

In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds is excludable from gross income for federal income tax purposes. However, in the opinion of Special Tax Counsel, interest on the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series 2020-1A Senior Taxable Bonds is included in gross income for federal income tax purposes. For a more detailed description of such opinions of Special Tax Counsel, see the caption “TAX MATTERS” herein.



\$67,590,000

BRAZOS HIGHER EDUCATION AUTHORITY, INC.
Taxable Student Loan Program Revenue Bonds, Senior Series 2020-1A,
Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2020-1A (AMT) and
Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2020-1B (AMT)

Dated: March 1, 2020 (Interest accrues from the date of delivery)

Due: April 1, as shown on the inside front cover

Brazos Higher Education Authority, Inc.’s \$37,025,000 Taxable Student Loan Program Revenue Bonds, Senior Series 2020-1A (the “Series 2020-1A Senior Taxable Bonds”), \$22,765,000 Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2020-1A (AMT) (the “Series 2020-1A Senior Tax-Exempt Bonds”) and \$7,800,000 Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2020-1B (AMT) (the “Series 2020-1B Subordinate Tax-Exempt Bonds”) and, together with the Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds, the “Series 2020-1 Bonds”), when issued, will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2020-1 Bonds. Individual purchases may be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2020-1 Bonds purchased. So long as DTC is the registered owner of the Series 2020-1 Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2020-1 Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants and indirect participants. See the caption “THE SERIES 2020-1 BONDS—Book-Entry-Only System” herein.

The Series 2020-1 Bonds will bear interest from their date of delivery and mature on April 1 in the years and in the principal amounts set forth on the inside front cover hereof. The Series 2020-1 Bonds will bear interest at the rates per annum set forth on the inside front cover, payable semiannually on each April 1 and October 1, commencing October 1, 2020.

The Series 2020-1 Bonds are the second issuance of bonds pursuant to the Indenture of Trust, dated as of October 1, 2019 (as previously supplemented and amended, the “Master Indenture”), as further amended and supplemented by a Series 2020-1 Supplemental Indenture of Trust, dated as of March 1, 2020 (the “Series 2020-1 Supplemental Indenture” and, together with Master Indenture, the “Indenture”), each by and between Brazos Higher Education Authority, Inc. (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”). The Authority has previously issued its Senior Taxable Bonds, its Senior Tax-Exempt Bonds and its Subordinate Tax-Exempt Bonds pursuant to the Indenture. The Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds are secured under the Indenture on a parity basis with any present or future senior series bonds issued under the Indenture (collectively, the “Senior Bonds”), and the Series 2020-1B Subordinate Tax-Exempt Bonds are secured under the Indenture on a parity basis with any present or future subordinate series bonds issued under the Indenture (collectively, the “Subordinate Bonds” and, together with the Senior Bonds, the “Bonds”), which Subordinate Bonds are secured under the Indenture on a subordinated basis to the Senior Bonds as described herein. The proceeds of the Series 2020-1 Bonds, together with other available funds of the Authority, are being used by the Authority to (a) acquire additional student loans made pursuant to the Authority’s student loan programs, (b) make an additional deposit to the debt service reserve fund and (c) pay the costs related to the issuance of the Series 2020-1 Bonds.

Pursuant to the Indenture, the Bonds, including the Series 2020-1 Bonds, are secured by a pledge of and security interest in the student loans financed under the Indenture, all revenues derived from such student loans, the moneys and securities held in certain pledged funds established under the Indenture and certain other assets constituting the trust estate under the Indenture, in each case subject to the provisions of the Indenture. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS” herein. Upon the satisfaction of certain conditions, additional Bonds may be issued under the Indenture from time to time on a parity basis with, or subordinate to, the Senior Bonds, or on a parity basis with, or senior to, the Subordinate Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds; Priority” herein.

The Series 2020-1 Bonds are subject to redemption prior to maturity. See the caption “THE SERIES 2020-1 BONDS—Redemption Provisions” herein.

Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2020-1 Bonds. Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay the principal of and interest on the Series 2020-1 Bonds, and which could have an effect on the market price of the Series 2020-1 Bonds to an extent that cannot be determined. See the caption “CERTAIN RISK FACTORS” herein.

THE BONDS, INCLUDING THE SERIES 2020-1 BONDS, AND ANY AGREEMENT OF THE AUTHORITY MENTIONED HEREIN ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS, INCLUDING THE SERIES 2020-1 BONDS. THE AUTHORITY’S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS. THE AUTHORITY IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF TEXAS TO CREATE, AND THE BONDS, INCLUDING THE SERIES 2020-1 BONDS, DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE TEXAS CONSTITUTION OR LAWS OF THE STATE OF TEXAS OR DEBT OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY OTHER PURPOSE WHATSOEVER. HOLDERS OF THE BONDS, INCLUDING THE SERIES 2020-1 BONDS, SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.

The Series 2020-1 Bonds will be offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, and are subject to the approving opinions of the Attorney General of the State of Texas and the legal opinion of McCall, Parkhurst & Horton LLP, Bond Counsel, and certain other conditions described herein. Certain additional legal matters will be passed upon for the Authority by its general counsel and by Kutak Rock LLP, as Special Tax Counsel to the Authority, and for the Underwriter by Kutak Rock LLP, counsel to the Underwriter. It is expected that the Series 2020-1 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about March 6, 2020.

RBC Capital Markets

MATURITY SCHEDULE

\$37,025,000
BRAZOS HIGHER EDUCATION AUTHORITY, INC.
TAXABLE STUDENT LOAN PROGRAM REVENUE BONDS
SENIOR SERIES 2020-1A

Serial Bonds

Maturity Date (April 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP [^]
2021	\$1,140,000	1.739%	100.000%	1.739%	10623AAX1
2022	2,885,000	1.789	100.000	1.789	10623AAZ9
2023	3,150,000	1.870	100.000	1.870	10623AAZ6
2024	3,150,000	1.931	100.000	1.931	10623ABA0
2025	3,320,000	1.981	100.000	1.981	10623ABB8
2026	2,450,000	2.076	100.000	2.076	10623ABC6
2027	2,620,000	2.176	100.000	2.176	10623ABD4
2028	2,190,000	2.310	100.000	2.310	10623ABE2
2029	2,360,000	2.410	100.000	2.410	10623ABF9
2030	2,275,000	2.510	100.000	2.510	10623ABG7

\$11,485,000 2.760% Series 2020-1A Senior Taxable Term Bonds maturing April 1, 2040
Price: 100.000%; Yield: 2.760%; CUSIP[^]: 10623ABH5

\$22,765,000
BRAZOS HIGHER EDUCATION AUTHORITY, INC.
TAX-EXEMPT STUDENT LOAN PROGRAM REVENUE BONDS
SENIOR SERIES 2020-1A (AMT)

Serial Bonds

Maturity Date (April 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP [^]
2021	\$ 700,000	5.000%	104.112%	1.120%	10623ABJ1
2022	1,765,000	5.000	107.785	1.180	10623ABK8
2023	1,925,000	5.000	111.385	1.210	10623ABL6
2024	1,925,000	5.000	114.789	1.260	10623ABM4
2025	2,035,000	5.000	117.932	1.330	10623ABN2
2026	1,505,000	5.000	120.747	1.420	10623ABP7
2027	1,610,000	5.000	123.467	1.490	10623ABQ5
2028	1,340,000	5.000	125.986	1.560	10623ABR3
2029	1,440,000	5.000	128.110	1.650	10623ABS1
2030	1,400,000	5.000	130.205	1.720	10623ABT9

\$7,120,000 2.350% Series 2020-1A Senior Tax-Exempt Term Bonds maturing April 1, 2040
Price: 100.000%; Yield: 2.350%; CUSIP[^]: 10623ABU6

\$7,800,000
BRAZOS HIGHER EDUCATION AUTHORITY, INC.
TAX-EXEMPT STUDENT LOAN PROGRAM REVENUE BONDS
SUBORDINATE SERIES 2020-1B (AMT)

\$7,800,000 3.000% Series 2020-1B Subordinate Tax-Exempt Bonds maturing April 1, 2040
Price: 100.431%; Yield: 2.950%; CUSIP[^]: 10623ABV4

[^] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. The CUSIP numbers are included solely for the convenience of Registered Owners, and the Authority is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financing products.

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

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations with respect to the Series 2020-1 Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020-1 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2020-1 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020-1 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020-1 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Upon issuance, the Series 2020-1 Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2020-1 Bonds and the security therefor, including an analysis of the risks involved. The Series 2020-1 Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2020-1 Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2020-1 Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2020-1 Bonds or the adequacy, accuracy or completeness of this Official Statement. Any

representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement or approved the Series 2020-1 Bonds for sale.

There follows in this Official Statement certain information concerning the Authority, together with descriptions of the terms of the Indenture, the Series 2020-1 Bonds, the Administration Agreement, the Servicing Agreement, certain other documents related to the security for the Bonds, including the Series 2020-1 Bonds, and certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the Series 2020-1 Bonds, and all references to the Series 2020-1 Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture. This Official Statement is submitted in connection with the sale of the Series 2020-1 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

FORWARD-LOOKING STATEMENTS

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

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

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and no conclusion should be drawn from the order of material or information presented in this Official Statement. The offering of Brazos Higher Education Authority, Inc.’s Taxable Student Loan Program Revenue Bonds, Senior Series 2020-1A (the “Series 2020-1A Senior Taxable Bonds”), Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2020-1A (AMT) (the “Series 2020-1A Senior Tax-Exempt Bonds”) and Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2020-1B (AMT) (the “Series 2020-1B Subordinate Tax-Exempt Bonds” and, together with the Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds, the “Series 2020-1 Bonds”) to potential investors is made only by means of this entire Official Statement. The Series 2020-1 Bonds are the second issuance of bonds under the Indenture (as hereinafter defined). The Authority has previously issued its \$18,850,000 Taxable Student Loan Program Revenue Bonds, Senior Series 2019-1A (the “Series 2019-1A Senior Taxable Bonds”), \$15,050,000 Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2019-1A (AMT) (the “Series 2019-1A Senior Tax-Exempt Bonds”) and \$3,800,000 Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2019-1B (AMT) (the “Series 2019-1B Subordinate Tax-Exempt Bonds” and, together with the Series 2019-1A Senior Taxable Bonds and the Series 2019-1A Senior Tax-Exempt Bonds, the “Series 2019-1 Bonds”) pursuant to the Indenture. The Series 2019-1A Senior Taxable Bonds, the Series 2019-1A Senior Tax-Exempt Bonds, the Series 2020-1A Senior Taxable Bonds, the Series 2020-1A Senior Tax-Exempt Bonds and any other senior bonds that may hereafter be issued by the Authority under the Indenture (collectively, the “Senior Bonds”), together with any senior-subordinate bonds that may hereafter be issued by the Authority under the Indenture (the “Senior-Subordinate Bonds”) and the Series 2019-1B Subordinate Tax-Exempt Bonds, the Series 2020-1B Subordinate Tax-Exempt Bonds and any other subordinate bonds that may hereafter be issued by the Authority under the Indenture (collectively, the “Subordinate Bonds”), are herein referred to as the “Bonds.” The Subordinate Bonds and any Senior-Subordinate Bonds that may be issued in the future are secured under the Indenture on a subordinated basis to the Senior Bonds as described herein. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All terms capitalized, but not defined, in this Summary Statement shall have the meaning set forth elsewhere in this Official Statement. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions” attached hereto.

