance of the Authority's education loans by loan status was approximately as shown in the table on the following page:

<u>Loan Status</u>	<u>Percent of Total Portfolio</u>	<u>Per Cent of Series 1995 Trust Estate**</u>
Interim Loans:		
In-School	24.9%	N/A%
Grace	12.4	N/A
Deferment*	<u>10.1</u>	<u>N/A</u>
Sub-Total - Interim	47.4%	N/A%
Repayment Loans:		
Current	30.5%	N/A%
Delinquent < 30 days	6.7	N/A
Delinquent 30-180 days	6.8	N/A
Forbearance	<u>6.5</u>	<u>N/A</u>
Sub-Total - Repayment	50.5	N/A
Claim Loans:	<u>2.1</u>	<u>N/A</u>
<b>Total</b>	<b><u>100.0%</u></b>	<b><u>N/A%</u></b>

\*Approximately 58% of this category are loans on which the USDE pays interest during deferment; approximately 42% are loans on which interest accrues as the responsibility of the borrower until repayment commences.

\*\*Not Applicable at June 30, 1995. Numbers to be provided in subsequent years.

#### School Type

At June 30, 1995, the current principal balance of the Authority's education loans by school type was approximately as shown in the following table:

<u>School Type</u>	<u>Per Cent of Total Portfolio</u>	<u>Per Cent of Series 1995 Trust Estate***</u>
University - 4 Year	73.0%	N/A%
College - 2 Year	5.9	N/A
Vocational/Proprietary*	18.7	N/A
Unidentified**	<u>2.4</u>	<u>N/A</u>
<b>Total</b>	<b><u>100.0%</u></b>	<b><u>N/A%</u></b>

\*A substantial portion of this category is an established, multi-year school with a FFY 1992 CDR of 16.1%.

\*\*Primarily Federal Consolidation Loans which are not reported by school type.

\*\*\*Not Applicable at June 30, 1995. Numbers to be provided in subsequent years.

#### Loan Servicing

At June 30, 1995, the servicing of the current principal balance of the Authority's education loans was as shown in the following table:

<u>Servicer</u>	<u>Principal Location</u>	<u>Per Cent of Total Portfolio</u>	<u>Per Cent of Series 1995 Trust Estate**</u>
The Authority*	Oklahoma City, OK	100.0%	100.0%

\*Utilizing a remote servicing system database pursuant to an agreement with UNIPAC Services Corporation of Aurora, CO.

\*\*After transfer acquisition of Eligible Loans.

**FUND BALANCES AND BOND REDEMPTIONS**

**Fund and Account Balances**

Lending Fund as of June 30, 1995: \$ N/A\*

End of Acquisition Period: August 1, 1996  
 End of Recycling Period: November 1, 1998

Debt Service Reserve Account as of June 30, 1995: \$ N/A\*

Debt Service Reserve Requirement: \$ 691,600

\*Not Applicable. Number to be provided in subsequent years.

**Redemption History**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Principal Matured</u>	<u>Principal Redemptions*</u>	<u>Principal Outstanding</u>
9-1-2008	%	\$ 2,000,000	\$ 0	\$ 0	\$ 2,000,000
9-1-2025	35 day Auction	21,600,000	0	0	21,600,000
9-1-2025	1 Year Auction	7,000,000	0	0	7,000,000
9-1-2025	%	<u>3,980,000</u>	<u>0</u>	<u>0</u>	<u>3,980,000</u>
Total		<u>\$34,580,000</u>	<u>0</u>	<u>\$ 0</u>	<u>\$34,580,000</u>

\*Detail of dates, amounts, source of funds, type of call provided below, if applicable.

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Oklahoma Student Loan Authority  
Oklahoma Student Loan Bonds and Notes, Series 1995

OKLAHOMA STUDENT LOAN AUTHORITY  
Financial Statements  
June 30, 1995 and 1994

(With Independent Auditors' Report Thereon)

The Series 1995 Bonds and Notes, and the interest thereon, are not general obligations of the Authority, but rather are limited and special revenue obligations of the Authority secured by, and payable solely from, the assets of the Trust Estate. The financial statements presented herein are intended only as background information on the Authority and its overall operations.

700 Oklahoma Tower  
Oklahoma City, OK 73102-5671

1600 One Williams Center  
Tulsa, OK 74172-0169

## INDEPENDENT AUDITORS' REPORT

Trustees  
Oklahoma Student Loan Authority:

We have audited the accompanying financial statements of the Oklahoma Student Loan Authority, a component unit of the state of Oklahoma, as of June 30, 1995 and 1994, and for the years then ended. These financial statements are the responsibility of the management of the Oklahoma Student Loan Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Student Loan Authority as of June 30, 1995 and 1994, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 1, 1995, on our consideration of the Oklahoma Student Loan Authority's internal control structure, and a report dated September 1, 1995, on its compliance with laws and regulations.



Oklahoma City, Oklahoma  
September 1, 1995



OKLAHOMA STUDENT LOAN AUTHORITY

Balance Sheets  
June 30, 1995 and 1994

<u>Assets</u>	<u>1995</u>	<u>1994</u>
Cash	\$ 349,180	\$ 149,383
Investments	21,765,524	20,814,214
Interest receivable	3,503,467	2,042,976
Loans, net of allowance for loan losses	111,040,802	96,261,475
Equipment and other assets, net of accumulated depreciation	<u>814,558</u>	<u>632,657</u>
TOTAL ASSETS	<u>\$137,473,531</u>	<u>\$119,900,705</u>
 <u>Liabilities and Retained Earnings</u> 		
Accounts payable and other accrued expenses	392,277	593,304
Accrued interest payable	1,609,584	1,758,489
Notes payable	33,336,075	47,448,720
Bonds payable	<u>71,870,000</u>	<u>41,680,000</u>
Total liabilities	107,207,936	91,480,513
Retained earnings	<u>30,265,595</u>	<u>28,420,192</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$137,473,531</u>	<u>\$119,900,705</u>

See accompanying notes to financial statements.

OKLAHOMA STUDENT LOAN AUTHORITY

Statements of Operations and Retained Earnings  
Years Ended June 30, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Interest income:		
Loan interest income:		
From borrowers	\$ 4,062,771	\$ 4,262,248
From U.S. Department of Education (USDE)	4,668,223	3,138,972
Investment interest income	<u>1,592,395</u>	<u>1,130,944</u>
Total interest income	10,323,389	8,532,164
Interest expense	<u>6,133,379</u>	<u>4,692,456</u>
Net interest income	<u>4,190,010</u>	<u>3,839,708</u>
Other operating expense:		
Administrative	1,610,259	1,603,805
External loan servicing fees	370,600	806,104
Consulting and professional fees	188,612	109,630
Lender fees	<u>175,136</u>	<u>48,891</u>
Total other operating expense	<u>2,344,607</u>	<u>2,568,430</u>
Net income	1,845,403	1,271,278
Retained earnings, beginning of year	<u>28,420,192</u>	<u>27,148,914</u>
Retained earnings, end of year	<u>\$ 30,265,595</u>	<u>\$ 28,420,192</u>

See accompanying notes to financial statements.

OKLAHOMA STUDENT LOAN AUTHORITY

Statements of Cash Flows  
Years Ended June 30, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Cash flows from operating activities:		
Net income	\$ 1,845,403	\$ 1,271,278
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	210,745	299,259
Interest expense	6,133,379	4,692,456
Investment interest income	(1,592,395)	(1,130,944)
Decrease (increase) in assets:		
Loans, net	(14,882,574)	(7,201,390)
Interest receivable	(1,352,469)	2,329,474
Decrease in liabilities:		
Accounts payable and other accrued expenses	<u>(201,027)</u>	<u>(161,130)</u>
Net cash provided by (used in) operating activities	<u>(9,838,938)</u>	<u>99,003</u>
Cash flows from non capital financing activities:		
Advances on notes payable	15,582,000	13,365,000
Proceeds from issuance of bonds	32,200,000	0
Payments on notes payable	(29,694,645)	(16,422,659)
Payments on bonds payable	(2,010,000)	(745,000)
Interest paid on bonds and notes	(6,314,402)	(6,376,710)
Other payments for non capital financing activity	<u>(258,860)</u>	<u>(21,303)</u>
Net cash provided by (used in) non capital financing activities	<u>9,504,093</u>	<u>(10,200,672)</u>

(Continued)

OKLAHOMA STUDENT LOAN AUTHORITY

Statements of Cash Flows  
 Years Ended June 30, 1995 and 1994  
 (Continued)

	<u>1995</u>	<u>1994</u>
Cash flows from investing activities:		
Purchases of equipment and other depreciable assets	\$ (30,542)	\$ (93,430)
Proceeds from maturity of investments	69,363,890	42,078,635
Proceeds from sale of investments	3,437,670	0
Purchases of investments	(73,752,870)	(33,272,513)
Investment interest received	<u>1,516,494</u>	<u>1,150,883</u>
Net cash provided by investing activities	<u>534,642</u>	<u>9,863,575</u>
Net increase (decrease) in cash	199,797	(238,094)
Cash at beginning of year	<u>149,383</u>	<u>387,477</u>
Cash at end of year	<u>\$ 349,180</u>	<u>\$ 149,383</u>

See accompanying notes to financial statements.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 1995 and 1994

(1) Reporting Entity and Nature of the Program

The Oklahoma Student Loan Authority (the Authority) was created as an express trust under applicable Oklahoma statutes and a Trust Indenture dated August 2, 1972, with the State of Oklahoma (the State) accepting the beneficial interest therein. The Authority is a component trust unit of the State and is included in the financial statements of the State as a part of the Enterprise Fund. Enterprise funds are used to account for the operations and financial position of a governmental entity that are financed and operated in a manner similar to private enterprise.

The purpose of the Authority is to provide loan funds to qualified persons at participating post secondary educational institutions. Generally, borrowers are Oklahoma residents or are students in Oklahoma higher education institutions. The student loans made by the Authority under the federal Higher Education Act of 1965, as amended, include Federal Stafford (Stafford) Loans, Unsubsidized Stafford Loans for Middle Income Borrowers, Federal Consolidation Loans, Federal Supplemental Loans for Students (SLS) and Federal Parent Loans for Undergraduate Students (PLUS). These Federal Family Education Loan (FFEL) Program loans are guaranteed 100% (with certain exceptions, 98% guaranteed for loans with first disbursement on or after October 1, 1993) by the State of Oklahoma Guaranteed Student Loan Program (State Guarantee Agency) which is reinsured by the United States Department of Education (USDE), or guaranteed by another guarantor approved by the USDE operating on a national level (Guarantee Agencies). The Authority also made Health Education Assistance Loans (HEAL) until May 1993, which are insured 100% by the United States Department of Health and Human Services (HHS). The loans made by the Authority prior to March, 1976, are insured 100% by USDE under the Federal Insured Student Loan (FISL) Program.

The Authority also provides a secondary market for Federal Family Education Loan Program loans for Oklahoma financial institutions by purchasing qualified loans from these institutions.

(2) Summary of Significant Accounting Policies

The financial statements of the Authority included herein reflect the combined assets, liabilities, retained earnings, and changes therein for the FISL Program, the FFEL Program, and the HEAL Program.

## OKLAHOMA STUDENT LOAN AUTHORITY

### Notes to Financial Statements, Continued

#### Basis of Accounting

The Authority has adopted the accrual basis of accounting for reporting purposes. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority utilizes all Financial Accounting Standards Board Statements as the Authority's accounting principles, unless such Statements are in direct conflict with Statements issued by the GASB.

#### Accounts of the Authority

The accounts of the Authority are organized on the basis of individual funds as prescribed by the "Oklahoma Student Loan Act" (Act) and terms of various debt obligations. The various accounts assigned to each fund could include any of the following depending upon the terms of the related debt obligation: Principal Account, Interest Account, Student Loan Account, Debt Service Reserve Account, Investment Earnings Account, Rebate Account and General Investment Account. The Authority is in compliance with all terms of the various debt obligations and the Act with regards to the maintenance of required accounts and the funding level of such accounts.

#### Allowance for Loan Loss

All of the loans made or acquired by the Authority are guaranteed as noted above. There is still risk to the Authority if the loans should lose their guarantee. The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. If the cure and recovery procedures are not successful, the loan will be written-off as uncollectible. Additionally, the Authority is at risk for 2% of the loans with first disbursement on or after October 31, 1993 which are only guaranteed at 98%. The allowance for loan losses was established by the management of the Authority to provide for these two types of losses. Student loans are written off when they are deemed uncollectible and charged against the allowance upon such determination. Any subsequent collection or recovery on an account written off as uncollectible is credited to the allowance. The allowance for loan losses at June 30, 1995 and 1994 were approximately \$1,450,000 and \$975,000, respectively.

#### Investments

Investments consist of repurchase agreements and certain government obligations. Applicable Oklahoma statutes authorize certain types of investments the Authority can

## OKLAHOMA STUDENT LOAN AUTHORITY

### Notes to Financial Statements, Continued

utilize. As of June 30, 1995 and 1994, the Authority was in compliance with these investment requirements.

Prior to July 1, 1994, the Authority recorded its investments at amortized cost. The Authority adopted the provisions of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, ("SFAS 115") at July 1, 1994. According to the requirement of SFAS 115, the Authority has classified its debt and marketable equity securities into the following categories:

Held-to-Maturity - Securities which the Authority has the ability and intent to hold until maturity and are recorded at amortized cost.

Available for Sale - All other investments of the Authority not included in Held-to-Maturity are classified as available for sale and are recorded at their approximate fair value.

#### Interest Income

Interest is earned from the USDE, the borrowers on the various types of student loans and from investments. The USDE makes two types of interest payments to the Authority. One is for the interest on Stafford loans when the borrower is not currently required to make principal and interest payments under the terms of the loan. Interest income from USDE for the years ended June 30, 1995 and 1994 was approximately \$3,272,000 and \$2,470,000, respectively. The other type of interest payment from the USDE is "Special Allowance Payments" which are determined quarterly based upon the average rate established in the auction of the 91-day U.S. Treasury bills relative to the yield of the student loan. Special allowance income from USDE for the years ended June 30, 1995 and 1994 was approximately \$1,396,000 and \$669,000, respectively.

#### Income Taxes

The Authority, as a State beneficiary trust, is exempt from state and federal income taxes under Internal Revenue Code section 115, although unrelated business income may be subject to income taxes under the Internal Revenue Code.

#### Equipment and Other Assets

The Authority capitalizes expenditures for equipment, system development, and other long-term assets. Depreciation and amortization is calculated primarily on a straight-line basis of five to ten years. Accumulated depreciation and

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements, Continued

amortization on capitalized assets at June 30, 1995 and 1994 were approximately \$305,000 and \$524,000, respectively. Maintenance of equipment and other assets is expensed as incurred.

Cash and Cash Equivalents

The Authority only considers cash in demand deposit accounts and cash held by the State Treasurer on the Authority's behalf to be cash for purposes of the statement of cash flows.

Reclassifications

Certain 1994 balances have been reclassified to conform with the 1995 presentation.

(3) Investments

The Authority invests its idle cash in repurchase agreements, U.S. Treasury securities and U.S. Treasury based mutual funds. All of the Authority's investments are held either in the Authority's name or for the account of the Authority except for an approximate \$2,400,000 repurchase agreement. The securities underlying this repurchase agreement are held by an independent custodian in the name of the seller of the purchased securities. Cash is insured by the Federal Deposit Insurance Corporation. Repurchase agreements are collateralized by U.S. government securities at 100%. The investments consist of the following at June 30, 1995 and 1994:

	1995			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
<u>Available for Sale</u>				
U.S. Treasury Securities - unencumbered	\$ 4,813,462	\$ 0	\$ 0	\$ 4,813,462
Repurchase agreements - pledged (A)	4,682,200	0	0	4,682,200
U.S. Treasury based Mutual Funds - unencumbered	2,493,595	0	0	2,493,595
pledged (A)	<u>5,384,502</u>			<u>5,384,502</u>
Total Available for Sale	17,373,759	0	0	17,373,759
<u>Held to Maturity</u>				
U.S. Treasury Securities - unencumbered	<u>4,391,765</u>	<u>126,358</u>	<u>0</u>	<u>4,518,123</u>
Total Investments	<u>\$21,765,524</u>	<u>\$126,358</u>	<u>\$ 0</u>	<u>\$21,891,882</u>

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements, Continued

	1994			Estimated Market Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<u>Available for Sale</u>				
U.S. Treasury Securities - unencumbered	\$ 1,917,336	\$ 0	\$ 0	\$ 1,917,336
Repurchase agreements - pledged (A)	2,500,200	0	0	2,500,200
U.S. Treasury based Mutual Funds - unencumbered	6,173,431	0	0	6,173,431
pledged (A)	<u>5,806,411</u>	<u>0</u>	<u>0</u>	<u>5,806,411</u>
Total Available for Sale	16,397,378	0	0	16,397,378
<u>Held to Maturity</u>				
U.S. Treasury Securities - unencumbered	<u>4,416,836</u>	<u>13,262</u>	<u>13,143</u>	<u>4,416,955</u>
Total Investments	<u>\$20,814,214</u>	<u>\$ 13,262</u>	<u>\$13,143</u>	<u>\$20,814,333</u>

The estimated market values of investments are based upon available market data.