The Authority Brazos Higher Education Authority, Inc. (the “Authority”) is a nonprofit corporation organized in 1975 under the Texas Nonprofit Corporation Law and is exempt from payment of federal income taxation as a “501(c)(3)” non-profit corporation. The Authority also operates pursuant to the Higher Education Loan Authority Act (Chapter 53B of the Education Code) (the “Act”) on behalf of the City of Waco, Texas (the “City”). See the caption “THE AUTHORITY” herein. Under the Act, the City has no liabilities, costs or expenses relating to the Authority’s student loan program or bonds. The Authority has no power to tax and does not have the power of eminent domain.

Administrator The Brazos Higher Education Service Corporation, Inc. will act as administrator (the “Administrator”) under the Indenture pursuant to an Administration Agreement, dated as of October 1, 2019 (the “Administration Agreement”), among the Authority, the Trustee and the Administrator. See the captions “THE AUTHORITY—The Administrator” and “—The Administration Agreement” herein. Pursuant to the Administration Agreement, the Administrator is obligated to cause

the Financed Eligible Loans held under the Indenture to be serviced by a Servicer pursuant to a Servicing Agreement.

ServicerThe Financed Eligible Loans will be serviced by Nelnet Servicing, LLC (d/b/a Firstmark Services), a wholly-owned subsidiary of Nelnet, Inc., as servicer (“Nelnet Servicing” and a “Servicer” pursuant to the Indenture) pursuant to a Private Student Loan Origination and Servicing Agreement, dated as of July 11, 2017, between the Administrator and Nelnet Servicing (the “Nelnet Servicing Agreement” and a “Servicing Agreement” pursuant to the Indenture). Nelnet Servicing has confirmed that the Financed Eligible Loans will be serviced pursuant to the Nelnet Servicing Agreement in a Servicing Letter Agreement among Nelnet Servicing, the Administrator and the Trustee. See the caption “THE BRAZOS PRIVATE LOAN PROGRAMS—Servicing of the Financed Eligible Loans” herein.

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

The Series 2020-1 Bonds.....The Series 2020-1 Bonds are the second issuance of Bonds under the Indenture of Trust, dated as of October 1, 2019 (as previously amended and supplemented, the “Master Indenture”), as amended and supplemented by a Series 2020-1 Supplemental Indenture, dated as of March 1, 2020 (the “Series 2020-1 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), between the Authority and the Trustee. The Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds will constitute Senior Bonds under the Indenture and will be on a parity with any other Senior Bonds issued under the Indenture, and the Series 2020-1B Subordinate Tax-Exempt Bonds will constitute Subordinate Bonds under the Indenture and will be on a parity with any other Subordinate Bonds issued under the Indenture. The Series 2020-1 Bonds will mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover hereof.

The proceeds of the Series 2020-1 Bonds, together with other available funds of the Authority, will be used by the Authority to (a) acquire additional Eligible Loans, (b) make an additional deposit to the Debt Service Reserve Fund and (c) pay the costs related to the issuance of the Series 2020-1 Bonds.

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

Financing of Eligible Loans.....The Indenture permits the financing of Eligible Loans from moneys in the Student Loan Fund established pursuant to the Indenture. Proceeds of the Series 2019-1 Bonds, together with other available funds of the Authority, were used to acquire student loans originated pursuant to the Brazos Refinance Student Loan Program and the Brazos Parent Student Loan Program (collectively, the “Brazos Private Loan Programs”). The Authority expects to use the majority of the proceeds of the Series 2020-1 Bonds, together with other available funds of the Authority, to finance additional student loans originated pursuant to the Brazos Private Loan Programs on the delivery date of the Series 2020-1 Bonds (the “Closing Date”) and during the acquisition period (the “Acquisition Period”) relating to the Series 2020-1 Bonds beginning on the Closing Date and currently ending on March 1, 2021, which date may be extended upon the satisfaction of the Rating Agency Notification. In addition, the Authority will be permitted to use repayments on Financed Eligible Loans to finance additional Eligible Loans during any recycling period permitted pursuant to a Supplemental Indenture (each, a “Recycling Period”), and any Recycling Period may be extended upon the satisfaction of the Rating Agency Notification. While there is presently no Recycling Period, the Authority may choose to initiate one at any time upon the satisfaction of the Rating Agency Notification. See the caption “THE BRAZOS PRIVATE LOAN PROGRAMS” herein for a further description of the Brazos Private Loan Programs. See also, the captions “ESTIMATED SOURCES AND USES OF PROCEEDS” and “THE FINANCED ELIGIBLE LOANS” herein.

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

Existing Eligible LoansThis Official Statement includes statistical information relating to Financed Eligible Loans already held under the Indenture and the Eligible Loans expected to be acquired and pledged under the Indenture on the Closing Date that had an aggregate outstanding balance as of January 31, 2020 (the “Statistical Cut Off Date”) of approximately \$46.6 million (the “Existing Eligible Loans”). See the caption “THE FINANCED ELIGIBLE LOANS” herein. As of the Statistical Cut-Off Date, the Existing Eligible Loans had a weighted average annual borrower interest rate of approximately 4.59% (before adjusting for any borrower benefits), a weighted average remaining term to scheduled maturity of approximately 140 months and a weighted average FICO Credit Score at origination of 785.

After the Closing Date, the Authority also intends to acquire and pledge under the Indenture additional Eligible Loans during the Acquisition Period relating to the Series 2020-1 Bonds, and may issue additional Bonds under the Indenture in the future to acquire and pledge additional Eligible Loans under the Indenture. Following any of these actions, the aggregate characteristics of the entire pool of Financed Eligible Loans

will vary from those of the Existing Eligible Loans described in this Official Statement. The acquisition of Eligible Loans during the Acquisition Period (other than the Existing Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Sources of Payment and Security for the Bonds

The Bonds, including the Series 2020-1 Bonds, are special and limited obligations of the Authority, secured by and payable solely from: (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof; (d) the rights of the Authority in and to the Administration Agreement, the Student Loan Purchase Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and (e) any and all other property, rights and interests of every kind or description from time to time granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture (collectively, the “Trust Estate”). See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” attached hereto and the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

THE BONDS, INCLUDING THE SERIES 2020-1 BONDS, AND ANY AGREEMENT OF THE AUTHORITY MENTIONED HEREIN ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS. THE AUTHORITY’S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS. THE AUTHORITY IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF TEXAS TO CREATE, AND THE BONDS DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE TEXAS CONSTITUTION OR LAWS OF THE STATE OF TEXAS OR DEBT OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION

THEREOF FOR ANY OTHER PURPOSE WHATSOEVER. HOLDERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.

Upon the satisfaction of certain conditions, additional Bonds may be issued under the Indenture from time to time on a parity basis with, or subordinate to, the Senior Bonds, including the Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds, or on a parity basis with, or senior to, the Subordinate Bonds, including the Series 2020-1B Subordinate Tax-Exempt Bonds, which are subordinate to the Senior Bonds and any Senior-Subordinate Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds; Priority” herein.

Redemption.....The Series 2020-1A Senior Taxable Bonds maturing on April 1, 2040 (the “Series 2020-1A Senior Taxable Term Bonds”), the Series 2020-1A Senior Tax-Exempt Bonds maturing on April 1, 2040 (the “Series 2020-1A Senior Tax-Exempt Term Bonds”) and the Series 2020-1B Subordinate Tax-Exempt Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date on or after April 1, 2030, at the option of the Authority, at a redemption price equal to the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date. The Series 2020-1 Bonds are subject to special mandatory redemption from unexpended proceeds of the Series 2020-1 Bonds in the Student Loan Fund prior to or at the expiration of the Acquisition Period relating to the Series 2020-1 Bonds (currently March 1, 2021) at a redemption price equal to the principal amount being redeemed, plus any unamortized premium, plus accrued interest to but not including the redemption date. The Series 2020-1A Senior Taxable Term Bonds, Series 2020-1A Senior Tax-Exempt Term Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds are subject to optional redemption and, until certain conditions are satisfied, mandatory redemption prior to maturity, in whole or in part, on any Interest Payment Date from Excess Taxable Revenues, as defined under the caption “THE SERIES 2020-1 BONDS—Redemption Provisions—*Optional Redemption from Excess Taxable Revenue*” herein, and from Excess Tax-Exempt Revenue, as defined under the caption “THE SERIES 2020-1 BONDS—Redemption Provisions—*Optional Redemption from Excess Tax-Exempt Revenue*” herein. In addition, the Series 2020-1A Senior Taxable Term Bonds and the Series 2020-1A Senior Tax-Exempt Term Bonds are subject to mandatory sinking fund redemption as described herein. The Series 2020-1 Bonds are subject to extraordinary redemption by the Authority, in whole or in part, on any Interest Payment Date, in an aggregate amount deemed by the Authority to be necessary to avoid an Event of Default under the Indenture. With the exception of any Series 2020-1 Bonds sold at a price in excess of par and redeemed with unexpended proceeds or upon an extraordinary redemption, all redemptions of the Series 2020-1 Bonds will result in the payment to the Registered Owner of a redemption price equal to the principal amount of

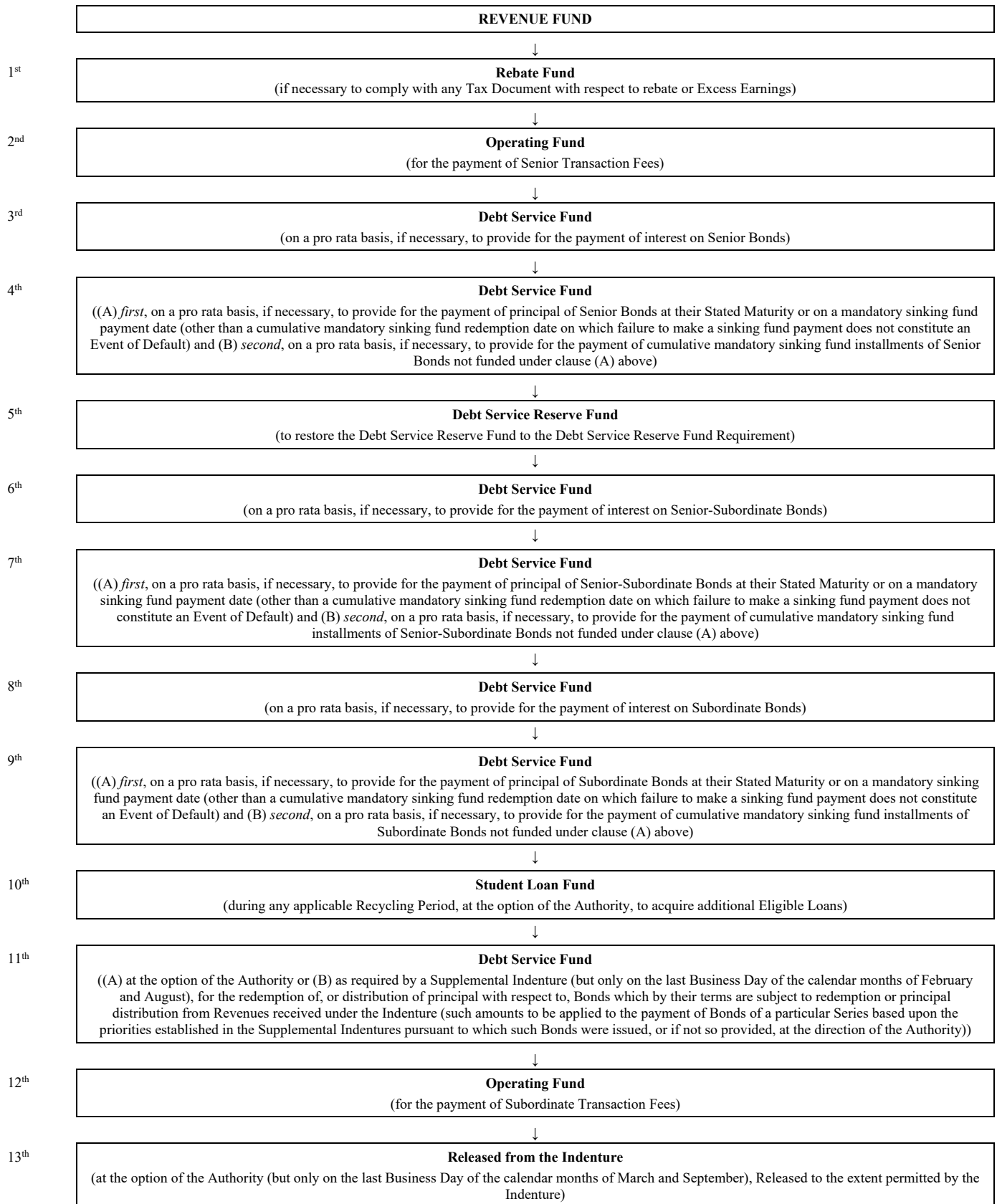
the Series 2020-1 Bonds being redeemed, without premium, plus accrued interest, if any, to but not including the redemption date. See the caption “THE SERIES 2020-1 BONDS—Redemption Provisions” herein.

**Overcollateralization
and Initial Parity**

Percentages Upon the issuance of the Series 2020-1 Bonds, the initial Senior Parity Percentage will be at least 119.58%, and the Overall Parity Percentage will be at least 106.40%.

The Indenture does not permit the release of moneys in the Revenue Fund, as described in level 13th under the caption “Flow of Funds” below, free and clear of the lien of the Indenture unless: (i) the Overall Parity Percentage after such transfer is at least equal to 113% (the “Required Overall Parity Percentage”) and (ii) the Value of assets constituting the Trust Estate exceeds the amount of Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by at least \$1 million (the “Net Asset Requirement”). The Required Overall Parity Percentage and the Net Asset Requirement may each be reduced upon satisfaction of the Rating Agency Notification. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then, notwithstanding the foregoing, the Authority is required to use all Excess Taxable Revenues and Excess Tax-Exempt Revenues to mandatorily redeem Bonds subject to such redemption. See the captions “ESTIMATED SOURCES AND USES OF PROCEEDS” and “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Overcollateralization and Initial Parity Percentages” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund” attached hereto.

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



RatingsPrior to the issuance and delivery of the Series 2020-1 Bonds, S&P Global Ratings (“S&P”) is expected to assign its bond rating of “AA(sf)” to the Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds, and its bond rating of “BBB(sf)” to the Series 2020-1B Subordinate Tax-Exempt Bonds. See the caption “RATINGS” herein.

Rating Agency Confirmation and Rating Agency

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

Weighted Average Life

AnalysisThe estimated weighted average life, first bond retirement date, last bond retirement date and average maturity date of the Series 2020-1A Senior Taxable Term Bonds and the Series 2020-1A Senior Tax-Exempt Term Bonds under various assumed prepayment scenarios may be found in “APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020-1A SENIOR TAXABLE TERM BONDS AND THE SERIES 2020-1A SENIOR TAX-EXEMPT TERM BONDS” attached hereto.

Certain Risk Factors.....Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay debt service on the Series 2020-1 Bonds and which could have an effect on the market price of the Series 2020-1 Bonds to an extent that

cannot be determined. See the caption “CERTAIN RISK FACTORS” herein. An investment in the Series 2020-1 Bonds involves an element of risk. Each prospective purchaser of Series 2020-1 Bonds should read this entire Official Statement, including the front cover page and Appendices attached hereto, in order to make a judgment as to whether the Series 2020-1 Bonds are an appropriate investment.

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OFFICIAL STATEMENT

RELATING TO

\$67,590,000

**BRAZOS HIGHER EDUCATION AUTHORITY, INC.
TAXABLE STUDENT LOAN PROGRAM REVENUE BONDS,
SENIOR SERIES 2020-1A,
TAX-EXEMPT STUDENT LOAN PROGRAM REVENUE BONDS,
SENIOR SERIES 2020-1A (AMT) AND
TAX-EXEMPT STUDENT LOAN PROGRAM REVENUE BONDS,
SUBORDINATE SERIES 2020-1B (AMT)**

INTRODUCTION

This Official Statement, including the front cover page and inside front cover page hereof, the Summary Statement and the Appendices attached hereto, sets forth information regarding the issuance by Brazos Higher Education Authority, Inc. (the “Authority”) of its Taxable Student Loan Program Revenue Bonds, Senior Series 2020-1A (the “Series 2020-1A Senior Taxable Bonds”), Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2020-1A (AMT) (the “Series 2020-1A Senior Tax-Exempt Bonds”) and Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2020-1B (AMT) (the “Series 2020-1B Subordinate Tax-Exempt Bonds” and, together with the Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds, the “Series 2020-1 Bonds”). The Series 2020-1 Bonds are the second issuance of bonds under the Indenture (as hereinafter defined). The Authority has previously issued its \$18,850,000 Taxable Student Loan Program Revenue Bonds, Senior Series 2019-1A (the “Series 2019-1A Senior Taxable Bonds”), \$15,050,000 Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2019-1A (AMT) (the “Series 2019-1A Senior Tax-Exempt Bonds”) and \$3,800,000 Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2019-1B (AMT) (the “Series 2019-1B Subordinate Tax-Exempt Bonds” and, together with the Series 2019-1A Senior Taxable Bonds and the Series 2019-1A Senior Tax-Exempt Bonds, the “Series 2019-1 Bonds”) pursuant to the Indenture. The Series 2019-1A Senior Taxable Bonds, the Series 2019-1A Senior Tax-Exempt Bonds, the Series 2020-1A Senior Taxable Bonds, the Series 2020-1A Senior Tax-Exempt Bonds and any other senior bonds that may hereafter be issued by the Authority under the Indenture (collectively, the “Senior Bonds”), together with any senior-subordinate bonds that may hereafter be issued by the Authority under the Indenture (the “Senior-Subordinate Bonds”) and the Series 2019-1B Subordinate Tax-Exempt Bonds, the Series 2020-1B Subordinate Tax-Exempt Bonds and any other subordinate bonds that may hereafter be issued by the Authority under the Indenture (collectively, the “Subordinate Bonds”), are herein referred to as the “Bonds.” Terms capitalized in the body of this Official Statement and not otherwise defined therein shall have the meaning set forth in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions” attached hereto.

The Authority is a nonprofit corporation organized in 1975 under the Texas Nonprofit Corporation Law and is exempt from payment of federal income taxation as a “501(c)(3)” non-profit corporation. The Authority also operates pursuant to the Higher Education Loan Authority Act (Chapter 53B of the Education Code) (the “Act”) on behalf of the City of Waco, Texas (the “City”) as a qualified nonprofit corporation. The Authority has established its Brazos Refinance Student Loan Program and its Brazos Parent Student Loan Program in accordance with the Act (collectively, the “Brazos Private Loan Programs”). See the caption “THE BRAZOS PRIVATE LOAN PROGRAMS” herein.

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

The Series 2020-1 Bonds are being issued under an Indenture of Trust, dated as of October 1, 2019 (as previously amended and supplemented, the “Master Indenture”), as amended and supplemented by a Series 2020-1 Supplemental Indenture, dated as of March 1, 2020 (the “Series 2020-1 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), each by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Series 2020-1 Bonds constitute the second issuance of Bonds under the Indenture. The Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds will constitute Senior Bonds under the Indenture and will be on a parity with any other Senior Bonds issued under the Indenture, and the Series 2020-1B Subordinate Tax-Exempt Bonds will constitute Subordinate Bonds under the Indenture and will be on a parity with any other Subordinate Bonds issued under the Indenture. The Series 2020-1 Bonds are being issued as fixed rate bonds and will bear interest at the rates shown on the inside front cover page hereof.

The proceeds of the Series 2020-1 Bonds, together with other available funds of the Authority, will be used by the Authority to (a) provide moneys to finance additional Eligible Loans, (b) make an additional deposit to the Debt Service Reserve Fund and (c) pay costs related to the issuance of the Series 2020-1 Bonds. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

The Indenture permits the financing only of Eligible Loans from moneys in the Student Loan Fund established under the Indenture. The majority of the proceeds of the Series 2019-1 Bonds deposited to the Student Loan Fund, together with other available funds of the Authority, were used to acquire Eligible Loans. The Eligible Loans have been, and will be, acquired from Brazos Education Lending Corporation, a nonprofit corporation organized under the laws of the State of Texas (the “Seller”), pursuant to the terms and provisions of a Transfer and Sale Agreement, dated as of October 1, 2019 (the “Student Loan Purchase Agreement”), between the Seller, as seller, and the Authority, as purchaser. See the caption “THE BRAZOS PRIVATE LOAN PROGRAMS—Student Loan Purchase Agreement” herein. The Authority expects to use a portion of the amounts deposited into the Student Loan Fund to finance Eligible Loans on the Closing Date that had an aggregate outstanding balance as of January 31, 2020 (the “Statistical Cut-Off Date”) of approximately \$8.5 million, which Eligible Loans have been originated by the Seller. For a description of the composition of the Financed Eligible Loans presently held within the Trust Estate and the existing Eligible Loans expected to be acquired on the Closing Date as of the Statistical Cut-Off Date (the “Existing Eligible Loans”), see the caption “THE FINANCED ELIGIBLE LOANS” herein. The Authority expects to use the balance of amounts deposited into the Student Loan Fund to acquire additional Eligible Loans from the Seller during the Acquisition Period relating to the Series 2020-1 Bonds (period beginning on the Closing Date and currently ending on March 1, 2021). The acquisition of Eligible Loans during the Acquisition Period (other than the Eligible Loans to be acquired on the Closing Date and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto. See the caption “THE BRAZOS PRIVATE LOAN PROGRAMS” herein for a further description of the Brazos Private Loan Programs.

All Eligible Loans acquired with proceeds of Bonds, including the Series 2019-1 Bonds and the Series 2020-1 Bonds, all Eligible Loans acquired during any Recycling Periods and any Eligible Loans otherwise deposited in or accounted for in the Student Loan Fund, are referred to herein, collectively, as the “Financed Eligible Loans.”