The carrying value and estimated market value of investments at June 30, 1995 are shown below by contractual maturity.

	Amortized Cost	Estimated Market Value
<u>Available for Sale</u>		
Due within one year	\$12,560,297	\$12,560,297
Due after one but within five years	<u>4,813,462</u>	<u>4,813,462</u>
Total	<u>\$17,373,759</u>	<u>\$17,373,759</u>
<u>Held to Maturity</u>		
Due after one but within five years	<u>\$ 4,391,765</u>	<u>\$ 4,518,123</u>

Proceeds from sales of investments during 1995 were approximately \$3,440,000. There were no sales of investments for 1994. Gross losses on sales were approximately \$750 for 1995.

(A) Certain investments of the Authority are pledged and serve as collateral for the various obligations of the Authority. The pledged investments are held by the State Treasurer and Boatmen's First National Bank of Oklahoma ("Trustee Bank") in their capacity as trustee and paying agent for the

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements, Continued

Authority. The pledged investments, at amortized cost, consist of the following at June 30, 1995 and 1994:

	<u>1995</u>	<u>1994</u>
<u>State Treasurer</u>		
U.S. Treasury based mutual funds	\$ 12,983	\$ 92,746
<u>Trustee Bank</u>		
Repurchase agreements	4,682,200	2,500,200
U.S. Treasury based mutual funds	<u>5,371,519</u>	<u>5,713,665</u>
 Total Pledged Investments	 <u>\$10,066,702</u>	 <u>\$ 8,306,611</u>

(4) Loans

The Authority originates, purchases and holds various types of student loans as described in Note 1. The terms of these loans, which vary on an individual basis depending upon loan type and the date the loan was originated, generally provide for repayment on monthly installments of principal and interest over a period of up to ten years. The repayment period begins after a grace period of six or nine months following graduation or loss of qualified student status for the Stafford, Unsubsidized Stafford and HEAL loans. The repayment period for SLS and PLUS loans begins within 60 days from the date the loan is originated. Interest rates on student loans, as set by USDE and HHS, range from 6.6% to 10% for the Fiscal Year ended June 30, 1995, depending upon the type and date of origination of the individual loan.

As stated in Note 1, all student loans are guaranteed as to principal and accrued interest. The Guarantors receive fees for these services which are withheld from the loan disbursements to the borrower and remitted to the Guarantors. In order for the loans to be or remain guaranteed, certain due diligence requirements in loan servicing must be met. As of June 30, 1995 and 1994, respectively, approximately \$1,200,000 and \$328,000 of loans were no longer considered as being guaranteed.

The Authority expanded its operations to include internal loan servicing on all student loans effective July 1, 1994. The Authority's prior servicer for the Stafford loans is contractually obligated to reimburse or perform procedures which restore the guarantee on non-guaranteed Stafford loans pertaining only to due diligence and loan servicing functions through and including June 30, 1994.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements, Continued

The Authority is also required to withhold certain origination fees from the loan disbursements to the borrowers and remit these fees to USDE. The amount of the origination fees is a certain percentage of the gross loan amount which is set by USDE.

The Authority is also required to pay to USDE certain Lender Fees, the rate of which are set by USDE. The amount of the Lender Fees includes a certain percentage of the gross loan amount on all loans originated after October 1, 1993 and a certain percentage of the carrying value of Federal Consolidation Loans.

Loan origination costs are capitalized when the loan is made and are amortized, using the interest method, over the estimated economic life of the loan. The capitalized loan origination costs, net of accumulated amortization, at June 30, 1995 and 1994, were approximately \$346,000 and \$302,000, respectively.

Certain student loans of the Authority are pledged as collateral for the various obligations of the Authority. The promissory notes for the pledged student loans are in the custody of the Trustee Bank in their capacity as custodian for the Authority.

(5) Notes and Bonds Payable

The Authority periodically issues bonds and notes for the purpose of funding student loans. All notes and bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution or financing agreement. The accompanying tables on pages 15 and 16 summarize the pledged assets and liabilities related to the Authority's debt obligation trust estates as of June 30, 1995 and 1994. The Authority is in compliance with all significant financing agreement requirements and bond covenants.

Notes payable at June 30, 1995 and 1994 consist of the following:

\$15,000,000 Variable Rate Revenue Note, dated August 10, 1987, modified October 10, 1989, payable to Student Loan Marketing Association ("SLMA") (1987 SLMA). The interest rate is adjusted weekly based on the 91-day U.S. Treasury bill auction with interest rates of 5.41% and 4.61% as of June 30, 1995 and 1994, respectively. The principal is due at maturity of October 10, 1999.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements, Continued

\$75,000,000 Variable Rate Revenue Note, dated August 28, 1990, payable to SLMA (1990 SLMA). The interest rate is adjusted weekly based on the 91-day U.S. Treasury bill auction with interest rates of 6.66% and 5.46% as of June 30, 1995 and 1994, respectively. The 1990 SLMA Note was paid in full on August 1, 1995 through an advance made by the Authority on the Liberty note described below.

\$10,000,000 Variable Rate Revenue Note, dated January 17, 1992, payable to SLMA (1992 SLMA). The interest rate is adjusted weekly based on the 91-day U.S. Treasury bill auction with an interest rate of 5.04% as of June 30, 1994. The 1992 SLMA Note was paid in full on November 22, 1994.

\$50,000,000 Taxable Variable Rate Revenue Note, dated April 29, 1993 and modified June 20, 1994 and June 28, 1995, payable to Liberty Bank and Trust Company of Oklahoma City, National Association (Liberty) which is the lead bank for a bank group. Through June 28, 1995, the interest rate was adjusted weekly based on the 91-day U.S. Treasury bill auction. After June 28, 1995, the interest rate is adjusted monthly based on the London InterBank Offered Rate (LIBOR). The interest rates were 6.81% and 5.31% as of June 30, 1995 and 1994, respectively. The principal is due at maturity of April 29, 1997.

The following table summarizes the balances due on the notes payable as of June 30, 1995 and 1994:

	<u>1995</u>	<u>1994</u>
1987 SLMA Note	\$ 5,975,000	\$ 5,975,000
1990 SLMA Note	19,261,075	23,475,218
1992 SLMA Note	0	3,748,502
Liberty Note	<u>8,100,000</u>	<u>14,250,000</u>
	<u>\$33,336,075</u>	<u>\$47,448,720</u>

Pursuant to financing agreements and loan sale agreements, SLMA purchased certain SLS, PLUS and HEAL loans when they reached repayment status. The Authority has an obligation to repurchase the loans should SLMA's collection efforts determine any Authority representations or warranties with regards to the loans to be materially incorrect. The amount of loans repurchased by the Authority was approximately \$40,000 and \$18,000 for the fiscal years ended June 30, 1995 and 1994. The total amount of loans sold to SLMA was approximately \$3,300,000 and \$10,700,000 for the years ended June 30, 1995 and 1994.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements, Continued

Bonds payable as of June 30, 1995 and 1994 consist of the following:

	<u>1995</u>	<u>1994</u>
Oklahoma Student Loan Authority:		
6.85% Series 1980		
due August 1, 1995	\$ 0	\$ 10,000
4.65%-6.70% Series 1992A		
due serially through 9-1-05	30,680,000	32,680,000
5.35%-5.55% Series 1992B		
due serially through 9-1-98	8,990,000	8,990,000
Variable rate Series		
1994A-1, due 9-1-20	25,200,000	0
Variable rate Series		
1994A-2, due 9-1-15	<u>7,000,000</u>	<u>0</u>
	<u>\$71,870,000</u>	<u>\$41,680,000</u>

The Authority authorized redemption of the Series 1980 Bonds during Fiscal Year 1993.

The variable interest rates on the 1994A bonds are based on periodic auctions of these bonds. The Series 1994A-1 Bonds are based on a 35 day auction period with a rate of 4.18% as of June 30, 1995. The Series 1994A-2 Bonds are based on a one year auction period with a rate of 4.15% as of June 30, 1995.

Fiscal year debt service requirements to maturity or redemption date, assuming interest rates on variable rate debt remains at June 30, 1995 levels, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 21,261,075	4,748,000	26,009,075
1997	14,330,000	4,233,000	18,563,000
1998	5,735,000	3,374,000	9,109,000
1999	4,865,000	3,097,000	7,962,000
2000	10,135,000	2,607,000	12,742,000
2001-2020	<u>48,880,000</u>	<u>27,557,000</u>	<u>76,437,000</u>
	<u>\$105,206,075</u>	<u>\$ 45,616,000</u>	<u>\$150,822,075</u>

The following schedules reflect a summary of the Authority's financial information categorized by the various outstanding debt obligations. The category of "General Funds" represents unencumbered assets that are not pledged as collateral to any of the outstanding debt obligations.

OKLAHOMA STUDENT LOAN AUTHORITY  
Notes to Financial Statements - Continued  
June 30, 1995

	SLMA Notes Payable	1992 Series A&B Bonds Payable	Liberty Bank Note Payable	1994A Bonds Payable	General Funds	Total
<b>Assets</b>						
Cash and investments	\$ 1,575,614	\$ 4,906,865	\$ 1,033,287	\$ 2,550,936	\$12,048,002	\$ 22,114,704
Loans, net of allowance (a)	24,518,417	35,178,796	7,453,006	33,287,324	10,603,259	111,040,802
Other assets (b)	1,481,366	2,271,339	150,238	2,229,585	(1,814,503)	4,318,025
Total Assets	<u>27,575,397</u>	<u>42,357,000</u>	<u>8,636,531</u>	<u>38,067,845</u>	<u>20,836,758</u>	<u>137,473,531</u>
<b>Liabilities and Retained Earnings</b>						
Accounts payable and other accrued expenses (b)	966,738	495,563	98,315	437,521	(1,605,860)	392,277
Accrued interest payable	425,441	783,912	3,295	387,359	9,577	1,609,584
Notes and bonds payable	25,236,075	39,670,000	8,100,000	32,200,000	0	105,206,075
Total Liabilities	<u>26,628,254</u>	<u>40,949,475</u>	<u>8,201,610</u>	<u>33,024,880</u>	<u>(1,596,283)</u>	<u>107,207,936</u>
Retained earnings, beginning of year	1,118,226	1,241,257	38,808	0	26,021,901	28,420,192
Equity transfers	(303,211)	(85,407)	280,542	4,719,174	(4,611,098)	0
Adjusted retained earnings, beginning of year	<u>815,015</u>	<u>1,155,850</u>	<u>319,350</u>	<u>4,719,174</u>	<u>21,410,803</u>	<u>28,420,192</u>
Interest and other revenues	2,483,926	3,284,090	1,721,332	1,417,887	1,416,154	10,323,389
Less: Interest expense	(1,766,740)	(2,367,235)	(1,233,695)	(765,709)	0	(6,133,379)
Less: Operating expenses	(585,058)	(665,180)	(372,066)	(328,387)	(393,916)	(2,344,607)
Net income	<u>132,128</u>	<u>251,675</u>	<u>115,571</u>	<u>323,791</u>	<u>1,022,238</u>	<u>1,845,403</u>
Retained earnings, end of year	<u>947,143</u>	<u>1,407,525</u>	<u>434,921</u>	<u>5,042,965</u>	<u>22,433,041</u>	<u>30,265,595</u>
Total Liabilities and Retained Earnings	<u>\$27,575,397</u>	<u>\$42,357,000</u>	<u>\$ 8,636,531</u>	<u>\$38,067,845</u>	<u>\$20,836,758</u>	<u>\$137,473,531</u>

(a) Loans, net of allowance in the General Fund, includes student loans financed by Authority equity funds. Additionally, this amount includes monies received from borrowers, but not identified and distributed to the other funds by June 30, 1995.

(b) Negative assets and liabilities reported in the General Funds are related to various interfund payable and receivable accounts.

OKLAHOMA STUDENT LOAN AUTHORITY  
Notes to Financial Statements - Continued  
June 30, 1994

	SLMA Notes Payable	1992 Series A&B Bonds Payable	Liberty Bank Note Payable	General Funds	Total
<b>Assets</b>					
Cash and investments	\$ 2,607,376	\$ 5,637,870	\$ 331,365	\$12,386,986	\$ 20,963,597
Loans, net of allowance (a)	32,668,679	36,914,355	14,175,797	12,502,644	96,261,475
Other assets (b)	1,522,120	2,154,168	81,300	(1,081,955)	2,675,633
Total Assets	<u>36,798,175</u>	<u>44,706,393</u>	<u>14,588,462</u>	<u>23,807,675</u>	<u>119,900,705</u>
<b>Liabilities and Retained Earnings</b>					
Accounts payable and other accrued expenses (b)	1,718,028	980,224	128,855	(2,233,803)	593,304
Accrued interest payable	763,201	814,912	170,799	9,577	1,758,489
Notes and bonds payable	33,198,720	41,670,000	14,250,000	10,000	89,128,720
Total Liabilities	<u>35,679,949</u>	<u>43,465,136</u>	<u>14,549,654</u>	<u>(2,214,226)</u>	<u>91,480,513</u>
Retained earnings, beginning of year	898,641	1,149,384	(21,586)	25,122,475	27,148,914
Equity transfers	149,310	68,807	(2,000)	(216,117)	0
Adjusted retained earnings, beginning of year	<u>1,047,951</u>	<u>1,218,191</u>	<u>(23,586)</u>	<u>24,906,358</u>	<u>27,148,914</u>
Current operations					
Interest and other revenues	3,013,270	3,356,772	613,625	1,548,497	8,532,164
Less: Interest expense	(1,856,082)	(2,437,944)	(398,430)	0	(4,692,456)
Less: Operating expenses	(1,086,913)	(895,762)	(152,801)	(432,954)	(2,568,430)
Net income	70,275	23,066	62,394	1,115,543	1,271,278
Retained earnings, end of year	<u>1,118,226</u>	<u>1,241,257</u>	<u>38,808</u>	<u>26,021,901</u>	<u>28,420,192</u>
Total Liabilities and Retained Earnings	<u>\$37,027,313</u>	<u>\$44,713,522</u>	<u>\$14,602,077</u>	<u>\$23,807,675</u>	<u>\$119,900,705</u>

(a) Loans, net of allowance in the General Fund, includes student loans financed by Authority equity funds. Additionally, this amount includes monies received from borrowers, but not identified and distributed to the other funds by June 30, 1994.

(b) Negative assets and liabilities reported in the General Funds are related to various interfund payable and receivable accounts.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements, Continued

(6) Retirement Plan

Certain employees of the Authority participate in the Teachers' Retirement System of Oklahoma (TRS), a contributory retirement plan. TRS is a multiemployer cost sharing plan provided by the State of Oklahoma. A summary of the Authority's participation in TRS for 1995 and 1994 is as follows:

	<u>1995</u>	<u>1994</u>
Total Authority payroll	\$972,661	\$918,554
Payroll for TRS participants	607,900	560,000
Total employee contributions on first \$25,000 of payroll at 6%	20,800	21,300
Employer contribution on optional participation (payroll of \$25,000 to \$40,000) at 8% for 1995, 9% for 1994	8,900	10,200
Total statutory surcharge contribution at 2%	9,100	9,400

Employees are eligible for retirement benefits when age and years of creditable Oklahoma service reach a certain level. Benefits fully vest upon reaching 10 years of credited Oklahoma service.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess TRS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employee Retirement Systems and employers.

TRS does not make separate measurements of assets and pension benefit obligations for individual employers. The Authority's contributions represented less than 1% of total contributions from all participating entities. The pension benefit obligation of TRS, as a whole, determined as part of the latest actuarial valuation dated June 30, 1994, is as follows:

Total pension benefit obligation	\$ 6,076,229,889
Net assets available for benefits, at cost	(2,576,753,605)
Unfunded pension benefit obligation	3,499,476,284

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements, Continued

Historical trend information showing TRS's progress in accumulating sufficient assets to pay benefits when due is presented in the June 30, 1994 annual financial report. The annual financial report for June 30, 1995 is not yet available.

(7) Commitments and Contingencies

The Authority conducts certain programs subject to audit by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies.

(8) Student Loan Legislation

Federal legislation enacted in 1993 provided for numerous material changes to the FFEL Program. This legislation provides for a variety of changes which will affect significantly the future operations of the Authority, including without limitation, the effects listed below.

A. The implementation beginning July 1, 1994 of a Federal Direct Student Loan Program (FDSLPL) in which eligible institutions of higher education can apply to originate Federal Direct Student Loans on behalf of the federal government. FDSLPL is an alternative to and in competition with the FFEL Program which the Authority participates in as an eligible lender. FDSLPL has a 5 year phase-in period. The legislation calls for approximately 5% of the federally insured student loans to be originated by FDSLPL in the 1994-95 academic year and that percentage is scheduled to increase to 60% by the fifth year of the program.

B. The loan interest yield to holders, including the Authority, on FFEL Program loans disbursed on or after July 1, 1995 will be reduced by 0.6% on loans when USDE pays the interest thereon.