The Bonds, including the Series 2020-1 Bonds, issued pursuant to the Indenture are secured by and payable solely from: (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof; (d) the rights of the Authority in and to the Administration Agreement, the Student Loan Purchase Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and (e) any and all other property, rights and interests of every kind or description from time to time granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture (collectively, the “Trust Estate”). See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” attached hereto. Such Revenues include, without limitation, payments of interest on such Financed Eligible Loans (whether regularly scheduled, delinquent or paid in advance) and income on investments and principal payments on such Financed Eligible Loans (whether regularly scheduled, delinquent or advance). Bonds other than the Series 2019-1 Bonds and the Series 2020-1 Bonds (“Additional Bonds”) may be issued under the Indenture upon satisfaction of certain conditions specified in the Indenture. Such Bonds may be payable and secured on a parity with the Senior Bonds, or on a parity with, or senior to, the Subordinate Bonds, which are subordinate to the Senior Bonds and any Senior-Subordinate Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds; Priority” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” and “—FUNDS” attached hereto.

THE BONDS, INCLUDING THE SERIES 2020-1 BONDS, AND ANY AGREEMENT OF THE AUTHORITY MENTIONED HEREIN ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS. THE AUTHORITY’S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS. THE AUTHORITY IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF TEXAS TO CREATE, AND THE BONDS DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE TEXAS CONSTITUTION OR LAWS OF THE STATE OF TEXAS OR DEBT OF THE CITY OF WACO, TEXAS OR THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY OTHER PURPOSE WHATSOEVER.

THE BONDS, INCLUDING THE SERIES 2020-1 BONDS, ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY. THE BONDS DO NOT REPRESENT AN OBLIGATION OF OR INTEREST IN THE AUTHORITY, THE ADMINISTRATOR, THE TRUSTEE, ANY SERVICER OR THE UNDERWRITER OR ANY OF THEIR RESPECTIVE AFFILIATES.

There can be no assurances that any future law will not prospectively or retroactively affect the terms and conditions under which Eligible Loans are made in a manner that might adversely affect the ability of the Authority to pay the principal of and interest on the Series 2020-1 Bonds when due. See the caption “CERTAIN RISK FACTORS” herein.

The descriptions of the Series 2020-1 Bonds, the documents authorizing and securing the Series 2020-1 Bonds, and the pertinent State legislation contained herein do not purport to be comprehensive or definitive. All references herein to such documents or legislation and rules are

qualified in their entirety by reference to such documents or legislation. Copies of certain of such documents may be inspected at an office of the Trustee at a predetermined and agreed upon time as the Trustee can accommodate.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds, including the Series 2020-1 Bonds, are limited obligations of the Authority, payable solely from the Trust Estate pledged pursuant to the Indenture as described herein. The Bonds are not general obligations of the Authority. None of the Authority's other assets or funds pledged and held under its other financings are pledged as security for the Bonds under the Indenture.

The Bonds, including the Series 2020-1 Bonds, will be secured by and payable, subject to the terms of the Indenture, solely from the Trust Estate. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" attached hereto and the caption "ESTIMATED SOURCES AND USES OF PROCEEDS" herein. The Authority will finance only Eligible Loans through application of the proceeds of the Bonds. For a discussion of certain of the terms applicable to the Eligible Loans, see the caption "THE BRAZOS PRIVATE LOAN PROGRAMS" herein. For a more detailed description of the Funds established under the Indenture, certain Accounts established therein under the Indenture, and the purposes to which moneys in such Funds and Accounts may be applied, see "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS" attached hereto.

Debt Service Reserve Fund

On the Closing Date, \$1,351,800 will be deposited to the Debt Service Reserve Fund under the Indenture, which is equal to 2.0% of the aggregate principal amount of Series 2020-1 Bonds. The Debt Service Reserve Fund was previously funded with \$754,000 of proceeds of the Series 2019-1 Bonds, which is equal to 2.0% of the aggregate principal amount of Series 2019-1 Bonds. The Debt Service Reserve Fund is to be maintained at the Debt Service Reserve Fund Requirement. "Debt Service Reserve Fund Requirement" means an amount equal to 2.0% of the aggregate principal amount of Bonds then Outstanding (calculated semi-annually on each April 1 and October 1), but in no event less than \$1,000,000, unless a Rating Agency Notification has been given. Amounts on deposit in the Debt Service Reserve Fund shall be transferred to the Revenue Fund to the extent the funds on deposit in the Revenue Fund, after taking into account any transfers from the Capitalized Interest Fund, if any, and the Student Loan Fund, are insufficient to make the required transfers to the Debt Service Fund. The Indenture provides that upon the issuance of any Additional Bonds, there will be deposited into the Debt Service Reserve Fund, if necessary, an amount sufficient to increase the amount therein to be equal to the Debt Service Reserve Fund Requirement, calculated after such issuance. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Debt Service Reserve Fund" attached hereto.

Additional Bonds; Priority

Pursuant to the provisions of the Indenture, Additional Bonds may be issued on a parity basis with the Series 2019-1A Senior Taxable Bonds, the Series 2019-1A Senior Tax-Exempt Bonds, the Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds, or on a parity basis with the Series 2019-1B Subordinate Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, which are subordinate to the Senior Bonds. The Indenture also permits the issuance

of Senior-Subordinate Bonds, which are secured on a basis which is subordinated to the Senior Bonds, but senior to the Subordinate Bonds.

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

It is a condition to the issuance of any Additional Bonds that the Authority receive a Rating Agency Confirmation with respect to the issuance of such Additional Bonds. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—BOND DETAILS—Issuance of Bonds” attached hereto.

Overcollateralization and Initial Parity Percentages

Upon the issuance of the Series 2020-1 Bonds, the initial Senior Parity Percentage will be at least 119.58% and the initial Overall Parity Percentage will be at least 106.40%.

The Indenture does not permit the release of moneys in the Revenue Fund, as described in paragraph (m) in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund—*Taxable Account*” and “—*Tax-Exempt Account*” attached hereto, free and clear of the lien of the Indenture unless: (i) the Overall Parity Percentage after such transfer is at least equal to 113% (the “Required Overall Parity Percentage”), and (ii) the Value of assets constituting the Trust Estate exceeds the amount of Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by at least \$1 million (the “Net Asset Requirement”). The Required Overall Parity Percentage and the Net Asset Requirement may each be reduced upon satisfaction of the Rating Agency Notification. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then, notwithstanding the foregoing, the Authority is required to use all Excess Taxable Revenues and Excess Tax-Exempt Revenues to mandatorily redeem Bonds subject to such redemption. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund” attached hereto.

Senior Transaction Fees

The Senior Transaction Fees (including Administration Fees, Standard Servicing Fees, Trustee Fees, Rating Agency Fees and certain Extraordinary Expenses) will be transferred to the Operating Fund out of the Revenue Fund on the last Business Day of each calendar month or on other dates if directed by the Authority prior to providing for the payment of principal and interest on the Bonds, including the Series 2020-1 Bonds. As provided in the Series 2020-1 Supplemental Indenture, (a) monthly Administration Fees shall equal one-twelfth (1/12th) of 0.25% of the average monthly outstanding principal balance of the Financed Eligible Loans for the prior calendar month, (b) the Standard Servicing Fees shall be any fees and expenses payable to the Servicers with respect to the servicing and collection of the Financed Eligible Loans consisting of periodic unit fees, default related fees, delinquency fees, and annual privacy mailing fees (including any currently contemplated increases to those amounts pursuant to existing inflationary escalator clauses relating to such Standard Servicing Fees as set forth in the Servicing Agreement on the Closing Date), but shall not include fees due as a result of the termination of a Servicing Agreement (including any deconversion fees related to Financed Eligible Loans resulting from such termination), indemnification or other extraordinary expense items, (c) the Trustee Fees and Rating Agency Fees payable as Senior Transaction Fees in each Fiscal Year, together, shall not exceed an amount equal to \$25,000, and (d) the Extraordinary Expenses payable as Senior Transaction Fees in each Fiscal Year are not permitted to exceed \$6,000, except for the initial Fiscal Year following the Date of Issuance of the Series 2020-1 Bonds, such amount may not exceed \$14,000 and commencing in July 2024 and each fifth Fiscal Year thereafter such amount may not exceed \$22,000, except that the dollar limit set forth in such clause (d) shall not apply with respect to Extraordinary Expenses incurred by the Trustee (i) after the occurrence and during the continuation of an Event of Default, other than an Event of Default under paragraph (d) under the caption “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Event of Default Defined” attached hereto), or (ii) after an acceleration of the maturity of the Bonds as described under the caption “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Accelerated Maturity” attached hereto. The Indenture permits the Authority to change the amount of such fees after providing a Rating Agency Notification. See the caption “Rating Agency Confirmation and Rating Agency Notification” below and the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

Rating Agency Confirmation and Rating Agency Notification

The Indenture provides that the Rating Agency has various notice rights and further requires as a condition of certain actions, inactions or other events that there be (a) a Rating Agency Confirmation for the issuance of Additional Bonds or (b) a Rating Agency Notification, including, but not limited to, for determinations of the types of private loans to be included as Eligible Loans in the future and changes to the certain parameters for Eligible Loans; the appointment of a new Administrator; the appointment of a new Servicer; changes in the amount and timing of Senior Transaction Fees; a reduction in the Debt Service Reserve Fund Requirement; types of Investment Securities; certain material amendments or supplements to the Indenture, the Administration Agreement or a Servicing Agreement; certain sales of Financed Eligible Loans; establishment of, and changes in, the Required Senior Parity Percentage, Required Overall Parity Percentage and/or the Net Asset Requirement with respect to the redemption of Bonds and the release of moneys from the Trust Estate; initiation or extension of any Recycling Period; and extension of any Acquisition Period. The Indenture also requires that the Authority make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission. “Rating Agency Confirmation” means a letter or press release or other written release from each Rating Agency rating any of the Bonds confirming that its Ratings on the Bonds will not be reduced, withdrawn,

conditioned or placed under review with negative implications as a result of a Proposed Action to be taken by the Authority. “Rating Agency Notification” means, with respect to a Proposed Action, that the Authority shall have given written notice of such Proposed Action to each Rating Agency then rating the Bonds at least twenty (20) Business Days prior to the proposed effective date thereof. “Proposed Action” means any proposed action, failure to act or other event which, under the terms of the Indenture, is conditional upon a Rating Agency Notification or a Rating Agency Confirmation. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto and the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

Certain Risk Factors

Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay the principal of and interest on the Series 2020-1 Bonds, and which could have an effect on the market price of the Series 2020-1 Bonds in the future to an extent that cannot be determined at the present time. See the caption “CERTAIN RISK FACTORS” herein. Each prospective purchaser of Series 2020-1 Bonds should read this entire Official Statement, including the Appendices attached hereto.

THE SERIES 2020-1 BONDS

General Terms of the Series 2020-1 Bonds

The Series 2020-1 Bonds will bear interest from the Closing Date. Interest will be payable on April 1 and October 1 of each year, commencing October 1, 2020 (each, an “Interest Payment Date”), to the Registered Owners of the Series 2020-1 Bonds as of the record date, which is the Business Day immediately preceding an Interest Payment Date. The Series 2020-1 Bonds will bear interest at the interest rates per annum, and will mature on April 1 in each of the years and in the principal amounts, shown on the inside front cover of this Official Statement. Interest on the Series 2020-1 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Series 2020-1 Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Individual purchases of the Series 2020-1 Bonds will be made in book-entry form only. Purchasers of the Series 2020-1 Bonds will not receive certificates representing their interest in the Series 2020-1 Bonds purchased. See the caption “Book-Entry-Only System” below.