(9) Subsequent Events

On August 30, 1995, the Authority privately placed its Student Loan Refunding Revenue Note, Series 1995R in the amount of \$2,000,000, bearing interest at the rate of 4.10%, and maturing November 30, 1995. This Note issuance was authorized by a resolution adopted by the Trustees of the Authority on August 1, 1995. Proceeds of the Note issuance were used to current refund the September 1, 1995 maturity (in the principal amount of \$2,000,000) of the Authority's Series 1992A Bonds. It is expected that this Note will be current refunded on a permanent basis as part of an approximate \$34,500,000 bond issue anticipated to be completed in the fall of 1995.

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**Oklahoma Student Loan Authority**  
**Oklahoma Student Loan Bonds and Notes, Series 1995**

**CASH FLOW ASSUMPTIONS**

The Authority anticipates that it will not issue its Series 1995 Bonds and Notes under the Bond Resolution unless it believes, based on its analysis of cash flow projections pertaining to the Eligible Loans to be financed, which will be based on various stressful cash flow assumptions and scenarios including some or all of the assumptions described below, that: (i) Revenues and Recoveries of Principal to be received pursuant to the Bond Resolution will be sufficient to pay principal of and interest on the Series 1995 Bonds and Notes when due and also to pay when due all Program Expenses until the final maturity of the Series 1995 Bonds and Notes; (ii) the liquidity of the Trust Estate is sufficient under the circumstances as projected; and (iii) growth of balances in Funds and Accounts will be adequate under the circumstances as projected. The Series 1995 Bonds and Notes are being offered on the basis of this belief.

Cash flow projections normally utilize assumptions, which the Authority believes are reasonable, regarding the current and future composition of and yield on the Eligible Loans, the rate of return on moneys to be invested in various Funds and Accounts under the Bond Resolution, and the occurrence of future events and conditions. They also take into account various limitations or requirements under the Bond Resolution and the anticipated recycling of principal repayments into new Eligible Loans during the time period allowed for recycling in the Bond Resolution. While such assumptions are and will be derived from the Authority's experience in the administration of the Program, actual circumstances can and most likely will differ from the assumptions. Cash flow projections prepared in connection with other obligations of the Authority issued to date or in connection with the Series 1995 Bonds and Notes have utilized such assumptions. There can be no assurance, however, that interest and principal payments from the Financed Eligible Loans will be received as anticipated, that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized, or that Interest Benefit or Special Allowance Payments will be received in the amounts and at the times anticipated. Furthermore, future events over which the Authority has no control may adversely affect the Authority's actual receipt of Revenues and Recoveries of Principal pursuant to the Bond Resolution.

**Financed Eligible Loans Portfolio Assumptions**

Based on its experience in administering the Program, the Authority has analyzed as of September 30, 1995 the Eligible Loans expected to be financed under the Bond Resolution with the proceeds of the Series 1995 Bonds and Notes. These Eligible Loans are expected to be originated or acquired by the Authority on or before August 1, 1996.

Set forth below are certain assumptions about the Eligible Loans expected to be financed under the Bond Resolution with the proceeds of the Series 1995 Bonds and Notes. The Authority has based these assumptions on past origination and acquisition history, but the assumptions reflect only the expectations of the Authority, and there can be no assurance that the actual Eligible Loans originated or acquired by the Authority will match these assumptions. The Authority may elect to Finance Eligible Loans that do not conform with these assumptions, and will do so if it determines that such action will not be materially adverse to the cash flow projections for the Financed Eligible Loans. The following assumptions represent an average, and at any given point in time such assumptions will not match the actual portfolio of financed Eligible Loans. The Authority does not covenant or guarantee that these assumptions will be correct.

The percentages stated below are the Authority's assumptions of the expected nature of Eligible Loans to be held pursuant to the Bond Resolution upon full expenditure of the proceeds of the Series 1995 Bonds and Notes.

School Type of Financed Loans

4-Year	65.0%
2-Year	5.8
Proprietary	21.8
Consolidation	7.4
Other	<u>0.0</u>
	<u>100.0%</u>

Loan Status

In School	42.0%
Grace	14.0
Repayment	39.0
Deferment	<u>5.0</u>
	<u>100.0%</u>

Loan Type

Fixed Rate Stafford (7%, 8%, 9%)	3.2%
Variable Stafford @ 3.10%	48.8
Variable Stafford @ 3.25%	0.5
Unsubsidized Stafford	11.6
8/10 Stafford	16.6
Variable PLUS/SLS @ 3.25%	5.4
Variable PLUS/SLS @ 3.10%	6.5
Consolidation	<u>7.4</u>
	<u>100.0%</u>

Guarantors

(by approximate principal amount)

OGSLP	99.0%
USA Funds	1.0
Other	<u>0.0%</u>
	<u>100.0%</u>

\*Less than 1% of Eligible Loans expected to be financed with the proceeds of the Series 1995 Bonds and Notes (by principal amount) are expected to be guaranteed by other guarantee agencies or federally insured.

See "Appendix B - DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" herein for a description of various terms and provisions relating to the guaranteed education loans that comprise the Eligible Loans expected to be held under the Bond Resolution following the application of the proceeds of the Series 1995 Bonds and Notes.

The Eligible Loans expected to be held under the Bond Resolution following the application of the proceeds of the Series 1995 Bonds and Notes are assumed to have a average status duration of: 30 months for in-school status loans; 6 months for grace status loans; 100 months for loans in repayment status; and 12 months for loans in deferment status. In-school loans are assumed to enter repayment based upon the student's expected graduation date.

## **Other Assumptions Pertaining to Financed Eligible Loans**

A lag of thirty (30) days is assumed on all such Financed Eligible Loan Principal and interest payments from borrowers, and a lag of sixty (60) days is assumed on all federal Interest Benefit Payments and Special Allowance Payments.

## **Budgeted Program Expenses Pertaining to Financed Eligible Loans**

It is assumed that the annual budgeted Program Expenses (other than servicing fees) relating to the Eligible Loans expected to be held under the Resolution following the application of the proceeds of the Series 1995 Bonds and Notes will include, among other things: (i) Trustee fees equal to .01% per annum of the aggregate amount of Series 1995 Bonds and Notes Outstanding in each year; (ii) fees of the Broker-Dealer equal to .25% per annum of the average daily principal amount of Auction Remarketed Notes Outstanding during each Auction Period in each year; and (iii) fees of the Auction Agent equal to .02% per annum of the average daily principal amount of Auction Remarketed Notes Outstanding during each Auction Period.

All of the Eligible Loans are expected to be serviced by the Authority. Servicing fees are assumed to include fees with respect to the servicing by the Authority per month per loan account. Such fees are assumed to be charged to the Trust Estate as follows: (i) In-school, \$1.80; (ii) Grace, \$3.00; (iii) Current Repayment, Deferment and Forbearance, \$3.35; (iv) Delinquent Repayment, \$4.12; (v) Claim-in-process, \$3.35; and a one time charge for filing a claim of \$31.00 per occurrence. In addition, the Administrative Fee to the Authority is assumed to be 0.50% per annum.

## **Payment of Guaranty Claims**

It is assumed that Guarantee Agency obligations as to any defaulted Financed Eligible Loans will be honored within 540 days of the initial delinquency, assuming also proper loan servicing and proper presentation and processing of the claims. This assumption contemplates that if a guarantor failed to honor the claim, the Secretary would honor the claim within that time period in accordance with the provisions of the Higher Education Amendments of 1992.

The foregoing assumptions relate specifically to the Eligible Loans expected to be acquired with proceeds of the Series 1995 Bonds and Notes. It cannot be assumed that such assumptions will apply to portfolios of Eligible Loans refinanced or acquired in the future by the Authority with the proceeds of additional obligations under the Master Bond Resolution or with the Revenues and Recoveries Principal on Financed Eligible Loans. Moreover, following the enactment of the 1993 Student Loan Act, the economic and guaranty characteristics of Financed Eligible Loans will vary greatly depending upon when they were originated, when the debt by which they were originated or acquired by the Authority was issued, and whether such debt is taxable or tax-exempt. As a consequence, the economic and guarantee characteristics of the Financed Eligible Loans will vary, depending on those factors.

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**Oklahoma Student Loan Authority**  
**Oklahoma Student Loan Bonds and Notes, Series 1995**

The following information concerning the State Guarantee Agency not otherwise attributed to another source has been obtained from the State Guarantee Agency for inclusion herein. The information contained in such material is not guaranteed as to accuracy or completeness by the Authority, Bond Counsel or the Underwriter, and is not to be construed as a representation by any of those persons. Neither the Authority, Bond Counsel or the Underwriter have independently verified this information and no representation is made by any of those persons as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

Substantially all of the FFEL Program conducted by the Authority is operated under the guidelines of the State Guarantee Agency. As of September 30, 1995, approximately 98.6% of the FFEL Program loans held by the Authority were guaranteed by the State Regents, acting as the State Guarantee Agency, pursuant to that certain Agreement to Endorse Loans dated as of October 3, 1994 by and between the Authority and the State Regents. Numerous other lenders also make education loans guaranteed by the State Guarantee Agency.

The Guarantee Fund administered by the State Regents is not a reserve for the Authority's bonds or notes or the education loans of the Authority only, but is an insurance reserve established in respect to any claims that might be submitted by any participating eligible lender with regard to any education loans guaranteed by the State Guarantee Agency.

**THE STATE GUARANTEE AGENCY**  
**DESCRIPTIVE, STATISTICAL AND FINANCIAL STATEMENT INFORMATION**

**Oklahoma Guaranteed Student Loan Program**

The Oklahoma State Regents for Higher Education (the "State Regents"), acting as the "State Guarantee Agency" and administering and utilizing the Student Educational Assistance Fund (the "Guarantee Fund") established in the State Treasury, operate the Oklahoma Guaranteed Student Loan Program ("OGSLP"). The State Guarantee Agency guarantees education loans made by various eligible lenders to applicants who attend approved universities, colleges, vocational education or trade schools.

The State Guarantee Agency has been in operation in Oklahoma since November 1965. As of September 30, 1995, loans made by various eligible lenders and guaranteed by the State Guarantee Agency were outstanding in the total principal amount of approximately \$1,291,974,305. The Guarantee Fund balance (cash basis) at that date was \$14,003,383 or, 1.08% of the guaranteed loan principal amount outstanding.

**Guarantee and Reinsurance of Loans**

Pursuant to various Agreements to Endorse Loans by and between the State Regents and numerous participating eligible lenders, the eligible lender is entitled to payment from the State Guarantee Agency for 100% (98% for loans first disbursed after October 1, 1993 except for Lender of Last Resort loans) of any proven loss incurred resulting from default, and for 100% of any proven loss resulting from death, permanent and total disability or discharge in bankruptcy of the borrower.

The State Guarantee Agency is reinsured, and guarantee claims paid are reimbursed from 78% to 100% of the amount paid, subject to certain conditions, by the Secretary (the "Secretary") of the United States Department of Education ("USDE") under the Higher Education Act of 1965, as amended (the "Higher Education Act"). This reimbursement is made because the State Regents and the Secretary entered into an Agreement for Federal Reinsurance of Loans (the

"Federal Reinsurance Agreement") dated October 20, 1977, as amended, pursuant to Section 428(c) of the Higher Education Act, and entered into a Supplemental Guarantee Agreement for Federal Reinsurance of Loans (the "Supplemental Guarantee Agreement") dated May 4, 1984, as amended, pertaining to the Secretary's reimbursement for amounts expended by the State Guarantee Agency in discharge of its guarantee obligations with respect to defaults by borrowers. The Supplemental Guarantee Agreement is subject to annual renegotiation and to termination for cause by the Secretary.

#### **The Oklahoma State Regents For Higher Education**

The State Regents were established pursuant to Article XIII-A, Oklahoma Constitution, Sections 1 through 4 adopted in 1941 as a nine member governing board. Members of the State Regents are appointed by the Governor of the State, confirmed by the State Senate, and are removable only for cause. The term of office of the State Regents is nine years. The terms are overlapping. State Regents serve until their successors are appointed and qualified.

The State Regents appoint a chief executive officer, the Chancellor of Higher Education, and approve appointments of other administrative personnel necessary to administer the affairs of the State Regents. The present Chancellor is Dr. Hans Brisch. Gary Smith is the Executive Vice-Chancellor and Chief Operating Officer of the State Regents responsible for the administration of OGSLP.

#### **State Guarantee Agency Administration**

The State Guarantee Agency operations are performed as a function within the State Regents. The State Guarantee Agency employs approximately 130 full time equivalent employees under the direction of Mr. Smith. Mr. Smith is assisted in this capacity by Alice Strong as Director of the State Guarantee Agency and Director of Human Resources for the State Regents. Dr. Glendon Forgey, C.P.A. serves as the Assistant Director of the State Guarantee Agency.

The offices of the State Guarantee Agency are located temporarily at 800 N.E. 15th Street, Suite 600, Oklahoma City, Oklahoma 73104; Telephone (405) 552-4300.

The State Guarantee Agency is organized into seven divisions, as follows: (i) Administrative Division; (ii) Financial Services; (iii) Customer Services Division; (iv) Claims Division; (v) Management Information Systems (MIS); (vi) Recoveries Division; and (vii) Legal Division.

#### **Service Area**

The State Guarantee Agency guarantees loans for students (or parents in the case of PLUS Program loans) who are otherwise eligible for loans if the student is attending a participating eligible institution on at least a half-time basis. There are approximately 84 schools actively participating in the State Guarantee Agency program.

The State Guarantee Agency provides for the eligibility of all lenders described in Section 435(d)(1) of the Higher Education Act. There are approximately 38 eligible lenders actively participating in the State Guarantee Agency program.

#### **Electronic Data Processing Support**

The State Guarantee Agency uses an integrated software system and data processing facilities for administering education loans that is provided by United Student Aid Funds, Inc. pursuant to an agreement between the State Regents and United Student Aid Funds, Inc. dated September 7, 1989, as amended and extended. This software system is operated from terminals controlled by the State Guarantee Agency and connected to the United Student Aid Funds, Inc.'s system. The system provides for loan application processing, guarantee fee billings to lenders, loan status management, preclaims assistance, claims

processing, post claims operations (including reinsurance claims to the USDE) and reporting.

### Guarantee Fees Charged

For guaranteeing an education loan made under the Higher Education Act, the State Guarantee Agency presently charges a one percent (1%) fee on the principal amount of the loan disbursed by the eligible lender to the borrower. This fee is paid once with no further adjustments, and is subtracted from the guaranteed loan amount prior to disbursement by the lender.

The one percent (1%) fee charge has been in effect by the State Guarantee Agency since July 1, 1994 pursuant to amendments in the Higher Education Act. From July 1, 1987 through June 30, 1994, the State Guarantee Agency charged a guarantee fee of three percent (3%) of the guaranteed principal amount, but was required to pay USDE one-half percent (0.5%) as a reinsurance premium, resulting in a net guarantee fee of two and one-half percent (2.5%).

In the Fiscal Year ended June 30, 1995, net guarantee fee income received (cash basis) by the State Guarantee Agency was approximately \$2,284,600 compared to net guarantee fee income (less reinsurance premiums paid) of approximately \$4,328,000 in the previous Fiscal Year.

### Annual Guaranteed Loan Volume

During the past five federal fiscal years, the loan principal volume guaranteed by the State Guarantee Agency was as shown on the following table:

#### Annual Education Loan Guarantees

	Federal Fiscal Year Ended 9/30/95	Federal Fiscal Year Ended 9/30/94	Federal Fiscal Year Ended 9/30/93	Federal Fiscal Year Ended 9/30/92	Federal Fiscal Year Ended 9/30/91
<u>Principal Amount Guaranteed</u>					
Stafford (subsidized)	\$172,073,918	\$164,813,708	\$144,899,972	\$123,277,827	\$113,271,878
Unsubsidized					
Stafford	83,829,396	45,472,548	11,817,733	0	0
PLUS	10,699,832	10,755,429	12,232,011	16,848,033	12,945,400
SLS	0	17,280,522	26,596,502	23,266,331	20,884,965
Consolidation	<u>168,566,666</u>	<u>54,263,994</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$435,169,812</u>	<u>\$292,586,201</u>	<u>\$195,637,218</u>	<u>\$163,392,191</u>	<u>\$147,102,243</u>
<u>Institution Type</u>					
4 Year Univ.	\$206,191,010	\$175,304,211	\$146,609,682	\$113,857,023	\$ 94,336,077
2 Year College	39,083,194	35,227,306	25,345,260	18,847,776	16,594,356
Proprietary	<u>21,328,942</u>	<u>27,790,690</u>	<u>23,682,276</u>	<u>30,687,392</u>	<u>36,171,810</u>
Total	<u>\$266,603,146*</u>	<u>\$238,322,207*</u>	<u>\$195,637,218</u>	<u>\$163,392,191</u>	<u>\$147,102,243</u>

\*The State Guarantee Agency's system does not track Consolidation Loan approvals by institution type.