Redemption Provisions

The Indenture sets forth the provisions for the redemption of the Series 2020-1 Bonds prior to maturity, as described below. The Trustee shall provide notice of the redemption of Series 2020-1 Bonds in accordance with the provisions described under the caption “Notice and Effect of Redemption” below.

Optional Redemption. The Series 2020-1A Senior Taxable Bonds maturing on April 1, 2040 (the “Series 2020-1A Senior Taxable Term Bonds”), the Series 2020-1A Senior Tax-Exempt Bonds maturing on April 1, 2040 (the “Series 2020-1A Senior Tax-Exempt Term Bonds”) and the Series 2020-1B Subordinate Tax-Exempt Bonds are subject to redemption prior to maturity at the option of the Authority from moneys in the Revenue Fund and any other source available therefor in accordance with the Indenture, in whole or in part, at any time, commencing April 1, 2030, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Series 2020-1 Bonds; provided, however, that

Series 2020-1B Subordinate Tax-Exempt Bonds may only be optionally redeemed if (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to 120% (the “Required Senior Parity Percentage”) and (ii) the Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage. The Required Senior Parity Percentage may be reduced upon satisfaction of the Rating Agency Notification

Optional Redemption from Excess Taxable Revenue. The Series 2020-1A Senior Taxable Term Bonds, the Series 2020-1A Senior Tax-Exempt Term Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, along with any other Bonds which are subject to optional redemption pursuant to an Excess Taxable Revenue redemption provision, including the Series 2019-1A Senior Taxable Term Bonds, the Series 2019-1A Senior Tax-Exempt Term Bonds and the Series 2019-1B Subordinate Tax-Exempt Bonds, are subject to redemption prior to maturity, in whole or in part, in any Authorized Denominations, at the option of the Authority, on any Interest Payment Date, from Excess Taxable Revenue, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds; provided, however, Subordinate Bonds, including the Series 2019-1B Subordinate Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, may not be redeemed unless (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity Percentage and (ii) the Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage.

Bonds of each class that are subject to such redemption will be selected for redemption (A) on a pro rata basis among the Stated Maturities of such Bonds of such class based upon the respective Outstanding principal amounts of such Bonds of such class and Stated Maturity that are subject to such redemption from Excess Taxable Revenues at the time of determination without regard to Series (and by lot within a maturity) or (B) from the Stated Maturities of such Bonds of such class as directed by the Authority, provided such direction includes a representation that the Authority, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, shall remain able to pay debt service on the Bonds when due and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption.

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

Optional Redemption from Excess Tax-Exempt Revenue. The Series 2020-1A Senior Taxable Term Bonds, the Series 2020-1A Senior Tax-Exempt Term Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, along with any other Bonds which are subject to optional redemption pursuant to an Excess Tax-Exempt Revenue redemption provision, including the Series 2019-1A Senior Taxable Term Bonds, the Series 2019-1A Senior Tax-Exempt Term Bonds and the Series 2019-1B Subordinate Tax-Exempt Bonds, are subject to redemption prior to maturity, in whole or in part, in any Authorized Denominations, at the option of the Authority, on any Interest Payment Date, from Excess Tax-Exempt Revenue, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds; provided, however, Subordinate Bonds, including the Series 2019-1B Subordinate Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, may not be redeemed unless (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity

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

Bonds of each class that are subject to such redemption will be selected for redemption (A) on a pro rata basis among the Stated Maturities of such Bonds of such class based upon the respective Outstanding principal amounts of such Bonds of such class and Stated Maturity that are subject to such redemption from Excess Tax-Exempt Revenues at the time of determination without regard to Series (and by lot within a maturity) or (B) from the Stated Maturities of such Bonds of such class as directed by the Authority, provided such direction includes a representation that the Authority, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, shall remain able to pay debt service on the Bonds when due and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption.

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

Mandatory Redemption from Excess Taxable Revenue. Except during any Recycling Period, the Series 2020-1A Senior Taxable Term Bonds, the Series 2020-1A Senior Tax-Exempt Term Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, along with any other Bonds which are subject to mandatory redemption pursuant to an Excess Taxable Revenue redemption provision, including the Series 2019-1A Senior Taxable Term Bonds, the Series 2019-1A Senior Tax-Exempt Term Bonds and the Series 2019-1B Subordinate Tax-Exempt Bonds, are subject to mandatory redemption in whole or in part, on any Interest Payment Date, from Excess Taxable Revenue in an amount equal to the greater of (a) the least amount required to increase the Overall Parity Percentage to at least the Required Overall Parity Percentage, and (b) the least amount required to satisfy the Net Asset Requirement, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds; provided, however, Subordinate Bonds, including the Series 2019-1B Subordinate Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, may not be redeemed unless (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity Percentage and (ii) the Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then, notwithstanding the foregoing, the Authority is required to use all Excess Taxable Revenues to mandatorily redeem Bonds subject to such redemption as described above. See “APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020-1A SENIOR TAXABLE TERM BONDS AND THE SERIES 2020-1A SENIOR TAX-EXEMPT TERM BONDS” attached hereto.

Bonds of each class that are subject to such redemption shall be selected for redemption (A) on a pro rata basis among the Stated Maturities of such Bonds of such class based upon the respective Outstanding principal amounts of such Bonds of such class and Stated Maturity that are subject to such redemption from Excess Taxable Revenues at the time of determination without regard to Series (and by lot within a maturity) or (B) from the Stated Maturities of such Bonds of such class as directed by the Authority, provided such direction includes a representation that the Authority, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, shall remain able to pay debt service on the Bonds when due

and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption.

Mandatory Redemption from Excess Tax-Exempt Revenue. Except during any Recycling Period, the Series 2020-1A Senior Taxable Term Bonds, the Series 2020-1A Senior Tax-Exempt Term Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, along with any other Bonds which are subject to mandatory redemption pursuant to an Excess Tax-Exempt Revenue redemption provision, including the Series 2019-1A Senior Taxable Term Bonds, the Series 2019-1A Senior Tax-Exempt Term Bonds and the Series 2019-1B Subordinate Tax-Exempt Bonds, are subject to mandatory redemption in whole or in part, on any Interest Payment Date, from Excess Tax-Exempt Revenue in an amount equal to the greater of (a) the least amount required to increase the Overall Parity Percentage to at least the Required Overall Parity Percentage, and (b) the least amount required to satisfy the Net Asset Requirement, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds; provided, however, Subordinate Bonds, including the Series 2019-1B Subordinate Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, may not be redeemed unless (i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity Percentage and (ii) the Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then, notwithstanding the foregoing, the Authority is required to use all Excess Tax-Exempt Revenues to mandatorily redeem Bonds subject to such redemption as described above. See “APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020-1A SENIOR TAXABLE TERM BONDS AND THE SERIES 2020-1A SENIOR TAX-EXEMPT TERM BONDS” attached hereto.

Bonds of each class that are subject to such redemption shall be selected for redemption (A) on a pro rata basis among the Stated Maturities of such Bonds of such class based upon the respective Outstanding principal amounts of such Bonds of such class and Stated Maturity that are subject to such redemption from Excess Tax-Exempt Revenues at the time of determination without regard to Series (and by lot within a maturity) or (B) from the Stated Maturities of such Bonds of such class as directed by the Authority, provided such direction includes a representation that the Authority, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, shall remain able to pay debt service on the Bonds when due and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption.

Extraordinary Redemption to Avoid an Event of Default. The Series 2020-1 Bonds are subject to extraordinary redemption by the Authority, upon the written direction of an Authorized Representative, in whole or in part, on any Interest Payment Date, in such maturities and amounts as may be directed by the Authority and by lot within each maturity (with such adjustments as the Authority may determine to enable the Series 2020-1 Bonds to be redeemed in Authorized Denominations), at a Redemption Price equal to (a) in the case of Series 2020-1A Senior Tax-Exempt Premium Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date, plus the Series 2020-1 Unamortized Premium and (b) in the case of all other Series 2020-1 Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date, from moneys identified to the Trustee by an Authorized Representative of the Authority, in an aggregate amount deemed by the Authority to be necessary to avoid an Event of Default under the Indenture. Notwithstanding the foregoing, Series 2020-1B Subordinate Tax-Exempt Bonds may only be redeemed

pursuant to this extraordinary redemption if the then current Senior Parity Percentage will not be reduced after giving effect to such redemption.

Mandatory Redemption from Unexpended Taxable Proceeds. The Series 2020-1A Senior Taxable Bonds are subject to mandatory redemption on any date not later than 60 days after each respective date set forth in the following Acquisition Schedule (the “Taxable Proceeds Acquisition Schedule”) to the extent that the amounts deposited to the Taxable Account of the Student Loan Fund on the Closing Date (and not used to pay costs of issuing the Series 2020-1 Bonds) have not been used to acquire Eligible Loans in accordance with the Taxable Proceeds Acquisition Schedule:

Taxable Proceeds Acquisition Schedule⁽¹⁾

Date	Amount to be Acquired
September 1, 2020	\$20,780,000
End of Acquisition Period	37,025,000

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

The amount of Series 2020-1A Senior Taxable Bonds to be redeemed pursuant to this unexpended proceeds redemption will be equal to the difference between the amounts deposited to the Taxable Account of the Student Loan Fund on the Closing Date and used to acquire Eligible Loans and the amount required to be used to acquire Eligible Loans in the Taxable Proceeds Acquisition Schedule (the “Series 2020-1 Taxable Unexpended Amounts”); provided, however, with respect to the amount required to be used to acquire Eligible Loans by the end of the Acquisition Period, that amount set aside to acquire any Approved Undisbursed Loans shall be deemed to have been used to acquire such Approved Undisbursed Loans by the end of the Acquisition Period. Each amount set forth under the caption “Amount to be Acquired” in the Taxable Proceeds Acquisition Schedule shall be reduced by the principal amount of any Series 2020-1A Senior Taxable Bonds previously redeemed pursuant to this unexpended proceeds redemption. In the case of any such mandatory redemption from such Series 2020-1 Taxable Unexpended Amounts, the Series 2020-1A Senior Taxable Bonds shall be redeemed (A) *first*, from the Series 2020-1A Senior Taxable Term Bonds and, *second*, from the remaining Series 2020-1A Senior Taxable Bonds on a pro rata basis or (B) as otherwise set forth in a written direction delivered to the Trustee containing a representation that the Authority, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, shall remain able to pay debt service on the Bonds when due and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption, in each case with such adjustments as the Authority may determine to enable the Series 2020-1A Senior Taxable Bonds to be redeemed in Authorized Denominations, at a Redemption Price equal to the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date. The redemption date shall be the earliest practicable date for which the required notice of redemption may be given pursuant to the Indenture, but in no event later than 60 days after the related date set forth in the Taxable Proceeds Acquisition Schedule.