### Outstanding Portfolio Composition

The composition of the State Guarantee Agency's outstanding loan principal guaranteed during the last five federal fiscal years has been as shown in the following Table:

#### Composition of Outstanding Education Loan Guarantees

	Federal Fiscal Year Ended 9/30/95	Federal Fiscal Year Ended 9/30/94	Federal Fiscal Year Ended 9/30/93	Federal Fiscal Year Ended 9/30/92	Federal Fiscal Year Ended 9/30/91
<u>Loan Status</u>					
Interim	\$ 444,797,953	\$360,667,742	\$273,035,514	\$218,327,960	\$194,407,917
Deferred	43,009,393	47,974,475	56,973,312	44,852,802	29,354,610
Repayment	<u>804,166,959</u>	<u>577,019,275</u>	<u>452,694,973</u>	<u>411,117,605</u>	<u>361,881,112</u>
Total	<u>\$1,291,974,305</u>	<u>\$985,661,492</u>	<u>\$782,703,799</u>	<u>\$674,298,367</u>	<u>\$585,643,639</u>

Institution Type

4 Year University	83.3%	80.8%	78.9%	75.7%	67.8%
2 Year College	9.9	10.6	10.4	10.0	4.4
Proprietary	<u>6.8</u>	<u>8.6</u>	<u>10.7</u>	<u>14.3</u>	<u>27.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Trigger Rate**

The "trigger rate" is the ratio of the amount of reinsurance claims paid to a guarantee agency during a federal fiscal year ending September 30, to that guarantor's amount of loans in repayment at the end of the preceding federal fiscal year expressed as a percentage. The trigger rate determines the rate of reimbursement of claims payments which the State Guarantee Agency is reimbursed by the USDE pursuant to the Federal Reinsurance Agreement and Supplemental Guarantee Agreement. Reimbursements by the USDE are subject to a sliding scale based on the trigger rate, as follows:

<u>Federal Fiscal Year Default Claim Rate</u>	<u>Loans Prior to 10/1/93 Reimbursement Rate</u>	<u>Loans After 9/30/93 Reimbursement Rate</u>
Up to 5.0%	100%	98%
5.0% up to 9.0%	90%	88%
9.0% and over	80%	78%

During the past five federal fiscal years, the trigger rate for the State Guarantee Agency has been as shown on the following Table:

Trigger Rate of the State Guarantee Agency

<u>Federal Fiscal Year Ended 9/30</u>	<u>Trigger Numerator</u>	<u>Trigger Denominator</u>	<u>Rate</u>
1995	\$29,071,030	\$596,599,934	4.87%
1994	28,952,615	476,558,459	6.07
1993	27,277,618	432,019,693	6.31
1992	25,839,426	385,726,429	6.70
1991	30,098,281	347,024,500	8.67

The guarantor, such as the State Guarantee Agency, is responsible as a co-insurer in each federal fiscal year for the difference between the 100% of the claim amount paid to eligible lenders (with certain exceptions, 98% of the claim amount for loans first disbursed on or after October 1, 1993) and the Secretary's reimbursement under the trigger rate formula.

**Federal Administrative Cost Allowances Advances**

Upon periodic application by a guarantor pursuant to the Higher Education Act, the Secretary is authorized to pay such guarantor an administrative cost allowance up to one percent (1%) of the total principal amount of student loans guaranteed in any fiscal year. The USDE paid guarantors one percent (1%) of loan volume for the federal fiscal year ending September 30, 1995. The USDE is in process of evaluating a method for Administrative Cost Allowance payments during the transition of the FFEL Program to the William D. Ford Federal Direct Loan Program ("FDSLSP") operated by USDE.

**Guarantee Fund Reserve Balance**

Based on the Guarantee Fund balance of \$14,003,383 (cash basis) at September 30, 1995 and the outstanding loan principal guaranteed at that date, the Reserve Ratio (cash basis) for the State Guarantee Agency at September 30, 1995 was 1.08%. This ratio exceeds the requirements of the Higher Education Act. Based upon the Higher Education Amendments of 1992 to the Higher Education Act, the State Guarantee Agency is required to maintain a Reserve Ratio of 0.9%

for the Fiscal Year ending June 30, 1996, with the requirement increasing to 1.10% for the Fiscal Year ending June 30, 1997.

The Guarantee Fund balance, compared to the amount of outstanding loan principal guaranteed, and resulting Reserve Ratio for the last five federal fiscal years was as shown in the following table:

Guarantee Fund Balance and Loan Principal Guaranteed  
(Cash Basis Fund Balance)

<u>Federal Fiscal Year Ended 9/30</u>	<u>Guarantee Fund Balance</u>	<u>Outstanding Loan Principal Guaranteed</u>	<u>Reserve Ratio</u>
1995	\$14,003,383	\$1,291,974,305	1.08%
1994	11,223,116	985,661,492	1.14
1993	9,897,659	782,703,799	1.26
1992	8,455,927	674,298,367	1.25
1991	7,472,607	586,072,314	1.28

The Guarantee Fund is maintained in the State Treasury and invested in short-term obligations of, or guaranteed by, the U.S. Government and otherwise pursuant to the investment powers and policies of the State Treasurer. There is no assurance that the investment income, guarantee fees, federal reimbursements and other monies will continue to be deposited in the Guarantee Fund in amounts consistent with past experience.

**Default Rates**

Default Rates Regarding the State Guarantee Agency

<u>Federal Fiscal Year Ended 9/30/95</u>	<u>Federal Fiscal Year Ended 9/30/94</u>	<u>Federal Fiscal Year Ended 9/30/93</u>	<u>Federal Fiscal Year Ended 9/30/92</u>	<u>Federal Fiscal Year Ended 9/30/91</u>
--	--	--	--	--

Lenders' (Gross)  
Default Rate

Default Rate (OGSLP)	16.6%	18.5%	19.6%	19.2%	18.3%
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National Average	N/A %	N/A %	17.7%	17.7%	16.6%
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Cumulative  
Collections (\$000)

Stafford (subsidized)	\$ 79,716	\$ 66,690	\$ 51,590	\$ 39,718	\$ 30,455
Unsubsidized Stafford	6	0	0	0	0
PLUS	2,295	1,710	1,055	497	163
SLS	7,975	5,371	2,963	1,432	482
Consolidation	<u>9</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 90,001</u>	<u>\$ 73,771</u>	<u>\$ 55,608</u>	<u>\$ 41,647</u>	<u>\$ 31,100</u>

Net Default Rate (OGSLP) after collections	10.5%	11.7%	13.2%	13.6%	13.4%
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National Average	N/A	N/A %	11.5%	12.1%	11.8%
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Sources: State Guarantee Agency and USDE FFEL Program Data Books

## **Status of Federal "Spend-Down"**

The USDE had advanced the State Guarantee Agency \$677,181 pursuant to an Agreement for Federal Advances under the Higher Education Act between the State Regents and the Secretary. During the federal fiscal year ended June 30, 1989, the USDE recovered the amount claimed against the State Guarantee Agency's eligible reinsurance claims. The total amount that the State Guarantee Agency was required to return was \$1,095,678. As a result, the State Guarantee Agency has no further spend-down obligation to the USDE.

Legislation is pending before the Congress of the United States that a guarantee agency, after paying a claim by the 60th day after submission, could not file with USDE for reinsurance until 180 days after the claim was submitted. During this period, the guarantee agency would have to pay down or use its reserve funds, up to one-half of its reserve fund balance. The State Guarantee Agency is unable to predict the outcome of such legislation or its impact, if enacted, on the State Guarantee Agency.

## **Pending State Legislation and Litigation**

There is no State legislative action pending or proposed with respect to the State Guarantee Agency or the Guarantee Fund.

There is no currently pending or, to the knowledge of the State Regents, threatened legal proceeding with respect to the State Guarantee Agency and the Guarantee Fund except for defaulted loan collection recovery efforts in normal course of operations.

## **Consolidation of Guarantee Agencies**

There are approximately 42 guarantee agencies participating in the FFEL Program nationally. In view of the planned reduction of the FFEL Program loan volume, USDE has advocated the merger or consolidation of such guarantors into regional combinations with a significantly reduced number continuing to operate as guarantors of FFEL Program loans. Since July 1, 1994, some state guarantee agencies have ceased operating and others have reported mergers or other reorganizations or are reported to be discussing mergers or other reorganizations. The State Guarantee Agency has not discussed the possibility of merger or other reorganization with any other guarantor or with USDE.

## **Changes in Federal Law**

Since its original enactment, the Higher Education Act has been amended and reauthorized several times, including the Higher Education Amendments of 1986, 1990, 1992 and 1993. There can be no assurances that the Higher Education Act, or other relevant law, will not be changed in a manner that could adversely impact the State Guarantee Agency's operation in the FFEL Program.

The Student Loan Reform Act of 1993 enacted a variety of changes in the FFEL Program, and enacted FDSLPL with direct lending by the USDE to students. Among other things, changes made to the FFEL Program included imposing on guarantors, such as the State Guarantee Agency, a reduction of the reinsurance level on defaulted loans to 98% of the claim amount as co-insurance for defaulted loans first disbursed on or after October 1, 1993 and a further reduction at the first and second "trigger rates" as discussed in the section captioned "Trigger Rate" herein. In addition, the maximum guarantee fee that could be charged was reduced from three percent (3%) to one percent (1%) as discussed in the section captioned "Guarantee Fees Charged" herein. Furthermore, the retention rate on collection recoveries was reduced from 30% to 27%.

Beginning July 1, 1994, USDE began implementing its FDSLPL which deals directly with participating schools by eliminating lenders and guarantors. Consequently, FDSLPL is in direct competition with the FFEL Program in which the State Guarantee Agency guarantees loans. Nationally, FDSLPL comprised a volume of approximately 5% of student loan volume in the year ended June 30, 1995. In Oklahoma, Oklahoma State University, Stillwater, Oklahoma participated 100% in

FDSLPL in the State Guarantee Agency's Fiscal Year ended June 30, 1995 and is continuing to participate.

The target share of the national annual student loan volume for FDSLPL is 40% in the year ending June 30, 1996. In the second year of FDSLPL in Oklahoma, Langston University, Langston, Oklahoma is participating in FDSLPL for its first year students; and St. Gregory's College, Shawnee, Oklahoma and some proprietary schools are participating 100%. The State Guarantee Agency does not believe the expected FDSLPL lending volume at the second year schools is material to its operations.

In future years, the target share of student loan volume is 50% in the years ending June 30, 1997 and 1998; and 60% in the year ending June 30, 1999. In addition, USDE offers FDSLPL Direct Consolidation Loans, including offering borrowers the opportunity to prepay FFEL Program loans and consolidate them in the Federal Direct Consolidation Loan Program. The State Guarantee Agency is not able to predict the percentage of participation in its service area from the implementation of FDSLPL.

Multiple competing proposals are pending in the Congress of the United States regarding FDSLPL. The President of the United States and USDE have advocated accelerating the implementation of FDSLPL to 100% of the student loan market by 1998. Proposed legislation passed by committees of Congress would limit FDSLPL participation to those schools participating in the second year of implementation, to 20% of the student loan market nationally, or, repeal FDSLPL and privatize what has been implemented already. It is impossible to predict the outcomes of proposed or pending legislation or the effect on the State Guarantee Agency of any legislation that is enacted.

The transition from the FFEL Program to the new FDSLPL could involve increasing reductions in the volume of loans made under the FFEL Program generally. As these reductions occur, servicing cost increases and revenue reductions for guarantors, such as the State Guarantee Agency, may occur. The Student Loan Reform Act of 1993 may therefore have a material adverse impact on guarantee agencies such as the State Guarantee Agency.

#### **Financial Statements**

The financial statements of the State Regents' Oklahoma Guaranteed Student Loan Program are prepared on the basis of generally accepted accounting principles. The financial statements for the Fiscal Year ended June 30, 1995 (with comparative totals at June 30, 1994) were audited and reported on by Coopers & Lybrand L.L.P., Oklahoma City, Oklahoma, independent certified public accountants. Such financial statements (including the Notes thereto) and the auditors' report thereon, are set forth on the following pages.

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Oklahoma State Regents for Higher Education  
Oklahoma City, Oklahoma

We have audited the accompanying balance sheets of the Oklahoma Guaranteed Student Loan Program ("OGSLP"), a division of the Oklahoma State Regents for Higher Education (the "State Regents"), as of June 30, 1995, and the related statements of revenues, expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the OGSLP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Guaranteed Student Loan Program as of June 30, 1995, and the revenues, expenditures and changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

Oklahoma City, Oklahoma  
September 26, 1995

*Coopers & Lybrand L.L.P.*

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
 OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM  
 BALANCE SHEETS  
 JUNE 30, 1985  
 WITH COMPARATIVE TOTALS AT JUNE 30, 1984

	Current Funds Restricted	Plant Funds	Totals
	1985	1984	1984
<b>ASSETS</b>			
Cash	\$ 536,317	-	\$ 536,317
Investments, at cost	14,210,067	-	14,210,067
Receivables:			
Administrative cost allowance	693,969	-	693,969
Guarantee fees	124,107	-	124,107
Interest	178,329	-	178,329
Federal reinsurance	4,746,807	-	4,746,807
Non-reinsured defaulted loans	1,483,141	-	1,483,141
Supplemental preclaims assistance	89,117	-	89,117
Insurance proceeds	-	691,785	691,785
Other	27,796	-	27,796
Total receivables	<u>7,343,266</u>	<u>691,785</u>	<u>8,035,051</u>
Office furniture	-	59,178	59,178
Data processing equipment	-	2,200,361	2,200,361
Telecommunications equipment	-	83,290	83,290
Motor vehicles	-	14,143	14,143
<b>TOTAL ASSETS</b>	<u>\$ 22,089,650</u>	<u>\$ 3,048,757</u>	<u>\$ 25,138,407</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 157,924	-	\$ 157,924
Accrued payroll	26,933	-	26,933
Compensated absences	312,749	-	312,749
Accrued pension obligation	87,987	-	87,987
Default loan collections payable	2,377,950	-	2,377,950
Allowance for default claims	1,628,114	-	1,628,114
Deferred guarantee fees	8,728,052	-	8,728,052
Total liabilities	<u>13,320,709</u>	<u>-</u>	<u>13,320,709</u>
<b>FUND BALANCES</b>			
Restricted	8,768,941	-	8,768,941
Unexpended plant fund - designated	-	691,785	691,785
Investment in plant	-	2,356,972	2,356,972
Total fund balances	<u>8,768,941</u>	<u>3,048,757</u>	<u>11,817,698</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 22,089,650</u>	<u>\$ 3,048,757</u>	<u>\$ 25,138,407</u>
			<u>\$ 21,756,751</u>

The accompanying notes are an integral part of these financial statements.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
 OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM  
 STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 1935  
 WITH COMPARATIVE TOTALS AT JUNE 30, 1934

	Current Funds Realized	Plant Funds	Totals
	1935		1934
<b>REVENUES AND OTHER ADDITIONS:</b>			
Administrative cost allowance	\$ 2,277,247	\$ -	\$ 2,277,247
Default loan collections	10,335,639	-	10,335,639
Guarantee fees	3,731,430	-	3,731,430
Investment income	769,031	-	769,031
Expended for plant facilities	-	1,169,328	1,169,328
Supplemental proceeds assistance allowance	512,018	-	512,018
Insurance proceeds	-	631,765	631,765
Other sources	-	-	-
<b>Total revenue and other additions</b>	<b>23,707,055</b>	<b>1,831,113</b>	<b>25,538,168</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>			
Collection agency expenses	1,020,035	-	1,020,035
General and administrative expenses	3,124,723	-	3,124,723
Default loan collections - federal reimbursements	10,637,616	-	10,637,616
Provision for default claims	493,072	-	493,072
Reinsurance fees	-	-	-
Fixed asset writeoffs	-	649,163	649,163
<b>Total expenditures and other deductions</b>	<b>25,284,446</b>	<b>649,163</b>	<b>25,933,609</b>
<b>TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS):</b>			
Nonmandatory transfers	-	149,001	149,001
<b>NET INCREASE IN FUND BALANCE</b>	<b>3,478,677</b>	<b>1,833,911</b>	<b>4,635,763</b>
<b>FUND BALANCES, Beginning of year</b>	<b>6,233,024</b>	<b>1,639,249</b>	<b>8,051,910</b>
<b>FUND BALANCES, End of year</b>	<b>\$ 9,711,701</b>	<b>\$3,049,767</b>	<b>\$ 12,761,468</b>

The accompanying notes are an integral part of these financial statements.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND PURPOSE**

The Oklahoma Guaranteed Student Loan Program (the "OGSLP"), a division of the Oklahoma State Regents for Higher Education (the "State Regents"), was established in accordance with Title 70, Section 622 eq. seq. of the Oklahoma Statutes. Pursuant to this statute, the OGSLP is responsible for the administration of the Guarantee Student Loan Program and guarantee loans by certain lending institutions to students attending postsecondary schools, in compliance with operating agreements (the "Agreements") with the U. S. Department of Education (the "USDE") pursuant to Section 428 of the Higher Education Act of 1965 (the "Act"), as periodically amended.

The Federal Guaranteed Student Loan Program (the "Program") under which the OGSLP operates was established by Congress as a means of making loans available to students attending colleges, universities, and postsecondary educational and vocational schools. The Program provides for the OGSLP to guarantee the repayment of principal and accrued interest to lenders for each eligible loan. The OGSLP is responsible for processing loans submitted for guarantee, issuing loan guarantees, providing collection assistance to lenders for delinquent loans, paying lender claims for loans in default and collecting loans on which default claims have been paid. The OGSLP also informs lenders and schools of Program regulations and encourages lender participation.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The State Regents follow standards of reporting described in the American Institute of Certified Public Accountants' industry audit guide entitled Audits of Colleges and Universities. The significant accounting policies followed by the State Regents in the preparation of the financial statements for the OGSLP are described as follows.