Mandatory Redemption from Unexpended Tax-Exempt Proceeds. The Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds are subject to mandatory redemption on any date not later than 60 days after each respective date set forth in the following Acquisition Schedule (the “Tax-Exempt Proceeds Acquisition Schedule”) to the extent that the amounts deposited to the Tax-Exempt Account of the Student Loan Fund on the Closing Date (and not used to pay costs of issuing the Series 2020-1 Bonds) have not been used to acquire Eligible Loans in accordance with the Tax-Exempt Proceeds Acquisition Schedule:

Tax-Exempt Proceeds Acquisition Schedule⁽¹⁾

Date	Amount to be Acquired
September 1, 2020	\$18,520,000
End of Acquisition Period	32,975,000

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

The amount of Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds to be redeemed pursuant to this unexpended proceeds redemption will be equal to the difference between the amounts deposited to the Tax-Exempt Account of the Student Loan Fund on the Closing Date and used to acquire Eligible Loans and the amount required to be used to acquire Eligible Loans in the Tax-Exempt Proceeds Acquisition Schedule (the “Series 2020-1 Tax-Exempt Unexpended Amounts”); provided, however, with respect to the amount required to be used to acquire Eligible Loans by the end of the Acquisition Period, that amount set aside to acquire any Approved Undisbursed Loans shall be deemed to have been used to acquire such Approved Undisbursed Loans by the end of the Acquisition Period. Each amount set forth under the caption “Amount to be Acquired” in the Tax-Exempt Proceeds Acquisition Schedule shall be reduced by the principal amount of any Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds previously redeemed pursuant to this excess proceeds redemption. In the case of any such mandatory redemption from such Series 2020-1 Tax-Exempt Unexpended Amounts, the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds shall be redeemed (A) *first*, from the Series 2020-1A Senior Tax-Exempt Term Bonds and, to the extent permitted, the Series 2020-1B Subordinate Tax-Exempt Bonds and, *second*, from the remaining Series 2020-1A Senior Tax-Exempt Bonds on a pro rata basis and, to the extent permitted, the Series 2020-1B Subordinate Tax-Exempt Bonds or (B) as otherwise set forth in a written direction delivered to the Trustee containing a representation that the Authority, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, shall remain able to pay debt service on the Bonds when due and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption, in each case with such adjustments as the Authority may determine to enable the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds to be redeemed in Authorized Denominations, at a Redemption Price equal to (a) in the case of Series 2020-1A Senior Tax-Exempt Premium Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date, plus the applicable Series 2020-1 Unamortized Premium and (b) in the case of all other Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date. Notwithstanding the foregoing, Series 2020-1B Subordinate Tax-Exempt Bonds may only be redeemed pursuant to this unexpended proceeds redemption if the then current Senior Parity Percentage will not be reduced after giving effect to such redemption. The redemption date shall be the earliest practicable date for which the required notice of redemption may be given pursuant to the Indenture, but in no event later than 60 days after the related date set forth in the Tax-Exempt Proceeds Acquisition Schedule.

Mandatory Sinking Fund Redemption of the Series 2020-1A Senior Taxable Term Bonds. The Series 2020-1A Senior Taxable Term Bonds are subject to mandatory sinking fund redemption by the Authority on the dates and in the amounts set forth below, prior to maturity, by lot on April 1 of each of the years, at a redemption price equal to the principal amount thereof, plus accrued interest to but not including the redemption date. The principal amount of any Series 2020-1A Senior Taxable Term Bonds may be reduced through the earlier optional or mandatory redemption, with any partial optional or mandatory redemptions of the Series 2020-1A Senior Taxable Term Bonds credited against future

mandatory sinking fund redemption requirements for such Series 2020-1A Senior Taxable Term Bonds on a pro rata basis, based on the respective remaining original principal amount of each such Series 2020-1A Senior Taxable Term Bond sinking fund installment..

\$11,485,000 Series 2020-1A Senior Taxable Term Bonds

<u>Date (April 1)</u>	<u>Sinking Fund Installment</u>
2031	\$1,155,000
2032	1,145,000
2033	1,205,000
2034	1,215,000
2035	1,225,000
2036	1,065,000
2037	1,205,000
2038	1,020,000
2039	1,165,000
2040 ¹	1,085,000

¹ Final maturity.

Amounts that would otherwise be available for mandatory sinking fund redemption of the Series 2020-1A Senior Taxable Term Bonds may be applied, prior to notice of such redemption, to the purchase for cancellation of Series 2020-1A Senior Taxable Term Bonds subject to such redemption at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of the Series 2020-1A Senior Taxable Term Bonds scheduled to be redeemed on the immediately succeeding due date will be reduced by the principal amount of Series 2020-1A Senior Taxable Term Bonds so purchased and cancelled.

Mandatory Sinking Fund Redemption of the Series 2020-1A Senior Tax-Exempt Term Bonds.

The Series 2020-1A Senior Tax-Exempt Term Bonds are subject to mandatory sinking fund redemption by the Authority on the dates and in the amounts set forth below, prior to maturity, by lot on April 1 of each of the years, at a redemption price equal to the principal amount thereof, plus accrued interest to but not including the redemption date. The principal amount of any Series 2020-1A Senior Tax-Exempt Term Bonds may be reduced through the earlier optional or mandatory redemption, with any partial optional or mandatory redemptions of the Series 2020-1A Senior Tax-Exempt Term Bonds credited against future mandatory sinking fund redemption requirements for such Series 2020-1A Senior Tax-Exempt Term Bonds on a pro rata basis, based on the respective remaining original principal amount of each such Series 2020-1A Senior Tax-Exempt Term Bond sinking fund installment.

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\$7,120,000 Series 2020-1A Senior Tax-Exempt Term Bonds

<u>Date (April 1)</u>	<u>Sinking Fund Installment</u>
2031	\$710,000
2032	710,000
2033	750,000
2034	755,000
2035	760,000
2036	665,000
2037	745,000
2038	630,000
2039	720,000
2040 ¹	675,000

¹ Final maturity.

Amounts that would otherwise be available for mandatory sinking fund redemption of the Series 2020-1A Senior Tax-Exempt Term Bonds may be applied, prior to notice of such redemption, to the purchase for cancellation of Series 2020-1A Senior Tax-Exempt Term Bonds subject to such redemption at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of the Series 2020-1A Senior Tax-Exempt Term Bonds scheduled to be redeemed on the immediately succeeding due date will be reduced by the principal amount of Series 2020-1A Senior Tax-Exempt Term Bonds so purchased and cancelled.

Selection of Series 2020-1 Bonds to be Redeemed. If less than all of the Series 2020-1 Bonds are to be redeemed, the Trustee will notify DTC of the particular amount of such Stated Maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such Stated Maturity to be redeemed, and each participant will then select by lot the beneficial ownership interests in such Stated Maturity to be redeemed. No redemption, however, shall cause the Series 2020-1 Bonds of any Stated Maturity that remain outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result.

Notice and Effect of Redemption. The Trustee shall give notice of any such redemption by providing a copy of the notice not less than 15 days, and not more than 60 days (or such shorter period as may be set forth in the applicable Supplemental Indenture), before the redemption date to the Registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing upon the registration records, but failure so to mail any such notice to a given Registered Owner shall not affect the validity of the proceedings for the redemption of Bonds to other Registered Owners. Such notice may however state that it is a conditional notice and that the redemption shall be cancelled if moneys are not available on the redemption date.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2020-1 Bonds, payment of principal, redemption premium, if any, and interest and other payments with respect to the Series 2020-1 Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such Series 2020-1 Bonds and other related transactions by and among The Depository Trust Company, New York, New York ("DTC"), the Direct Participants and Beneficial Owners is based solely

on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority.

DTC will act as securities depository for the Series 2020-1 Bonds. The Series 2020-1 Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2020-1 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com, which website is not part of, and is not incorporated by reference into, this Official Statement

Purchases of the Series 2020-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020-1 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020-1 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020-1 Bonds, except in the event that use of the book-entry system for the Series 2020-1 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020-1 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020-1 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in

beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020-1 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2020-1 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020-1 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2020-1 Bonds may wish to ascertain that the nominee holding the Series 2020-1 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020-1 Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020-1 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2020-1 Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020-1 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2020-1 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020-1 Bond certificates will be printed and delivered to DTC.

The Trustee and the Authority will recognize DTC or its nominee as the Registered Owner of the Series 2020-1 Bonds for all purposes, including notices and voting, and so long as a book-entry-only system is used, will send any notice of redemption or other notices to Owners of the Series 2020-1 Bonds only to DTC. Any failure of DTC to advise any DTC Participants, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2020-1 Bonds called for redemption or of any other action premised on such notice.

The Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC or any DTC Participant with respect to any beneficial ownership interest in the Series 2020-1 Bonds, (b) the delivery to any Beneficial Owner of the Series 2020-1 Bonds or other person, other than DTC, of any notice with respect to the Series 2020-1 Bonds or (c) the payment to any Beneficial Owner of the Series 2020-1 Bonds or other person, other than DTC, of any amount with respect to the principal of or interest on the Series 2020-1 Bonds. Neither the Authority nor the Trustee shall have any responsibility with respect to obtaining consents from anyone other than the Registered Owners.

The Trustee and the Authority cannot and do not give any assurance that DTC will distribute payments of debt service on the Series 2020-1 Bonds to DTC Participants or that the DTC Participants or others will distribute payments of debt service on the Series 2020-1 Bonds paid to DTC or its nominee, as the Registered Owner thereof, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

THE TRUSTEE

U.S. Bancorp, with total assets exceeding \$488 billion as of September 30, 2019, is the parent company of U.S. Bank National Association ("U.S. Bank"), the fifth largest commercial bank in the United States. As of September 30, 2019, U.S. Bancorp served approximately 18 million customers and operated over 2,900 branch offices in 25 states. A network of specialized U.S. Bancorp offices across the nation provide a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, and institutions.

U.S. Bank has one of the largest corporate trust businesses in the country with office locations in 53 Domestic and 2 International cities. U.S. Bank has provided corporate trust services since 1924.

As of September 30, 2019, U.S. Bank was acting as trustee with respect to over 100,000 issuances of securities with an aggregate outstanding principal balance of over \$4.1 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations. U.S. Bank has acted as trustee under indentures related to student loan asset-backed notes issued by the Authority.

The Trustee shall make each Monthly Report available to the bondholders via the Trustee's internet website at <https://pivot.usbank.com>. Noteholders with questions may direct them to the Trustee's bondholder services group at (800) 934-6802.

In the last several years, U.S. Bank and other large financial institutions have been sued in their capacity as trustee or successor trustee for certain residential mortgage backed securities (“RMBS”) trusts. The complaints, primarily filed by investors or investor groups against U.S. Bank and similar institutions allege the trustees caused losses to investors as a result of alleged failures by the sponsors, mortgage loan sellers and servicers to comply with the governing agreements for these RMBS trusts. Plaintiffs generally assert causes of action based upon the trustees’ purported failures to enforce repurchase obligations of mortgage loan sellers for alleged breaches of representations and warranties, notify securityholders of purported events of default allegedly caused by breaches of servicing standards by mortgage loan servicers and abide by a heightened standard of care following alleged events of default. Currently U.S. Bank is a defendant in multiple actions alleging individual or class action claims against it.