**Reporting Entity**

The accompanying financial statements include only the accounts for operations and activities of the OGSLP. These financial statements are incorporated into the State Regents financial statements which include all operations and activities of the State Regents.

**Basis of Accounting**

Other than not providing for depreciation expense in the Plant Fund, the accompanying financial statements have been prepared using the accrual basis of accounting. Prior year's totals and data are presented for comparative purposes only.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS**

**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Fund Accounting**

In order to observe limitations and restrictions placed on the use of resources available to the OGSLP, such resources are classified for accounting and reporting purposes into funds according to activities and objectives specified. Separate accounts are maintained for each fund. Descriptions of these funds are as follows:

**Current Funds** - Current Funds are used for transactions related to the primary and support objectives of the OGSLP. OGSLP has only one fund group included in this classification, Restricted Funds, which represent resources derived from federal and state sources.

**Plant Funds** - Plant Funds are used for transactions relating to the OGSLP's investment in long-term operating assets. Plant Funds include Unexpended Plant Funds and Investment in Plant. The Unexpended Plant Funds consist of funds to be used in future acquisitions of fixed assets. Investment in Plant represents the carrying value of equipment and motor vehicles.

Equipment and motor vehicles are stated at cost (where purchased by the OGSLP) or at estimated fair market values at the date of acquisition (where acquired other than by purchase). To the extent Current Funds are used to finance Plant Fund assets, the amounts so provided are accounted for as (a) expenditures for normal replacement of equipment and (b) other transfers.

**Receivables**

The OGSLP's receivables consist primarily of funds that are due from the USDE. Major items include federal reinsurance on defaulted loans and administrative cost allowances from the USDE and guarantee fees that are collected from student borrowers at the time of loan disbursement by the lending institution.

**Administrative Cost Allowance** - Pursuant to Section 423 of the Act, the OGSLP is eligible to receive payment from the federal government of up to 1% of the total loans processed for guarantee as an administrative cost allowance to offset certain administrative expenses which the OGSLP incurs. Net loans processed for guarantee for determination of the administrative cost allowance revenue, totaled \$227,724,732 and \$208,550,078 for the years ending June 30, 1995 and 1994, respectively.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS**

**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Federal Reinsurance** - Pursuant to Section 428 of the Act, federal reinsurance of default claims filed are paid to the OGSLP according to the following schedule:

<u>Annual Default Rate</u>	<u>Federal Reinsurance</u>
0% to less than 5%	98% of claims on loans made on or after October 1, 1993; 100% of claims on loans made prior to October 1, 1993
5% to less than 9%	98% of claims on loans made after October 1, 1993, up to 5% and 88% of claims on loans made after October 1, 1993, equal to or more than 5% but less than 9%; 100% of claims on loans made prior to October 1, 1993, up to 5% and 90% of claims on loans made prior to October 1, 1993, equal to or more than 5% but less than 9%
9% or more	98% of claims on loans made after October 1, 1993, up to 5% and 88% of claims on loans made after October 1, 1993, equal to or more than 5% but less than 9%, and 78% of claims on loans made after October 1, 1993, equal to or more than 9%; 100% of claims on loans made prior to October 1, 1993, up to 5%, 90% of claims on loans made prior to October 1, 1993, equal to or more than 5% but less than 9% and 80% of claims on loans made prior to October 1, 1993, equal to or more than 9%

Annual default rates for purposes of the application for federal reinsurance are calculated by dividing reinsurance paid on claims filed during the year by the original amount of loans in repayment at the end of the preceding federal fiscal year. The annual default rates for the years ended June 30, 1995 and 1994, were 4.47% and 5.96%, respectively.

**Non-reinsured Defaulted Loans** - The OGSLP estimates collections on defaulted non-reinsured loans based upon historical recovery experience. The historical collection rates for June 30, 1995 and 1994 were 30.7% and 26.9%, respectively.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS**

**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Compensated Absences**

Full time employees earn vacation at the rate of 10 hours per month for the first four years of employment and 12 hours per month during the fifth year to the nineteenth year, and 13.33 hours per month thereafter. A maximum of 480 hours of vacation may be accrued.

**Allowance for Default Claims**

An estimated allowance for loan defaults in excess of amounts covered by federal reinsurance is made through an annual charge to operations. Actual default payments in excess of federal reinsurance are applied against the allowance as incurred.

Each year, the OGSLP's management analyzes its default experience since inception. Trends in the loan portfolio, projections of future activity and defaults as they impact reinsurance rates, and anticipated recoveries are used to determine the allowance estimate.

**Deferred Guarantee Fees**

The OGSLP collects guarantee fees from student borrowers at the time of loan disbursement by lending institutions. Currently, the OGSLP is allowed to charge a 1% guarantee fee on each loan. Prior to July 1, 1994, this guarantee fee was 3%. The fees are recognized in income by the sum-of-the-years digits method over eight years, which approximates the average life of the loans. Guarantee fees are recorded as deferred income at the date loans are guaranteed.

**Reinsurance Fees**

Effective October 1, 1986, a reinsurance fee was required to be remitted to the federal government based on a percentage of total loans processed for guarantee during the year according to the following schedule:

<u>Annual Default Rate</u>	<u>Federal Reinsurance</u>
0% to less than 5%	.25%
5% or more	.50%

For loans guaranteed on or after October 1, 1993, this fee has been eliminated.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS**

**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Income Taxes**

The OGSLP, as a unit of the State Regents, a political subdivision of the State of Oklahoma, is excluded from federal income tax under Section 115 (1) of the Internal Revenue Code.

**3. CASH AND INVESTMENTS**

By Oklahoma Statute, the State Treasurer is required to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OGSLP's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in banks or invested as the Treasurer may determine.

**Cash and Deposits**

Cash on deposit with the State Treasurer has been categorized to give an indication of the level of risk assumed by the OGSLP at year end as follows:

	<u>A</u>	<u>Risk Category</u>		<u>State/Trustee</u>	<u>Carrying</u>
		<u>B</u>	<u>C</u>	<u>Balance</u>	<u>Amount</u>
Cash on deposit with state	<u>\$536,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$536,317</u>	<u>\$536,317</u>

- (A) Insured or collateralized by a pledge of unencumbered securities held by the State Regents or its agent in the State Regents' name.
- (B) Collateralized by a pledge of unencumbered securities held by the pledging financial institution's trust department or agent in the State Regents name.
- (C) Uncollateralized or secured with securities held by the pledging financial institution or by its trust department or agent but not in the State Regents' name.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS**

**3. CASH AND INVESTMENTS, continued**

**Investments**

Investments are categorized as to risk assumed at year end as follows:

	<u>Risk Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>A</u>	<u>B</u>	<u>C</u>		
State Bond Issues	<u>\$3,570,000</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 3,570,000	\$ 3,570,000
Investment in State Investment Pool				<u>10,640,067</u>	<u>10,640,067</u>
Total investments				<u>\$14,210,067</u>	<u>\$14,210,067</u>

- (A) Insured or registered, or securities held by the State Regents or its agent in the State Regents' name.
- (B) Uninsured and unregistered, with securities held by the counter party's trust department or agent in the State Regents' name.
- (C) Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the State Regents' name.

The investment in the State Investment Pool has not been classified as to credit risk because the investment is not evidenced by securities that exist in physical or book entry form.

Because the OGSLP does not own any specific, identifiable investment securities of the State Investment Pool, the investment risk for ownership of any derivative investments is not apparent. The degree of investment risk depends on the State Investment Pool's underlying portfolios. The State Regents review state law and information provided by the State Investment Pool's manager to determine the degree of risk permitted by the pool's investment policies.

**4. EQUIPMENT**

As a result of the April 1995 bombing in downtown Oklahoma City, the OGSLP sustained damages to certain equipment. Although a final damage estimate has not been compiled, management has identified and written off \$636,191 of equipment losses and damages. Such losses are fully insured on a replacement value basis. Accordingly, a receivable of \$691,785 has been recorded in the Unexpended Plant Fund. Management does not

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**4. EQUIPMENT, continued**

believe any losses or damages subsequently identified will be material to the financial statements.

**5. EMPLOYEE RETIREMENT BENEFITS**

**Defined Contribution Plan**

**Plan Description** - The State Regents entered into a contract with the Teachers Insurance Annuity Association ("TIAA/CREF") in July, 1991, providing for a funded plan for employee retirement. The TIAA/CREF plan is a defined contribution plan qualified under Internal Revenue Code Section 401(a). Eligible OGSLP employees covered by the plan include those whose employment is continuous and on a 50% full-time equivalency basis or more. TIAA/CREF participation provides an annuity in the name of the employee based upon contributions made by the OGSLP. The OGSLP's minimum contribution rate is currently 10% of base salary over \$40,000 and contributions vest as contributions are made. Employees make no contributions to this plan.

**Funding Status** - The OGSLP's total payroll for the years ended June 30, 1995 and 1994, amounted to \$3,064,530 and \$2,856,618, respectively. Total covered payroll, which refers to all compensation paid by the OGSLP to active employees covered by TIAA/CREF amounted to \$416,494 and \$363,754 in 1995 and 1994, respectively. The OGSLP contributed \$43,934 and \$36,375 in 1995 and 1994, respectively, which represents 10.5% in 1995 and 10% in 1994 of covered payroll. As of June 30, 1995, there were no related party investments between TIAA/CREF and the OGSLP.

**Defined Benefit Plan**

**Plan Description** - The OGSLP, through the State Regents, sponsors the Supplemental Retirement Plan (the "Plan"), a single-employer public employee retirement system ("PERS"). The Plan was adopted on July 1, 1985, and is substantially replaced by the funded TIAA/CREF plan adopted in July, 1991. The Plan provides employees who retire from the Oklahoma Teacher's Retirement System ("OTRS") a guaranteed base monthly retirement allowance. This guaranteed allowance is determined by the average of the highest three years of salary times 2% for each of the first 25 years of service in Oklahoma's system of public education plus an additional 0.5% for each year of service prior to July 1, 1985, and 1% for each year of service after July 1, 1985, up to a maximum of 60% of final salary entitlement. The Plan pays the difference, if any, between the guaranteed retirement allowance and the combined benefits under OTRS, TIAA/CREF and social security. Benefits vest upon retirement. The OGSLP's payroll for employees

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**5. EMPLOYEE RETIREMENT BENEFITS, continued**

covered by this Plan for the years ended June 30, 1995 and 1994, was \$2,870,787 and \$2,259,985, respectively.

**Funding Status and Progress** - The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used.

The total projected pension benefit obligation for the Plan at June 30, 1995 and 1994 is as follows:

**Projected Pension Benefit Obligation:**

	<u>1995</u>	<u>1994</u>
Retirees and beneficiaries receiving benefits	\$87,987	\$ -
Current employees	<u>-</u>	<u>-</u>
Total Projected Pension Benefit Obligation	<u>\$87,987</u>	<u>\$ -</u>

The pension benefit obligations were computed as part of actuarial valuations performed as of June 30, 1995 and 1994, respectively. Significant actuarial assumptions used in the valuations include (a) a discount rate of 8% per year compounded annually, (b) projected salary increases of 3.5%, including inflation and merit, compounded annually, and (c) projected annuity increases of 3.5 %, compounded annually.

**Contributions Required and Contributions Made** - Benefits are funded on a "pay as you go" basis but are reflected as operating expenses as benefits accumulate. The Program recorded operating expenses of \$87,987 during the fiscal year ended June 30, 1995, and none during the fiscal year ended June 30, 1994, for such benefits accumulated. Only retirees and beneficiaries currently receiving benefits are included in the projected pension benefit obligation as the actuarial valuation performed as of June 30, 1995, indicates that no current employee will qualify for plan benefits under current plan provisions.

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**5. EMPLOYEE RETIREMENT BENEFITS, continued**

**Cost Sharing Multiple-Employer PERS**

**Plan Description** - All full-time employees of the OGSLP are eligible to participate in the state sponsored defined benefit plan, the Oklahoma Teachers' Retirement System ("OTRS"). The OTRS was established by the State of Oklahoma in accordance with Title 70, Section 17-101 et seq., of the Oklahoma Statutes, and is a component unit of the State's financial reporting entity, reporting as a pension trust fund.

Contributions required of eligible employees are made by the OGSLP on the employees' behalf. Employee contributions amount to 6% of regular annual compensation up to a maximum of \$25,000 and, if elected, 8% of compensation that exceeds \$25,000 but that does not exceed \$40,000. Contributions made by the OGSLP on the employee's behalf are fully vested immediately. In addition, the State Regents make a statutory employer contribution to OTRS for each eligible employee in an amount equal to 2% of regular annual compensation not to exceed \$40,000. The State Regents' statutory contribution for each employee (plus interest allocated to the employee's account) are fully vested after 10 years of continuous service.

**Funding Status and Progress** - The OGSLP's contributions to OTRS in 1995 and 1994 were calculated using the base compensation amount of \$2,870,787 and \$2,494,682, respectively. Contributions made by the OGSLP on behalf of its employees amounted to \$173,350 and \$171,243 in 1995 and 1994, respectively, and represented 6.0% and 6.9% of covered payroll. The OGSLP's statutory contribution amounted to \$54,909 and \$53,266 in 1995 and 1994, respectively, and represented 1.9% and 2.1% of covered payroll.

OTRS does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation of the OTRS plan, as a whole, determined as part of the latest actuarial valuation date June 30, 1994, is as follows:

Total pension benefit obligation	\$6,076,000,000
Net assets available for benefits, at cost (market value of \$2,658,000)	<u>(2,577,000,000)</u>
Unfunded pension benefit obligation	<u>\$3,499,000,000</u>

Eight-year historical trend information showing OTRS's progress in accumulating sufficient assets to pay benefits when due is presented in the June 30, 1994 annual financial report of OTRS. Ten-year historical trend information is not available. As of June 30, 1995, there were no related party investments between OTRS and the OGSLP.

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**6. LEASE COMMITMENTS**

The State Regents lease office space for the OGSLP from a private entity. Rental expense of approximately \$161,704 and \$181,611 was paid by the OGSLP for the years ended June 30, 1995 and 1994, respectively. The lease agreement, effective in August, 1992, was for twelve months with the option to renew for two additional years. This office space was damaged in the April 1995 bombing in downtown Oklahoma City. As a result, the lease agreement was nullified and there are no future lease payments due. The OGSLP is currently utilizing temporary office space at the Oklahoma University Health Sciences Center.

In addition, the OGSLP has entered into an agreement to lease a computer system and for services designed to perform loan processing. Standard processing charges are \$330,000 annually. If loan applications processed during any year exceed \$100 million, the OGSLP must pay a 0.22% fee for the amount in excess of \$100 million. The agreement, effective January 1, 1993, is in effect for a three year period, and provides for two one-year option periods.

**7. RESERVE RATIO**

The reserve ratio balance is determined by adding the following balance sheet items: Allowance for Default Claims, Deferred Guarantee Fees and Restricted Fund Balance. The sum of these items is divided by loans outstanding to calculate the reserve ratio. The 1992 reauthorization of the Act requires guarantors to meet the following minimum reserve levels:

0.5% for the fiscal year beginning 10/1/93

0.7% for the fiscal year beginning 10/1/94

0.9% for the fiscal year beginning 10/1/95

1.1% for fiscal years beginning on or after 1/1/96

As of June 30, 1995 and 1994, OGSLP's loan portfolio was \$1,141,171,848 and \$863,273,018, respectively, resulting in a reserve ratio of approximately 1.7% and 2.0%, respectively.

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**8. RISK MANAGEMENT**

The OGSLP, a division of the State Regents, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State Regents pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss and general liability insurance coverages. The State Regents purchase commercial employee life insurance. The State Regents, as a state agency, participates in the Oklahoma State and Education Employee's Group Insurance Board (the "Plan"), a public entity risk pool. The State Regents pays an annual premium to the Plan for its employee health insurance coverage. The Plan is self-insured and self-sustaining through member premiums. The State Regents carries insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**9. CONTINGENCY**

The OGSLP has received certain federal and state grants that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The OGSLP's management believes that disallowances, if any, would not be material.

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**Oklahoma Student Loan Authority**  
**Oklahoma Student Loan Bonds and Notes, Series 1995**

**AUCTION PROCEDURES FOR THE AUCTION REMARKETED NOTES**

If not otherwise defined below, capitalized terms used in this Appendix have the meanings given such terms in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

**AUCTION PARTICIPANTS**

**Existing Holders and Potential Holders**

Participants in each Auction will include:

A. "Existing Holders" which means (a) with respect to and for purposes of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Holder Registry as the close of business on the Business Day immediately preceding such Auction, and (b) with respect to and for purposes of dealing with the Broker-Dealer in connection with an Auction, a person who has signed a Master Purchaser Letter and is listed as the beneficial owner of Auction Remarketed Notes subject to that Auction; and

B. "Potential Holders" which means any Person (i) who shall have executed a Master Purchaser Letter and (ii) who may be interested in acquiring Auction Remarketed Notes (or, in the case of an Existing Holder thereof, an additional principal amount of Auction Remarketed Notes).

**Agreement to Participate in Auctions**

By purchasing Auction Remarketed Notes, whether in an Auction or otherwise, each prospective purchaser of Auction Remarketed Notes or its Broker-Dealer must agree and will be deemed to have agreed:

A. To participate in Auctions on the terms described in the related Series Supplemental Bond Resolution;

B. So long as the beneficial ownership of the Auction Remarketed Notes is maintained pursuant to a Book Entry System, to sell, transfer or otherwise dispose of Auction Remarketed Notes only pursuant to a Bid or a Sell Order (each as defined below) in an Auction or through a Broker-Dealer, provided that in case of all transfers other than those pursuant to an Auction, the Existing Holder of Auction Remarketed Notes so transferred, its Participant or Broker-Dealer, must advise the Auction Agent of such transfer;

C. To have its beneficial ownership of the Auction Remarketed Notes maintained at all times pursuant to a Book Entry System for the account of its Participant, which in turn will maintain records of such beneficial ownership, and to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request;

D. That a Sell Order placed by an Existing Holder will constitute an irrevocable offer to sell the principal amount of Auction Remarketed Notes specified in such Sell Order;

E. That a Bid placed by an Existing Holder will constitute an irrevocable offer to sell the principal amount of the Auction Remarketed Notes specified in such Bid if the rate specified in such Bid is greater than, or in some cases equal to, the Auction Rate determined in the Auction;

F. That a Bid placed by a Potential Holder will constitute an irrevocable offer to purchase the principal amount, or a lesser principal amount, of Auction Remarketed Notes specified in such Bid if the rate specified in such Bid is less than or equal to the Auction Rate determined in the Auction; and

G. To tender its Auction Remarketed Notes for purchase at 100% of the principal amount thereof, plus accrued but unpaid interest, on a Conversion Date or Period Adjustment Date.

The principal amount of the Auction Remarketed Notes purchased or sold may be subject to proration procedures on the Auction Date. Each purchase or sale of Auction Remarketed Notes on the Auction Date will be made for settlement on the first day of the Auction Period immediately following such Auction Date at a price equal to 100% of the principal amount thereof plus accrued interest. The Auction Agent is entitled to rely upon the terms of any order submitted to it by a Broker-Dealer.

#### **Auction Agent; Resignation or Removal; Successor**

Bankers Trust Company, New York, New York has been appointed as the initial Auction Agent to serve as agent for the Authority in connection with Auctions. The Series 1995 Trustee is directed by the Authority to enter into an Auction Agency Agreement with the initial Auction Agent.

The Auction Agent may at any time resign and be discharged of the duties and obligations by giving at least ninety (90) days notice to the Series 1995 Trustee, the Authority and the Market Agent. The Auction Agent may be removed at any time by the Series 1995 Trustee upon the written direction of the Authority or the Registered Owners of at least 66-2/3% of the aggregate principal amount of the Auction Remarketed Notes then outstanding, by an instrument signed by such Registered Owners or their attorneys and filed with the Auction Agent, the Authority, the Series 1995 Trustee and the Market Agent upon at least ninety (90) days notice. Neither resignation nor removal of the Auction Agent pursuant to the preceding two sentences will be effective until and unless a substitute Auction Agent has been appointed and has accepted such appointment. If required by the Market Agent, a substitute Auction Agent Agreement will be entered into with a substitute Auction Agent. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within thirty (30) days after notifying the Series 1995 Trustee, the Authority and the Market Agent in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment.

If the Auction Agent resigns or is removed, or is dissolved, or if the property or affairs of the Auction Agent are taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Authority will use its best efforts to appoint a substitute Auction Agent.

Any substitute Auction Agent will be: (i) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, City of New York, New York, and having a combined capital stock or surplus of at least \$15,000,000; or (ii) a member of the National Association of Securities Dealers, Inc. having a capitalization of at least \$15,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the applicable Supplemental Bond Resolution and under the Auction Agent Agreement.

The Auction Agent is acting as agent for the Series 1995 Trustee and the Authority in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent will not be liable for any action taken, suffered or omitted or any error of judgement made by it in the performance of its duties under the Auction Agent Agreement and will not be liable for any error of judgement made in good faith unless the Auction Agent will have been negligent

in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgement.

The Authority will pay the Auction Agent the Auction Agent Fee on the next succeeding Business Day after each Auction for the Auction Remarketed Notes and will reimburse the Auction Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Auction Agent in accordance with any provision of the Auction Agent Agreement or the Broker-Dealer Agreements (including the reasonable compensation and the expenses and disbursements of its agents and counsel). Such amounts are payable from the Revenues of the Trust Estate. The Series 1995 Trustee will indemnify and hold harmless the Auction Agent for and against any loss, liability or expense incurred without negligence or bad faith on the Auction Agent's part, arising out of or in connection with the acceptance or administration of its agency under the Auction Agent Agreement and the Broker-Dealer Agreements, including the reasonable costs and expenses (including reasonable fees and expenses of its counsel) of defending itself against any such claim or liability in connection with its exercise or performance of any of its duties under the applicable Supplemental Bond Resolution and under the Auction Agent and Broker-Dealer Agreements and of enforcing the indemnification provision; provided that the Series 1995 Trustee will not indemnify the Auction Agent as described in this paragraph for any fees and expenses incurred by the Auction Agent in the normal course of performing its duties under the Auction Agent Agreement and under the Broker-Dealer Agreements, such fees and expenses being payable as described above.

#### **Broker-Dealer**

Existing Holders and Potential Holders may participate in Auctions only by submitting orders (in the manner described below) through a "Broker-Dealer" or any other broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth below which: (i) is a Participant or an affiliate of a Participant; (ii) has been selected by the Authority; and (iii) has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective, in which the Broker-Dealer agrees to participate in Auctions as described in the Auction Procedures, as from time to time amended or supplemented.

The Broker-Dealers are entitled to a Broker-Dealer Fee, which is payable by the Auction Agent from monies received from the Master Trustee. Such Broker-Dealer Fee is payable from the Revenues of the Trust Estate.

#### **Market Agent**

Under the Market Agent Agreement, and in connection with the Auction Remarketed Notes, the "Market Agent", initially Morgan Stanley & Co. Incorporated, will act solely as agent of the Authority and will not assume any obligation or relationship of agency or trust for or with any of the Beneficial Owners of the Auction Remarketed Notes. The Market Agent will receive nominal compensation for the performance of its duties under the Market Agent Agreement.

### **AUCTION PROCEDURES**

#### **General**

Auctions to establish the Auction Rate will be held on each Auction Date, except as described in the body of this Official Statement under the caption "DESCRIPTION OF THE SERIES 1995 BONDS AND NOTES - Interest Rates on the Series 1995A-1 Notes and Series 1995A-2 Notes" by application of the Auction Procedures described in the appropriate Supplemental Bond Resolution. For a period beginning on the date of initial delivery and ending: (i) on December 5, 1995 with respect to the Series 1995A-1 Notes; and (ii) on May 31, 1996 with respect to the Series 1995A-2 Notes, each Series of the Auction Remarketed Notes will bear interest at the interest rate for such Series determined on or about November 2, 1995.

Thereafter, the "Auction Date" will be the Business Day immediately preceding the first day of each related Auction Period, other than: (i) an Auction Period which commences on a Period Adjustment Date; (ii) each Auction Period commencing after the ownership of the Auction Remarketed Notes is no longer maintained in Book Entry form; (iii) each Auction Period commencing after the occurrence and during the continuance of a Payment Default; or (iv) any Auction Period commencing less than two (2) Business Days after the cure or waiver of a Payment Default. Notwithstanding the foregoing, the Auction Date for one or more Auction Periods or the Standard Auction Period may be changed as described below under the caption "CHANGES IN AUCTION TERMS".

#### **Calculation of Maximum Auction Rate, All-Hold Rate and Overdue Rate**

The Auction Agent will calculate the Maximum Auction Rate and the All-Hold Rate on each Auction Date.

Upon receipt of notice from the Series 1995 Trustee of a failed conversion as described in the corresponding Supplemental Bond Resolution, the Auction Agent will calculate the Maximum Auction Rate as of such failed Conversion Date or Period Adjustment Date and give notice thereof as provided and to the parties specified in the Auction Agent Agreement. If the ownership of the Auction Remarketed Notes is no longer maintained in a Book Entry system, the Series 1995 Trustee will calculate the Maximum Auction Rate on the Business Day immediately preceding each Auction Period after delivery of certificates representing the Auction Remarketed Notes.

If a Payment Default has occurred, the Series 1995 Trustee will calculate the Overdue Rate on the first day of: (i) each Auction Period commencing after the occurrence and during the continuance of such Payment Default; and (ii) any Auction Period commencing less than two (2) Business Days after the cure of any Payment Default.

#### **Adjustment in Percentages Used to Determine Maximum Auction and Overdue Rates**

The Market Agent will adjust the percentage used in determining the Overdue Rate and the Applicable Percentage used in determining the Maximum Auction Rate, if any such adjustment is necessary in the judgement of the Market Agent, to reflect any change of Preference Law such that Auction Remarketed Notes bearing interest at the Maximum Auction Rate or the Overdue Rate in each case will have substantially equal market values before and after such Change of Preference Law. In making any such adjustment, the Market Agent will take the following factors, as in existence both before and after such Change of Preference Law, into account: (i) short term taxable and tax-exempt market rates and indices of such short term rates; (ii) the market supply and demand for short term tax-exempt securities; (iii) yield curves for short term and long term tax-exempt securities or obligations having a credit rating that is comparable to the Auction Remarketed Notes; (iv) general economic conditions; and (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the Auction Remarketed Notes.

The Market Agent will communicate its determination to adjust the percentage used in determining the Overdue Rate and the Applicable Percentage used in determining the Maximum Auction Rate by means of a written notice delivered at least ten (10) days prior to the Auction Date on which the Market Agent desires to effect the change to the Authority, the Series 1995 Trustee and the Auction Agent.

An adjustment in the percentages used to determine the Overdue Rate and the Maximum Auction Rate shall take effect on an Auction Date only if:

A. The Series 1995 Trustee and the Auction Agent have received, by 11:00 a.m. (New York City Time) on the Business Day immediately preceding such Auction Date, a certificate from the Market Agent by telex, telecopy or similar means, in substantially the form required under the corresponding Series 1995 Supplemental Bond Resolution authorizing the adjustment of the percentage used to determine the Overdue Rate and the Applicable Percentage used to determine

the Maximum Auction Rate, and confirming that a Favorable Opinion is expected to be received with respect thereto;

B. The Series 1995 Trustee shall not have delivered to the Auction Agent by 12:15 p.m. (New York City Time) on such Auction Date, notice that an Insufficient Funds Event has occurred;

C. The Series 1995 Trustee and the Auction Agent have received by 9:30 a.m. (New York City Time) on such Auction Date a Favorable Opinion.

If any of the conditions referred to in paragraph A. above are not met, the existing percentage used to determine the Overdue Rate and the Applicable Percentage used to determine the Maximum Auction Rate will remain in effect, and the interest rate on the Auction Remarketed Notes for the next succeeding Auction Period will be determined in accordance with the Auction Procedures. If the condition referred to in paragraph C. above is not met, the existing percentage used to determine the Overdue Rate and the Applicable Percentage used to determine the Maximum Auction Rate will remain in effect and the interest rate for the next succeeding Auction Period will equal the Maximum Auction Rate on the Auction Date.

### Submission of Orders

As long as the ownership of the Auction Remarketed Notes is maintained pursuant to a Book Entry System, an Existing Holder may sell, transfer or otherwise dispose of Auction Remarketed Notes only pursuant to a Bid or Sell Order placed in an Auction or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Prior to a Period Adjustment Date or a Conversion Date, Auctions for each Series of the Auction Remarketed Notes will be conducted on each Auction Date for such Series, if there is an Auction Agent on such Auction Date, in the following manner (such procedures apply separately to each Series of the Auction Remarketed Notes).

Prior to the submission deadline (defined as 12:30 p.m. Eastern Time on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time) on each Auction Date:

A. Each Existing Holder of Auction Remarketed Notes may submit to a Broker-Dealer by telephone or otherwise information as to: (i) the principal amount of Outstanding Auction Remarketed Notes, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Period (a "Hold Order"); (ii) the principal amount of Outstanding Auction Remarketed Notes, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding Auction Period will be less than the rate per annum specified by such Existing Holder (a "Bid"); and/or (iii) the principal amount of Outstanding Auction Remarketed Notes, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Auction Period (a "Sell Order"); and

B. One or more Broker-Dealers may contact Potential Holders to determine the principal amount of Auction Remarketed Notes which each such Potential Holder offers to purchase, if the Auction Rate for the next succeeding Auction Period will not be less than the rate per annum specified by such Potential Holder (also a "Bid").

Each Hold Order, Bid and Sell Order will be an "Order". Each Existing Holder and each Potential Holder placing an Order is referred to as a "Bidder".

Subject to the provisions described below under the caption "Validity of Orders", a Bid by an Existing Holder will constitute an irrevocable offer to sell: (i) the principal amount of Outstanding Auction Remarketed Notes specified in such Bid if the Auction Rate will be less than the rate specified in such Bid;

(ii) such principal amount or a lesser principal amount of Outstanding Auction Remarketed Notes to be determined as described below under the caption "Acceptance and Rejection of Orders", if the Auction Rate will be equal to the rate specified in such Bid; or (iii) such principal amount or a lesser principal amount of Outstanding Auction Remarketed Notes to be determined as described below under the caption "Acceptance and Rejection of Orders", if the rate specified therein will be higher than the Maximum Auction Rate and Sufficient Clearing Bids have not been made.

Subject to the provisions below under the caption "Validity of Orders", a Sell Order by an Existing Holder will constitute an irrevocable offer to sell: (i) the principal amount of Outstanding Auction Remarketed Notes specified in such Sell Order; or (ii) such principal amount or a lesser principal amount of Outstanding Auction Remarketed Notes as described below under the caption "Acceptance and Rejection of Orders", if Sufficient Clearing Bids have not been made.

Subject to the provisions described below under the caption "Validity of Orders", a Bid by a Potential Holder will constitute an irrevocable offer to purchase: (i) the principal amount of Outstanding Auction Remarketed Notes specified in such Bid if the Auction Rate will be higher than the rate specified in such Bid; or (ii) such principal amount or a lesser principal amount of Outstanding Auction Remarketed Notes as described below under the caption "Acceptance and Rejection of Orders", if the Auction Rate is equal to the rate specified in such Bid.

Each Broker-Dealer will submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and will specify with respect to each such Order: (i) the name of the Bidder placing such Order; (ii) the aggregate principal amount of Auction Remarketed Notes that are the subject of such Order; (iii) to the extent that such Bidder is an Existing Holder, (a) the principal amount of Auction Remarketed Notes, if any, subject to any Hold Order placed by such Existing Holder, (b) the principal amount of Auction Remarketed Notes, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid, and (c) the principal amount of Auction Remarketed Notes, if any, subject to any Sell Order placed by such Existing Holder; and (iv) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate up to the next highest one-thousandth (.001) of one percent.

If an Order or Orders covering all Outstanding Auction Remarketed Notes held by any Existing Holder are not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding Auction Remarketed Notes held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

None of the Authority, the Master Trustee, the Series 1995 Trustee or the Auction Agent will be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

An Existing Holder may submit multiple Orders, of different types and specifying different rates, in an Auction with respect to Auction Remarketed Notes then held by such Existing Holder. An Existing Holder that offers to purchase additional Auction Remarketed Notes is, for purposes of such offer, treated as a Potential Holder.

Any Bid specifying a rate higher than the Maximum Auction Rate will: (i) be treated as a Sell Order if submitted by an Existing Holder; and (ii) not be accepted if submitted by a Potential Holder.

## Validity of Orders

If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding Auction Remarketed Notes held by such Existing Holder, such Orders will be considered valid as follows and in the following order of priority:

A. *Hold Orders.* All Hold Orders will be considered valid, but only up to the aggregate principal amount of Outstanding Auction Remarketed Notes held by such Existing Holder, and if the aggregate principal amount of Auction Remarketed Notes subject to such Hold Orders exceeds the aggregate principal amount of Auction Remarketed Notes held by such Existing Holder, the aggregate principal amount of Auction Remarketed Notes subject to each such Hold Order will be reduced pro rata to cover the aggregate principal amount of Auction Remarketed Notes held by such Existing Holder.

B. *Bids.* Any Bid will be considered valid up to and including the excess of the principal amount of Outstanding Auction Remarketed Notes held by such Existing Holder over the aggregate principal amount of Auction Remarketed Notes subject to any Hold Orders referred to above. Subject to the preceding sentence, if multiple Bids with the same rate are submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding Auction Remarketed Notes subject to such Bids is greater than such excess, such Bids will be considered valid up to the amount of such excess and the principal amount of Auction Remarketed Notes subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of Auction Remarketed Notes equal to such excess. Subject to the two preceding sentences, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids will be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to the amount of such excess. In any event, the amount of Outstanding Auction Remarketed Notes, if any, subject to Bids not valid under the provisions described above will be treated as the subject of a Bid by a Potential Holder at the rate therein specified.