U.S. Bank denies liability and believes that it has performed its obligations under the RMBS trusts in good faith, that its actions were not the cause of losses to investors, that it has meritorious defenses, and it has contested and intends to continue contesting the plaintiffs’ claims vigorously. However, U.S. Bank cannot assure you as to the outcome of any of the litigation, or the possible impact of these litigations on the trustee or the RMBS trusts.

On March 9, 2018, a law firm purporting to represent fifteen Delaware statutory trusts (the “DSTs”) that issued securities backed by student loans (the “Student Loans”) filed a lawsuit in the Delaware Court of Chancery against U.S. Bank in its capacities as indenture trustee and successor special servicer, and three other institutions in their respective transaction capacities, with respect to the DSTs and the Student Loans. This lawsuit is captioned *The National Collegiate Student Loan Master Trust I, et al. v. U.S. Bank National Association, et al.*, C.A. No. 2018-0167-JRS (Del. Ch.). The complaint, which was later amended on June 15, 2018, alleged that the DSTs have been harmed as a result of purported misconduct or omissions by the defendants concerning administration of the trusts and servicing of the Student Loans.

U.S. Bank believes that it has performed its obligations as indenture trustee and special servicer in good faith and in compliance in all material respects with the terms of the agreements governing the DSTs, and accordingly that the claims against it in the lawsuit are without merit. U.S. Bank has filed a motion seeking dismissal of the operative complaint in its entirety with prejudice pursuant to Chancery Court Rules 12(b)(1) and 12(b)(6) or, in the alternative, U.S. Bank requested a stay of the case while other prior filed disputes involving the DSTs and the Student Loans are being litigated. On November 7, 2018, the Court ruled that the case should be stayed in its entirety pending resolution of the first-filed cases.

U.S. Bank intends to continue to defend this lawsuit vigorously.

U.S. Bank has not furnished or verified any information or statements contained in this Official Statement other than the information contained in the first nine paragraphs of this caption “THE TRUSTEE”, and U.S. Bank is not responsible for the sufficiency, completeness or accuracy of any information or statement contained in this Official Statement other than the information provided directly by U.S. Bank.

Under the Indenture, U.S. Bank will act as Trustee for the Bonds, including the Series 2020-1 Bonds. The Trustee will act on behalf of the Registered Owner and represent their interests in the exercise of their rights under the Indenture. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—THE TRUSTEE” attached hereto for additional information regarding the responsibilities of the Trustee.

CERTAIN RISK FACTORS

Potential investors in the Series 2020-1 Bonds should consider the following risk factors together with all other information in this Official Statement in deciding whether to purchase the Series 2020-1 Bonds. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2020-1 Bonds and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the Series 2020-1 Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future. Except as specifically provided in the Indenture with respect to Subordinate Bonds and Senior-Subordinate Bonds, all Bonds, including the Series 2020-1 Bonds, will be equally and ratably secured by all Financed Eligible Loans and other assets comprising the Trust Estate.

Limited Obligations

The Bonds, including the Series 2020-1 Bonds, are limited, not general, obligations of the Authority secured solely by and payable solely from the Trust Estate, including all Revenues and moneys and securities on deposit in any of the Funds and Accounts or Subaccounts thereof established by the Indenture (other than the Rebate Fund and the Operating Fund), including the investments, if any, thereof (other than earnings and income derived from amounts on deposit in the Rebate Fund and the Operating Fund), subject to the application thereof to the purposes and on the conditions permitted by the Indenture. Neither the full faith and credit nor the taxing power of the City of Waco, Texas or the State of Texas or any agency or political subdivision thereof is pledged for the payment of the Bonds. The Authority's obligations, including any Bonds, are not general, special or moral obligations of the City of Waco, Texas or the State of Texas. The Authority is not authorized under the Indenture or laws of the State of Texas to create, and the Bonds do not constitute, public debt of the State of Texas or any agency or political subdivision thereof within the meaning of the Texas Constitution or laws of the State of Texas or debt of the City of Waco, Texas or the State of Texas or any agency or political subdivision thereof for any other purpose whatsoever. Holders of the Bonds shall never have the right to demand payment thereof out of money raised or to be raised by taxation. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" attached hereto.

Payment of principal of and interest on the Bonds, including the Series 2020-1 Bonds, is primarily dependent upon collections on the Financed Eligible Loans. If the combined payment of principal of and interest on the Financed Eligible Loans does not at least equal the amounts necessary to pay, when due, interest with respect to the Bonds, principal of the Bonds, payment of all related Rebate Amounts and Excess Earnings to the U.S. Treasury and expenses relating to the servicing of the Financed Eligible Loans and administration of the Indenture, the Authority may have insufficient funds to repay the Bonds, including the Series 2020-1 Bonds.

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

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

caption “Variety of Factors Affecting Borrowers” below and the caption “THE FINANCED ELIGIBLE LOANS” herein.

Limited Performance History of the Financed Eligible Loans

The Financed Eligible Loans were, and will be, originated pursuant to the Brazos Private Loan Programs for which there is only a limited amount of historical performance information. The Rating Agency providing ratings for the Series 2020-1 Bonds, which based its stress case scenario assumptions on gross default rates that ranged between 3.5% and 20.0% for the Brazos Private Loan Programs, relied to a much greater extent upon a combination of these unique borrower characteristics and historical default information available to them from other lenders, and to a much lesser extent upon the limited, actual historical data available for the Brazos Private Loan Programs. If the actual default rates for loans originated pursuant to the Brazos Private Loan Programs are higher than those assumed in the Rating Agency stress case default scenarios, the Authority may not have sufficient funds to pay principal of and interest on the Bonds, including the Series 2020-1 Bonds.

Subordination of the Series 2020-1B Subordinate Tax-Exempt Bonds May Result in a Greater Risk of Loss for Holders of Series 2020-1B Subordinate Tax-Exempt Bonds

Payments of interest on the Subordinate Bonds, including the Series 2020-1B Subordinate Tax-Exempt Bonds, are subordinated in priority of payment to payments of interest on the Senior Bonds and any future Senior-Subordinate Bonds. Similarly, except as described under the captions “THE SERIES 2020-1 BONDS—Redemption Provisions—*Mandatory Redemption from Unexpended Tax-Exempt Proceeds*” and “—*Extraordinary Redemption to Avoid an Event of Default*” herein, the Series 2020-1B Subordinate Tax-Exempt Bonds may only be redeemed if (a)(i) the Senior Parity Percentage after giving effect to such redemption is at least equal to the Required Senior Parity Percentage and (ii) the Overall Parity Percentage after giving effect to such redemption is at least equal to the Required Overall Parity Percentage or (b) no Senior Bonds are Outstanding. Thus, investors in the Series 2020-1B Subordinate Tax-Exempt Bonds will bear a greater risk of loss than the holders of Senior Bonds and any future Senior-Subordinate Bonds. Investors in the Series 2020-1B Subordinate Tax-Exempt Bonds will also bear the risk of any adverse changes in the anticipated yield and weighted average life of their Series 2020-1B Subordinate Tax-Exempt Bonds resulting from any variability in payments of principal or interest on the Series 2020-1B Subordinate Tax-Exempt Bonds.

The Subordinate Bonds, including the Series 2020-1B Subordinate Tax-Exempt Bonds, are subordinated to the Senior Bonds and any future Senior-Subordinate Bonds as to the direction of remedies upon an Event of Default. In addition, as long as any of the Senior Bonds or any future Senior-Subordinate Bonds are Outstanding, the failure to pay interest or principal on the Subordinate Bonds, including the Series 2020-1B Subordinate Tax-Exempt Bonds, will not constitute an Event of Default under the Indenture. Consequently, holders of the Subordinate Bonds, including the Series 2020-1B Subordinate Tax-Exempt Bonds, may bear a greater risk of losses or delays in payment than holders of Senior Bonds.

Investigations, Litigation and Regulatory Initiatives related to LIBOR and the Potential Elimination of LIBOR may Affect your Series 2020-1 Bonds

The interest rates payable on the variable rate Financed Eligible Loans are based on a spread over one-month London Interbank Offered Rate. The London Interbank Offered Rate, or LIBOR, serves as a global benchmark for home mortgages, student loans and what various issuers pay to borrow money. Due to allegations of manipulating LIBOR, the U.K.’s Financial Conduct Authority (the “FCA”) assumed regulatory oversight and supervision of LIBOR, removing it from the control of the British Bankers’

Association, and on February 1, 2014 the administration of LIBOR was transferred from the British Bankers' Association to the IntercontinentalExchange Group (ICE), such that LIBOR is currently administered by ICE Benchmark Administration Ltd. (the "IBA"). The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary; however, the FCA does not intend to sustain LIBOR through using its influence or legal powers beyond the end of 2021. All of the panel banks have agreed to continue to submit contributions to LIBOR until the end of 2021. The FCA's intention is that after 2021 it will no longer be necessary for the FCA to ask, or to require, banks to submit contributions to LIBOR. It is possible that the IBA and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so, but we cannot assure you that LIBOR will survive in its current form, or at all. Any uncertainty in the value of LIBOR or the development of a market view that LIBOR was manipulated or may be manipulated may adversely affect the liquidity of the Series 2020-1 Bonds in the secondary market and their market value. To the extent that LIBOR is no longer available, the Authority is permitted to choose a comparable substitute index for such Financed Eligible Loans. See the captions "THE BRAZOS PRIVATE LOAN PROGRAMS—Brazos Refinance Loan Terms—*Interest Rates*" and "—Brazos Parent Loan Terms—*Interest Rates*" herein. We cannot predict what effect, if any, these events will have on the use of LIBOR as a global benchmark going forward. We cannot predict the effect of the FCA's decision not to sustain LIBOR, or, if changes are ultimately made to LIBOR, the effect of those changes.

Negative LIBOR Rates will Reduce the Interest Rate on Certain Financed Eligible Loans

To the extent that the one-month LIBOR rate falls below zero, the interest rates on the variable rate Financed Eligible Loans based upon one-month LIBOR will be reduced by the amount by which the one-month LIBOR rate is negative. A negative one-month LIBOR rate could reduce the interest rates on such Financed Eligible Loans for one or more interest periods.

The Financed Eligible Loans May be Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are generally non-dischargeable, unless excepting a loan from discharge would impose an undue hardship on the debtor and the debtor's dependents. A number of bankruptcy reform proposals that would alter the treatment of student loans similar to the Financed Eligible Loans under the Bankruptcy Code have been discussed and/or introduced in the Congress of the United States in recent years, including proposals to liberalize the exceptions to the current general nondischargeability of student loans in bankruptcy (*e.g. see* H.R. 770, H.R. 2648 and S. 1414). In addition, bankruptcy courts may interpret the exception for undue hardship on the debtor for dischargeability more liberally than historic judicial precedent. If judicial interpretations become more lenient, a greater number of education loans may satisfy the existing undue hardship exception and become dischargeable under existing law. No assurance can be given as to whether bankruptcy reform legislative proposals will be enacted at the federal level or whether judicial interpretations may change, in each case, in a manner that might affect the Authority's ability to enforce collection of the Financed Eligible Loans.

The discharge of a significant amount of the Financed Eligible Loans could adversely affect the ability of the Authority to pay principal of and interest on the Series 2020-1 Bonds.