C. *Sell Orders.* All Sell Orders will be considered valid up to and including the excess of the principal amount of Outstanding Auction Remarketed Notes held by such Existing Holder over the aggregate principal amount of Auction Remarketed Notes subject to Hold Orders and valid Bids referred to above.

If more than one Bid for Auction Remarketed Notes is submitted on behalf of any Potential Holder, each Bid submitted will be a separate Bid with the rate and principal amount therein specified. Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of Auction Remarketed Notes not equal to an Authorized Denomination will be rejected and will be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of Auction Remarketed Notes not equal to an Authorized Denomination will be rejected.

A Hold Order, a Bid or a Sell Order that has been determined valid pursuant to the procedures described above is referred to as "Submitted Hold Order", a "Submitted Bid" and a "Submitted Sell Order", respectively (collectively, "Submitted Orders").

## Determination of Sufficient Clearing Bids and Auction Rate

Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all valid Submitted Orders and will determine:

A. The excess of the total principal amount of Outstanding Auction Remarketed Notes over the sum of the aggregate principal amount of Outstanding Auction Remarketed Notes subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Auction Remarketed Notes"); and

B. From such Submitted Orders whether the aggregate principal amount of Outstanding Auction Remarketed Notes subject to Submitted Bids by Potential

Holders specifying one or more rates equal to or lower than the Maximum Auction Rate exceeds or is equal to the sum of: (i) the aggregate principal amount of Outstanding Auction Remarketed Notes subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Auction Rate; and (ii) the aggregate principal amount of Outstanding Auction Remarketed Notes subject to Submitted Sell Orders (in the event such excess or such equality exists other than because all of the Outstanding Auction Remarketed Notes are subject to Submitted Hold Orders, such Submitted Bids by Potential Holders described above will be hereinafter referred to collectively as "Sufficient Clearing Bids"); and

C. If Sufficient Clearing Bids exist, the "Winning Bid Rate" will be the lowest rate specified in such Submitted Bids such that if,

1. each such Submitted Bid from Existing Holders specifying such lowest rate and all other Submitted Bids from Existing Holders specifying lower rates were rejected (thus entitling such Existing Holders to continue to hold the principal amount of Auction Remarketed Notes subject to such Submitted Bids); and

2. each such Submitted Bid from Potential Holders specifying such lowest rate and all other Submitted Bids from Potential Holders specifying lower rates were accepted,

would result in such Existing Holders described in subparagraph 1. above continuing to hold an aggregate principal amount of Outstanding Auction Remarketed Notes which, when added to the aggregate principal amount of Outstanding Auction Remarketed Notes to be purchased by such Potential Holders described in subparagraph 2. above, would equal not less than the Available Auction Remarketed Notes.

#### Notice of Auction Rate

Promptly after the Auction Agent has made the determinations described above, the Auction Agent will advise the Series 1995 Trustee and the Authority of the Maximum Auction Rate and the All-Hold Rate and the components thereof on the Auction Date, and based on such determinations, the Auction Rate for the next succeeding Auction Period as follows:

A. If Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding Auction Period will be equal to the Winning Bid Rate so determined;

B. If Sufficient Clearing Bids do not exist (other than because all of the Outstanding Auction Remarketed Notes are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Auction Period will be equal to the Maximum Auction Rate; or

C. If all Outstanding Auction Remarketed Notes are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Auction Period will be equal to the All-Hold Rate.

On the Auction Date, the Broker-Dealers will notify the Registered Owners of the Auction Remarketed Notes of the Auction Rate for such Auction Period.

#### Acceptance and Rejection of Orders

Existing Holders will continue to hold the principal amount of Auction Remarketed Notes that are subject to Submitted Hold Orders. Submitted Bids and Submitted Sell Orders will be accepted or rejected, and the Auction Agent will take such other action as set forth below.

*Sufficient Clearing Bids.* If Sufficient Clearing Bids have been made, all Submitted Sell Orders will be accepted and, subject to the procedures described under the caption "Authorized Denominations Requirement" below, Submitted Bids

will be accepted or rejected as follows in the following order of priority and all other Submitted Bids will be rejected.

A. Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate will be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of Auction Remarketed Notes subject to such Submitted Bids;

B. Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate will be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Auction Remarketed Notes subject to such Submitted Bids;

C. Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate will be accepted thus requiring such Potential Holders to purchase the aggregate principal amount of Auction Remarketed Notes subject to such Submitted Bid;

D. Each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate will be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of Auction Remarketed Notes subject to such Submitted Bid, unless the aggregate principal amount of Auction Remarketed Notes subject to such Submitted Bids will be greater than the principal amount of Auction Remarketed Notes (the "remaining principal amount") equal to the excess of the Available Auction Remarketed Notes over the aggregate principal amount of Auction Remarketed Notes subject to Submitted Bids described in paragraphs B. and C. above, in which event such Submitted Bid of such Existing Holder will be rejected in part and such Existing Holder will be entitled to continue to hold the principal amount of Auction Remarketed Notes subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of Auction Remarketed Notes obtained by multiplying the remaining principal amount by a fraction, the numerator of which will be the principal amount of Outstanding Auction Remarketed Notes held by such Existing Holder subject to such Submitted Bid and the denominator of which will be the sum of the principal amount of Outstanding Auction Remarketed Notes subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

E. Each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate will be accepted, but only in an amount equal to the principal amount of Auction Remarketed Notes obtained by multiplying the excess of the aggregate principal amount of Auction Remarketed Notes over the aggregate principal amount of Auction Remarketed Notes subject to Submitted Bids described in paragraphs B., C. and D. above by a fraction, the numerator of which will be the aggregate principal amount of Outstanding Auction Remarketed Notes subject to such Submitted Bid and the denominator of which will be the sum of the principal amount of Outstanding Auction Remarketed Notes subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

*Insufficient Clearing Bids.* If Sufficient Clearing Bids have not been made (other than because all of the Outstanding Auction Remarketed Notes are subject to Submitted Hold Orders), subject to the procedures described under the caption "Authorized Denominations Requirement" below, Submitted Orders will be accepted or rejected as follows in the following order of priority and all other Submitted Bids will be rejected.

A. Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate will be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of Auction Remarketed Notes subject to such Submitted Bids;

B. Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate will be accepted thus requiring such Potential Holders to purchase the aggregate principal amount of Auction Remarketed Notes subject to such Submitted Bid; and

C. Each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Auction Rate and the Submitted Sell Order of each Existing Holder will be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Auction Remarketed Notes subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount of Auction Remarketed Notes obtained by multiplying the aggregate principal amount of Auction Remarketed Notes subject to Submitted Bids described in paragraph B. above by a fraction, the numerator of which will be the aggregate principal amount of Outstanding Auction Remarketed Notes held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which will be the aggregate principal amount of Outstanding Auction Remarketed Notes subject to all such Submitted Bids and Submitted Sell Orders.

*All Hold Orders.* If all outstanding Auction Remarketed Notes are subjected to Submitted Hold Orders, all Submitted Bids will be rejected.

*Authorized Denominations Requirement.* If, as a result of the procedures described above under the captions "Sufficient Clearing Bids" and "Insufficient Clearing Bids", any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of Auction Remarketed Notes that is not equal to an Authorized Denomination, the Auction Agent will, in such manner as in its sole discretion it will determine, round up or down the principal amount of Auction Remarketed Notes to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of Auction Remarketed Notes purchased or sold by each Existing Holder or Potential Holder will be equal to an Authorized Denomination. If, as a result of the procedures described above regarding Insufficient Clearing Bids, any Potential Holder would be entitled or required to purchase less than a principal amount of Auction Remarketed Notes equal to an Authorized Denomination, the Auction Agent will, in such manner as in its sole discretion it will determine, allocate Auction Remarketed Notes for purchase among Potential Holders so that only Auction Remarketed Notes in an Authorized Denomination are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Auction Remarketed Notes.

Based on the results of each Auction, the Auction Agent will determine the aggregate principal amount of Auction Remarketed Notes to be purchased and the aggregate principal amount of Auction Remarketed Notes to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of Auction Remarketed Notes to be sold differs from such aggregate principal amount of Auction Remarketed Notes to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer will deliver, or from which Broker-Dealers acting for one or more sellers such Broker-Dealer will receive, as the case may be, Auction Remarketed Notes.

Neither the Authority nor any affiliate thereof may submit an Order in any Auction.

Any calculation by the Auction Agent (or the Series 1995 Trustee, if applicable) of the Auction Rate, the "AA" Composite Commercial Paper Rate, the Maximum Auction Rate and the Overdue Rate will, in the absence of manifest error, be binding on all other parties.

#### **Settlement Procedures**

The Auction Agent is required to advise each Broker-Dealer that submitted an Order in an Auction of: (i) the Auction Rate for the next Auction Period; (ii) whether there were Sufficient Clearing Bids in such Auction; and (iii) if such Order was a Bid or Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part; by telephone not later than 3:00 p.m. Eastern Time on the Auction Date. Each Broker-Dealer that submitted an Order on behalf of a Bidder is required to then advise such Bidder of the Auction Rate for the

next Auction Period and, if such Order was a Bid or a Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, confirm purchases and sales with each Bidder purchasing or selling Auction Remarketed Notes as a result of the Auction and advise each Bidder purchasing or selling Auction Remarketed Notes as a result of the Auction to give instructions to its Participant to pay the purchase price against delivery of such Auction Remarketed Notes or to deliver such Auction Remarketed Notes against payment therefor, as appropriate. Pursuant to the Auction Agent Agreement, the Auction Agent will record each transfer of Auction Remarketed Notes on the Existing Holders Registry to be maintained by the Auction Agent.

In accordance with DTC's normal procedures, on the Business Day after the Auction Date, the transactions described above will be executed through DTC (so long as DTC is the Securities Depository) and the accounts of the respective Participants at DTC will be debited and credited and Auction Remarketed Notes delivered as necessary to effect the purchases and sales of Auction Remarketed Notes as determined in the Auction. Purchasers are required to make payment through their Participants in same-day funds to DTC against delivery through their Participants. DTC will make payment in accordance with its normal procedures, which now provide for payment against delivery by its Participants in immediately available funds.

For a further description of the settlement procedures, see "Appendix H - SETTLEMENT PROCEDURES FOR THE AUCTION REMARKETED NOTES" herein.

**AUTHORITY, MASTER TRUSTEE AND SERIES 1995 TRUSTEE NOT RESPONSIBLE  
FOR AUCTION AGENT, MARKET AGENT AND BROKER-DEALER**

None of the Master Trustee, the Series 1995 Trustee or the Authority will be liable or responsible for the actions of or failure to act by any Auction Agent, any Market Agent or any Broker-Dealer under the Master Bond Resolution or any Supplemental Bond Resolutions or under any Auction Agent Agreement, any Market Agent Agreement or any Broker-Dealer Agreement. The Master Trustee, the Series 1995 Trustee and the Authority may conclusively rely upon any information required to be furnished by any Auction Agent, any Market Agent or any Broker-Dealer without undertaking any independent review or investigation of the truth or accuracy of such information.

**CHANGES IN AUCTION TERMS**

**Change of any Auction Period or the Standard Auction Period**

During any Auction Rate Period for a Series of the Auction Remarketed Notes, the Authority may change the length of a single Auction Period or the Standard Auction Period for such Series of the Auction Remarketed Notes by means of a written notice delivered at least 10 days prior to the Auction Date for such Auction Period to the Series 1995 Trustee, the Market Agent, the Auction Agent and the Securities Depository. Any Auction Period or Standard Auction Period established by the Authority may not exceed 365 or 366 days, as applicable in duration. If such Auction Period will be of less than 28 days, such notice shall be effective only if it is accompanied by a written statement of the Series 1995 Trustee, the Market Agent, the Auction Agent and the Securities Depository to the effect that they are capable of performing their duties under the applicable Supplemental Bond Resolution, the Market Agent Agreement and the Auction Agency Agreement with respect to such Auction. If such notice specifies a change in the length of the Standard Auction Period, such notice shall be effective only if it is accompanied by the written consent of the Market Agent to such change. The length of an Auction Period or the Standard Auction Period may not be changed unless Sufficient Clearing Bids existed at both the Auction immediately preceding the date the notice of such change was given and the Auction immediately preceding such changed Auction Date.

The change in length of an Auction Period or the Standard Auction Period will take effect only if (i) the Series 1995 Trustee and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding the Auction Date for such Auction Period, a certificate from the Authority, by telecopy or similar means authorizing the change in the Auction Period or the Standard Auction Period, which shall be specified in such certificate, and confirming that Bond Counsel expects to be able to give an opinion on the first day of such Auction Period to the effect that the change in the Auction Period is authorized by the applicable Supplemental Bond Resolution and will not have an adverse effect on the exclusion of interest on such Auction Remarketed Notes from gross income for federal income tax purposes, (ii) the Series 1995 Trustee shall not have delivered to the Auction Agent by 12:00 noon (New York City time) on the Auction Date for such Auction Period notice that an Insufficient Funds Event has occurred, (iii) Sufficient Clearing Bids exist at the Auction on the Auction Date for such Auction Period and (iv) the Series 1995 Trustee and the Auction Agent receive by 9:30 a.m. (New York City time) on the first day of such Auction Period, an opinion of Bond Counsel to the effect that the change in the Auction Period is authorized by the corresponding Series 1995 Supplemental Bond Resolution and will not have an adverse effect on the exclusion of interest on such Auction Remarketed Notes from gross income for federal income purposes. If the condition referred to in (i) above is not met, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures and the next succeeding Auction Period shall be a Standard Auction Period. If any of the conditions referred to in (ii), (iii) or (iv) above is not met, the interest rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined as of such Auction Date.

#### **Change of Auction Date**

During any Auction Rate Period for a Series of the Auction Remarketed Notes, the Market Agent, at the direction of the Authority, may change, in order to conform with the then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date, the Auction Date or all future Auction Periods for such Series to a different day, so long as the first such Auction Date will be a Business Day in the calendar week in which the next succeeding Auction Date is then scheduled to occur. If a change in an Auction Date is undertaken in conjunction with a change in an Auction Period and the conditions for the establishment of such change in Auction Period are not met, the Auction Date may be, and the next succeeding Auction Period may be adjusted to end, on a Business Day in the calendar week in which such Auction Date was scheduled to occur and such Auction Period was scheduled to end to accommodate the change in the Auction Date. The Market Agent shall communicate its determination to change an Auction Date by means of a written notice delivered at least 10 days prior to the Auction Date immediately preceding such Auction Date to the Authority, the Series 1995 Trustee, the Auction Agent, the Broker-Dealer and the Securities Depository which shall state (a) the determination of the Market Agent to change the Auction Date, (b) the new Auction Date and (c) the date on which such Auction Date shall be changed. If after any proposed change in the Auction Date any Auction Period would be less than 28 days in duration, such notice shall be effective only if it is accompanied by a written statement of the Auction Agent, the Series 1995 Trustee, the Market Agent and the Securities Depository to the effect that they are capable of performing their duties hereunder and under the Market Agent Agreement and the Auction Agency Agreement with respect to any such Auction Period.

**Oklahoma Student Loan Authority**  
**Oklahoma Student Loan Bonds and Notes, Series 1995**

**SETTLEMENT PROCEDURES FOR THE AUCTION REMARKETED NOTES**

If not otherwise defined below, capitalized terms used in this Appendix have the meanings given such terms in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

**Notice to Broker-Dealers of Auction Results**

On each Auction Date, the Auction Agent is required to notify by telephone the Broker-Dealers that participated in the Auction Date and submitted an Order on behalf of any Existing Holder or Potential Holder of:

- A. The Auction Rate fixed for the next succeeding Auction Period;
- B. Whether sufficient Clearing Bids existed for the determination of the interest rate;
- C. If such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Auction Remarketed Notes, if any, to be sold by such Existing Holder;
- D. If such Broker-Dealer submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Auction Remarketed Notes, if any, to be purchased by such Potential Holder;
- E. If the aggregate amount of Auction Remarketed Notes to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different than the aggregate principal amount of Auction Remarketed Notes to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Participant, if any, of each such other Broker-Dealer) and the principal amount of Auction Remarketed Securities to be (i) purchased from one or more Existing Holders on whose behalf such other Broker-Dealers submitted Bids or Sell Orders, or (ii) sold to one or more Potential Holders on whose behalf such other Broker-Dealers submitted Bids; and
- F. The scheduled Auction Date of the next succeeding Auction.

**Obligations of Broker-Dealer**

On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder is required to:

- A. Advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part;
- B. Instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Bidder's Participant, to pay such to Broker-Dealer (or its Participant) through the Securities Depository the amount necessary to purchase the principal amount of the Auction Remarketed Notes to be purchased pursuant to such Bid against receipt of such principal amount of Auction Remarketed Notes;
- C. Instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Sell Order

that was accepted, in whole or in part, to instruct such Bidder's Participant to deliver to such Broker-Dealer (or its Participant) through the Securities Depository the principal amount of Auction Remarketed Notes to be sold pursuant to such Bid or Sell Order against payment therefor;

D. Advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the interest rate for the next succeeding Auction Period;

E. Advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the scheduled Auction Date of the next succeeding Auction; and

F. Advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the Auction Date of the next succeeding Auction.

#### **Allocations By Broker-Dealer**

On the basis of the information described under the caption "Notice to Broker-Dealers of Auction Results", each Broker-Dealer that submitted a Bid or Sell Order is required to allocate any funds received by it pursuant to paragraph B. under the caption "Obligations of Broker-Dealer" above, and any Auction Remarketed Notes received by it pursuant to paragraph C. under the caption "Obligations of Broker-Dealer" above, among the Potential Holders, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Holders, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders, and any Broker-Dealers identified to it by the Auction Agent pursuant to paragraph E. under the caption "Notice to Broker-Dealers of Auction Results" above.

#### **Obligations of the Securities Depository**

On the Business Day immediately succeeding the Auction Date, the Securities Depository will execute the transactions described above, debiting and crediting the accounts of the respective Participants as necessary to effect the purchases and sales of Auction Remarketed Notes as determined in the Auction.

**FORM OF OPINION OF BOND COUNSEL**

Upon delivery of the Oklahoma Student Loan Authority, Oklahoma Student Loan Bonds and Notes, Series 1995, Kutak Rock, as Bond Counsel, proposes to issue its approving opinion regarding the Series 1995 Bonds and Notes in substantially the following form:

November \_\_, 1995

Oklahoma Student Loan Authority  
Oklahoma City, Oklahoma

Morgan Stanley & Co. Incorporated  
New York, New York

**\$34,580,000**  
**OKLAHOMA STUDENT LOAN AUTHORITY**  
**OKLAHOMA STUDENT LOAN BONDS AND NOTES**  
**SERIES 1995**

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, 1991, Sections 695.1 *et seq.*, as amended, and Title 60, Oklahoma Statutes, 1991, Sections 176 *et seq.*, as amended (collectively referred to herein as the "Act"), in connection with the authorization, sale, issuance and delivery of \$34,580,000 aggregate principal amount of its Oklahoma Student Loan Bonds and Notes, Senior Notes, Series 1995A-1, Senior Notes, Series 1995A-2, Subordinate Bonds, Series 1995B-1 and Subordinate Bonds, Series 1995B-2 (collectively, the "Series 1995 Bonds and Notes").

The Series 1995 Bonds and Notes are issued under and pursuant to the Act and (a) a resolution of the Authority entitled "Master Bond Resolution of the Trustees of the Oklahoma Student Loan Authority" adopted on November \_\_, 1995 (the "Master Bond Resolution"), (b) certain Supplemental Bond Resolutions (as defined in the Master Bond Resolution) corresponding to the Series 1995 Bonds and Notes adopted by the Trustees of the Authority on November \_\_, 1995 (the "Series 1995 Supplemental Bond Resolutions"), (c) a Master Trust Agreement, dated as of November 1, 1995 (the "Master Trust Agreement"), between the Authority and Boatmen's First National Bank of Oklahoma, Oklahoma City, Oklahoma, as master trustee thereunder (the "Master Trustee") and (d) a Series 1995 Trust Agreement, dated as of November 1, 1995 (the "Series 1995 Trust Agreement"), between the Authority and Boatmen's First National Bank of Oklahoma, Oklahoma City, Oklahoma, as series trustee thereunder (the "Series 1995 Trustee"). The Series 1995 Bonds and Notes are issued for the purpose of providing funds, which together with other legally available funds, will be used by the Authority (i) to provide funds to finance Eligible Loans, (ii) to fund capitalized interest, (iii) to fund the Debt Service Reserve Account Requirement for the Series 1995 Bonds and Notes and (iv) to pay the costs related to the issuance of the Series 1995 Bonds and Notes. The Master Bond Resolution and the Series 1995 Supplemental Bond Resolutions are collectively referred to herein as the "Resolutions." Capitalized terms used, but not defined, in this opinion shall have the same meanings which are ascribed to such terms in the Resolutions unless the context shall clearly indicate otherwise.

The Series 1995 Bonds and Notes are dated, mature on the dates and in the principal amounts, bear interest, are payable, are subject to redemption and to mandatory tender for purchase prior to maturity and have such other terms and conditions as provided in the Resolutions.

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 1995 Bonds and Notes, including originals or copies, certified or otherwise identified to our satisfaction, of (a) the Trust Indenture, (b) the Resolutions, (c) the Master Trust Agreement, (d) the Series 1995 Trust Agreement, (e) the Series 1995 Tax Regulatory Agreement, dated as of November 1, 1995 (the "Series 1995 Tax Regulatory Agreement"), among the Authority, the Master Trustee and the Series 1995 Trustee, and (f) 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 1995 Bonds and Notes (including certifications as to the use of the proceeds of the Series 1995 Bonds and Notes) without undertaking to verify the same by independent investigation.

We also have relied upon the opinion, dated this date, of counsel to the Master Trustee and the Series 1995 Trustee with respect to the due organization and good standing of the Master Trustee and the Series 1995 Trustee, the corporate power of the Master Trustee and the Series 1995 Trustee, respectively, to enter into and the due authorization, execution and delivery of the Master Trust Agreement and the Series 1995 Trust Agreement and that the same constitutes the legal, valid and binding obligations, respectively, of the Master Trustee and the Series 1995 Trustee.

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 1995 Bonds and Notes 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 Act, and has full power and authority to issue the Series 1995 Bonds and Notes and to adopt the Resolutions and enter into the Master Trust Agreement, the Series 1995 Trust Agreement, the Series 1995 Tax Regulatory Agreement and the other documents contemplated thereby and perform its obligations thereunder.

2. The Resolutions, the Master Trust Agreement, the Series 1995 Trust Agreement and the Series 1995 Tax Regulatory 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.

3. The Series 1995 Bonds and Notes have been duly authorized and issued by the Authority, are entitled to the benefits of the Resolutions 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 Resolutions. The Series 1995 Bonds and Notes 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 1995 Bonds and Notes.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 1995 Bonds and Notes 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 1995 Bonds and Notes 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").

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 Resolutions and by the Authority, the Master Trustee and the Series 1995 Trustee with such covenants contained in the Series 1995 Tax Regulatory Agreement. Failure to comply with such covenants could cause the interest on the Series 1995 Bonds and Notes 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 1995 Bonds and Notes.

We express no opinions regarding any other consequences affecting the federal income tax liability of a recipient of interest on the Series 1995 Bonds and Notes.

Certain of the Series 1995 Bonds and Notes are being issued as Auction Remarketed Notes and, pursuant to the provisions of the Series 1995 Supplemental Bond Resolutions, the interest rate on such Series 1995 Bonds may be converted to a Fixed Rate or to an Adjustable Rate upon the satisfaction of various conditions, one of which is the delivery at such time of an opinion of Bond Counsel to the effect that such conversion will not, of itself, cause interest on the Series 1995 Bonds and Notes to become included in gross income of the recipients thereof for federal income tax purposes. We express no opinion as to any Series 1995 Bond or the interest thereon if any such conversion is taken pursuant to an opinion furnished by any other bond counsel.

5. Pursuant to the Act, the Series 1995 Bonds and Notes and the income therefrom are exempt from taxation in the State.

The opinions expressed above with respect to the enforceability of the Series 1995 Bonds and Notes 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

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Oklahoma Student Loan Authority  
Oklahoma Student Loan Bonds and Notes, Series 1995

Set forth below is a summary of certain provisions of the Continuing Disclosure Agreement respectively between: (i) the Authority and the Series 1995 Trustee; and (ii) the State Guarantee Agency and the Series 1995 Trustee. These excerpts of the Continuing Disclosure Agreements are merely brief summaries of certain provisions thereof and do not purport to be complete or to be definitive. Reference is made to the Continuing Disclosure Agreements for the complete provisions thereof.

**SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENTS**

If not otherwise defined below, capitalized terms used in this Appendix have the meanings given such terms in "Appendix A - SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE BOND RESOLUTION" herein.

**General**

The respective Continuing Disclosure Agreements will be executed and delivered by the Authority [and by the State Guarantee Agency] and the Series 1995 Trustee to assist the Underwriter in complying with, and will constitute the written undertaking for the benefit of the Registered Owners of the Series 1995 Bonds and Notes required by, Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

**Definitions**

"*Audited Financial Statements*" means annual financial statements prepared in accordance with generally accepted accounting principles as promulgated by the Financial Accounting Standards Board [as to the Authority only], Governmental Accounting Standards Board and Governmental Auditing Standards issued by the Comptroller General of the United States as in effect from time to time, which financial statements have been audited by a firm of independent certified public accountants.

"*Dissemination Agent*" means the Authority, acting in its capacity as the Person filing, reporting or disseminating the information and notices required by the Continuing Disclosure Agreements to NRMSIRs, the SID, if any, or the MSRB, or any agent or successor Dissemination Agent including the Series 1995 Trustee, designated in writing by the Authority [by the State Guarantee Agency] which has filed with the Series 1995 Trustee a written acceptance of such designation.

"*Financial and Operating Information*" means the information described in this Appendix under the caption "Annual Financial and Operating Information".

"*Fiscal Year*" means the period beginning on July 1 and ending on June 30 of the following year.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*NRMSIR*" means a nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule.

"*Report Date*" means the date which is 180 days after the end of the Fiscal Year.

"*SID*" means a state information depository as operated or designated by the State as such for the purposes referred to in the Rule. As of the date of this Official Statement, no SID has been established in the State of Oklahoma.

## Annual Financial and Operating Information

The Authority and the State Guarantee Agency, as the case may be, as an "obligated person" within the meaning of the Rule, will undertake to provide (or cause to be provided) at least annually to each NRMSIR and SID, if any, financial information and operating data of the type set forth in this Official Statement in the following Appendices:

### As to the Authority

Appendix C: Financial information and operating data regarding the Authority, its student loan lending program and the portfolio of Financed Eligible Loans for the Series 1995 Bonds and Notes; and

Appendix D: Audited Financial Statements of the Authority.

### As to the State Guarantee Agency

Appendix F: Information of the type contained under the following captions (i) State Guarantee Agency Administration; (ii) Annual Guaranteed Loan Volume; (iii) Outstanding Portfolio Composition; (iv) Trigger Rate; (v) Guarantee Fund Reserve Balance; and (vi) Default Rates.

Audited Financial Statements of the State Guarantee Agency.

While any Series 1995 Bonds and Notes are outstanding, the Authority [the State Guarantee Agency] will (or will cause the Dissemination Agent to) provide the Financial and Operating Information on or before the Report Date (beginning with the Report Date occurring in 1996), to each then existing NRMSIR and the SID, if any. If Audited Financial Statements are not available on the Report Date, the Authority [the State Guarantee Agency] will file unaudited financial statements as part of the Financial and Operating Information, with Audited Financial Statements to be filed as soon as they are available.

While the Authority is serving as Dissemination Agent, the Authority will, in a timely manner, provide (or cause to be provided) notice to each NRMSIR or to the MSRB, and to the SID, if any, of the Authority's [the State Guarantee Agency's] failure to file the Financial and Operating Information on or prior to the Report Date.

If the Dissemination Agent is an entity other than the Authority, and does not receive the Financial and Operating Information by the Report Date, the Dissemination Agent will provide notice, in a timely manner, to each NRMSIR or the MSRB, and to the SID, if any, of the failure by the Authority [the State Guarantee Agency] to provide the Financial and Operating Information on or before the Report Date.

### Reporting of Material Events

The Authority [the State Guarantee Agency] will provide (or cause to be provided) in a timely manner (provided that notice of (8) and (9) below need not be given prior to notice being given to the Registered Owners of the Series 1995 Bonds and Notes, as provided in the Master Bond Resolution or the applicable Series 1995 Supplemental Resolution) to each NRMSIR or to the MSRB, and to the SID, if any, notice of the occurrence of any of the following events with respect to the Series 1995 Bonds and Notes, if material, under the applicable federal securities laws:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related Events of Default;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;

- (6) Adverse tax opinions or events affecting the tax-exempt status of any series of the Series 1995 Bonds and Notes;
- (7) Modifications to the rights of the Registered Owners of the Series 1995 Bonds and Notes;
- (8) Calls for redemption of the Series 1995 Bonds and Notes;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 1995 Bonds and Notes; and
- (11) Rating changes.

The State Guarantee Agency in its Continuing Disclosure Agreement is only obligated to provide information on the above events as it relates to the State Guarantee Agency and has no obligation to report any events with respect to the Series 1995 Bonds and Notes or the Authority.

Each notice of a material event will be so captioned and will prominently state the date, title and (to the extent less than all of the Series 1995 Bonds and Notes are affected by the related material event) CUSIP numbers of the Series 1995 Bonds and Notes.

The Authority [the State Guarantee Agency] may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, but the Authority has not undertaken any commitment to provide notice of any event except those material events listed above.

#### **Termination of Reporting Requirement**

The obligation to provide Financial and Operating Information and notice of material events will terminate if and when the Authority [the State Guarantee Agency] no longer remains an obligated person with respect to the Series 1995 Bonds and Notes, which shall occur upon either payment of the Series 1995 Bonds and Notes in full or the legal defeasance of the Series 1995 Bonds and Notes in accordance with the Master Bond Resolution.

#### **Enforceability and Remedies**

Each Continuing Disclosure Agreement will be enforceable by or on behalf of any Registered Owner (for such purpose Beneficial Owners of the Series 1995 Bonds and Notes will also be considered Registered Owners of the Series 1995 Bonds and Notes) of the Series 1995 Bonds and Notes.

Each Continuing Disclosure Agreement is also enforceable on behalf of the Registered Owners of the Series 1995 Bonds and Notes by the Series 1995 Trustee, and the Series 1995 Trustee may, and upon the written direction of the Registered Owners of not less than twenty-five percent (25%) of the aggregate outstanding principal amount of the Series 1995 Bonds and Notes, or the Underwriter, shall, proceed to protect and enforce the rights of the Registered Owners of the Series 1995 Bonds and Notes pursuant to the applicable Continuing Disclosure Agreement; provided that in all cases the Series 1995 Trustee will be entitled to the indemnification and other provisions of the Master Bond Resolution with regard to any actions. Any failure by the Authority [the State Guarantee Agency] to comply with the provisions of the Continuing Disclosure Agreement will not be an Event of Default under the Master Bond Resolution.

The rights of the Registered Owners and the Underwriter to enforce the provisions of each Continuing Disclosure Agreement will be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's [the State Guarantee Agency's] obligations under the Continuing Disclosure Agreement and the Authority [the State Guarantee Agency], its trustees [Regents], officers and employees shall incur no liability under the Continuing Disclosure Agreement by reason of any act or failure to act thereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under either Continuing Disclosure Agreement will entitle any Registered Owner, the Underwriter, or any other person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance; provided that the Series 1995 Trustee will nevertheless be entitled

to attorneys' fees and such other rights and amounts as provided in the Master Bond Resolution or any corresponding Series 1995 Supplemental Resolution.

#### Amendment

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Authority [the State Guarantee Agency] and the Series 1995 Trustee may amend their respective Continuing Disclosure Agreement (and the Series 1995 Trustee shall agree to any amendment so requested by the Authority or by the State Guarantee Agency), and any provision of the Continuing Disclosure Agreement may be waived by the parties thereto, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to both the Authority [the State Guarantee Agency] and the Series 1995 Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings in the applicable Continuing Disclosure Agreement to violate the Rule if such amendment or waiver had been effective on the date of the Continuing Disclosure Agreement but taking into account any subsequent change in or official interpretation of the Rule, provided that the Authority [the State Guarantee Agency] will have provided notice of such amendment to each then existing NRMSIR or the MSRB, and SID, if any. Any such amendment will satisfy, unless otherwise permitted by the Rule, the following conditions:

A. The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Authority [the State Guarantee Agency], or type of business conducted;

B. The Continuing Disclosure Agreement, as amended or with the provision waived, would have complied with the requirements of the Rule 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 does not materially impair the interests of the Registered Owners of the Series 1995 Bonds and Notes, as determined either by parties unaffiliated with the Authority [the State Guarantee Agency] (which shall include the Series 1995 Trustee or nationally recognized bond counsel), or by approving vote of the Registered Owners pursuant to the terms of the Master Bond Resolution and any corresponding Series 1995 Supplemental Resolution at the time of the amendment.

The next subsequent Financial and Operating Information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

Nothing in the Continuing Disclosure Agreement will be deemed to prevent the Authority [the State Guarantee Agency] from disseminating any other information, or including any other information in any Financial and Operating Information or notice of occurrence of a material event, in addition to that which is required by the respective Continuing Disclosure Agreement. If the Authority [the State Guarantee Agency] chooses to include any information in any Financial and Operating Information or notice of occurrence of a material event in addition to that which is specifically required by that Continuing Disclosure Agreement, the Authority [the State Guarantee Agency] will have no obligation under the respective Continuing Disclosure Agreement to update such information or include it in any future Financial and Operating Information or notice of occurrence of a material event.

#### Choice of Law

The Continuing Disclosure Agreements will be governed by and construed in accordance with the laws of the State of Oklahoma, provided that to the extent a Continuing Disclosure Agreement addresses matters of federal securities laws, including the Rule, that Continuing Disclosure Agreement will be construed in accordance with such federal securities laws and official interpretations thereof.