Possible Future Changes in Federal Law and Regulations

There are from time to time proposed changes at the federal level, which if pursued, could have an adverse effect on student loan issuers, such as the Authority. Such proposed changes currently being considered in the Congress include, but are not limited to, the following: a student loan borrower's ability to discharge a student loan under the federal bankruptcy code; legislation that would increase borrowing

availability under federal programs which could potentially reduce borrowing under federal or private student loan programs or create new opportunities for borrowers to refinance their private student loans; and various tax and budgetary changes which could impact the Authority. Additionally, administrative agencies charged with implementation of laws previously passed have the ability to adversely impact the Authority through the Consumer Finance Protection Bureau's use of authority to regulate student lending. Also, several 2020 Democratic Presidential candidates have proposed plans or introduced legislation providing for the cancellation or prepayment of student loan debt by the federal government.

The Authority cannot predict whether any or all of these proposals will become effective. Furthermore, there can be no assurance that any future federal law or regulation will not prospectively or retroactively affect the terms and conditions under which student loans are made in a manner that might adversely affect the ability of the Authority to pay the principal of and interest on the Bonds, including the Series 2020-1 Bonds, when due.

Changes in Applicable Law

A significant portion of the Authority's business activity pertains to its portfolio of loans made under the Federal Family Education Loan Program ("FFELP") of the Higher Education Act. While such loans are not a part of the Trust Estate, events that significantly impact such loans could have a detrimental impact on the Authority. See the Financial Statements of the Authority in "APPENDIX E—FINANCIAL STATEMENTS OF THE AUTHORITY" attached hereto.

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act") was enacted into law. The Reconciliation Act eliminated the FFELP effective July 1, 2010 and the origination of new FFELP loans after June 30, 2010. As of July 1, 2010, all loans made under the Higher Education Act have, been, and will be, originated under the Federal Direct Student Loan Program (the "Direct Loan Program"). The terms of existing FFELP loans are not materially affected by the Reconciliation Act.

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

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

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

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

disclosures were not retained. If the interest rate on the Financed Eligible Loans in question exceeds applicable usury laws, that violation could materially adversely affect the enforceability of the Financed Eligible Loans.

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

In addition, several states have recently passed laws requiring the licensing of student loan servicers by the state and adherence to new state regulations governing student loan servicing. To the extent that a Servicer of the Financed Eligible Loans fails to obtain such licenses or to adhere to such regulations, sanctions imposed could impair their ability to adequately perform their role as prescribed under the Indenture. Also, additional state regulatory fees and expenses may cause the Authority's costs relating to the servicing of its Financed Eligible Loans to increase, which may have a negative impact on the Authority.

Military Service Obligations and Natural Disasters

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

The number and aggregate principal balance of the Financed Eligible Loans that may be affected by the application of these statutes and other guidelines will not be known at the time the Series 2020-1 Bonds are issued. If a substantial number of borrowers of the Financed Eligible Loans become eligible for the relief under these statutes and other guidelines, or any actions Congress may take to respond to national disasters, there could be an adverse effect on the total collections on those Financed Eligible Loans and the Authority's ability to provide for payments of principal and interest payments on the Bonds, including the Series 2020-1 Bonds.

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

Pursuant to the Relief Act, student loan borrowers who enter military service shall not incur interest in excess of 6% per year during their military service. Any interest greater than 6% is forgiven by the Authority. As of the Statistical Cut-Off Date, none of the Existing Eligible Loans involve borrowers who have entered into military service and whose Financed Eligible Loans are currently accruing interest at a rate of 6% per year. Ultimately, however, the Authority does not know how many of the Financed Eligible Loans may be affected by the application of the Relief Act. Payments on the Financed Eligible

Loans may be delayed as a result of these requirements, which may reduce the funds available to pay principal and interest on the Bonds, including the Series 2020-1 Bonds.

Federal Financial Regulatory Legislation May Affect the Series 2020-1 Bonds

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

The Dodd-Frank Act will affect the Authority’s future student loan portfolio securitization financing transactions which result in the issuance of asset-backed securities. In December 2014, the SEC and federal banking agencies published final regulations, effective December 24, 2016 for issuers of student loan asset-backed securities, requiring issuers of asset-backed securities or persons who organize and initiate asset-backed securities transactions to retain a portion of the underlying assets’ credit risk. The Authority is, however, currently exempt from such credit risk regulations. In addition, the SEC approved changes to the rules applicable to issuers and sponsors of asset-backed securities under the Securities Act and the Securities Exchange Act of 1934, as amended, which substantially revise Regulation AB and other rules governing the offering process, disclosure and reporting for asset-backed securities issued in registered and certain unregistered transactions. It is not clear how the revisions to Regulation AB will be implemented, and to what extent the Authority may be affected. No assurance can be given that the new standards contained in the amended Regulation AB will not have an adverse impact on the Authority or on the value or marketability of the Bonds, including the Series 2020-1 Bonds.

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

The Dodd-Frank Act gave the CFPB authority to supervise private education lenders. In addition, the CFPB adopted a rule in December 2013 that enables it to federally supervise certain non-bank student loan servicers that service more than one million borrower accounts, to ensure that bank and non-bank servicers follow the same rules in the student loan servicing market. The rule covers both federal and private student loans. Nelnet Servicing, LLC (d/b/a Firstmark Services) (“Nelnet Servicing”), the current Servicer, services more than one million student loan borrower accounts. The CFPB began conducting its initial supervisory examinations of the large nonbank student loan servicers after the rule became effective in March 2014. If the CFPB were to determine that a Servicer is not in compliance, it is possible that this could result in material adverse consequences to such Servicer, including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in a Servicer’s business practices, or other actions. However, it is not possible to estimate at this time any potential financial or other impact to any of the Authority, the Administrator or a Servicer, including any impact on its ability to satisfy its

obligations with respect to the Financed Eligible Loans to be pledged to the Indenture, that could result from the CFPB's examinations, in the event that any adverse regulatory actions occur.

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

Also in December 2013, the banking regulators and other agencies principally responsible for banking and financial market regulation in the United States implemented the final rule under the so-called Volcker Rule under the Dodd-Frank Act, which in general prohibits "banking entities" (as defined therein) from (a) engaging in proprietary trading, (b) acquiring or retaining an ownership interest in or sponsoring certain hedge funds, private equity funds (broadly defined to include any entity that would be an investment company under the Investment Company Act but for the exemptions provided in Section 3(c)(1) or 3(c)(7) of the Investment Company Act) and certain similar funds and (c) entering into certain relationships with such funds. Although the Authority does not rely upon the exemptions in Section 3(c)(1) or 3(c)(7) of the Investment Company Act for an exemption from being an investment company under the Investment Company Act and, as such, is not a covered fund, the general effects of the final rules implementing the Volcker Rule remain uncertain. Any prospective investor in the Series 2020-1 Bonds, including a U.S. or foreign bank or an affiliate or subsidiary thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule and regulatory implementation.

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

Possible Future Changes in State Law and Regulations

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

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

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

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

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

prospectively or retroactively that may affect the terms and conditions under which the Authority is governed or how it is permitted to finance Eligible Loans. Furthermore, such changes may have the result of adversely affecting the ability of the Authority to pay the principal of and interest on the Bonds, including the Series 2020-1 Bonds, when due.

Investigations and Inquiries of the Student Loan Industry

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

There is no assurance that the Authority, the Administrator or a Servicer will not be subject to inquiries or investigations. While the ultimate outcome of any inquiry or investigation cannot be predicted, it is possible that these inquiries or investigations and regulatory developments may materially affect each of the Authority's or the Administrator's ability to perform its obligations under the Indenture and a Servicer's ability to perform its obligations with respect to the Financed Eligible Loans or the Authority's ability to pay principal of and interest on the Bonds, including the Series 2020-1 Bonds, from assets in the Trust Estate.

Potential Risks Related Specifically to the Servicers

Nelnet Servicing will initially service all the Financed Eligible Loans pursuant to a Private Student Loan Origination and Servicing Agreement, dated as of July 11, 2017, between the Administrator and Nelnet Servicing (the "Nelnet Servicing Agreement" and a "Servicing Agreement" pursuant to the Indenture). The Authority is dependent on Nelnet Servicing to provide certain equipment, software, training and related support with respect to the Financed Eligible Loans serviced by it. See the caption "THE BRAZOS PRIVATE LOAN PROGRAMS—Servicing of the Financed Eligible Loans—*The Nelnet Servicing Agreement*" herein. In the event of Nelnet Servicing's insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer, the Authority may lose its ability to access the software and support provided by Nelnet Servicing and delays in collections in respect of those affected Financed Eligible Loans may occur. Any delay in the collections of Financed Eligible Loans may delay payments of principal of and interest on the Bonds, including the Series 2020-1 Bonds.

The Authority May Be Subject to Litigation

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

Repurchase Obligations

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

“THE BRAZOS PRIVATE LOAN PROGRAMS—Servicing of the Financed Eligible Loans—*The Nelnet Servicing Agreement*” and “—Student Loan Purchase Agreement” herein. In addition, under the terms of the Indenture, if any Financed Eligible Loan is found to have been subject to a lien at the time such Financed Eligible Loan was financed that cannot be released, the Authority is required to purchase such Financed Eligible Loan from the Trust Estate or provide a replacement Financed Eligible Loan. There is no guarantee that the Authority, the Seller or a Servicer will have the financial resources to make a purchase or substitution, and if the Authority or the Seller or a Servicer under the Student Loan Purchase Agreement or a Servicing Agreement is unable to make a required purchase or substitution, investors in the Bonds, including the Series 2020-1 Bonds, will bear any resulting loss.

Nelnet Servicing has been the servicer of all of the Financed Eligible Loans since such loans were originated, and performed the loan origination services with respect to the Financed Eligible Loans.

Bankruptcy Could Result in Accelerated Prepayment

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

If, despite all steps taken to prevent such an occurrence, the Authority were to become the subject of a bankruptcy proceeding, the United States Bankruptcy Code could materially limit or prevent the enforcement of the Authority’s obligations, including its obligations with respect to the Bonds, including the Series 2020-1 Bonds. The Authority’s trustee in bankruptcy or the Authority itself as debtor in possession may seek to accelerate payment on the Bonds, including the Series 2020-1 Bonds, and liquidate the assets held under the Indenture. If principal of the Bonds, including the Series 2020-1 Bonds, is declared due and payable, Registered Owners may lose the right to future payments and face reinvestment risks.

Risks Relating to Commingling of Payments on Student Loans

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

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

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

one party to timely and accurately deliver any information, or perform its duties and obligations, could prevent another party from being able to fulfill its duties and obligations.

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

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

A Secondary Market for the Series 2020-1 Bonds May Not Develop

There currently is no secondary market for the Series 2020-1 Bonds. There is no assurance that any market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. If a secondary market for the Series 2020-1 Bonds does develop, the spread between the bid price and the asked price for the Series 2020-1 Bonds may widen, thereby reducing the net proceeds to an investor from the sale of an investor's Series 2020-1 Bonds. The Authority does not intend to list the Series 2020-1 Bonds on any exchange, including any exchange in either Europe or the United States. Under current market conditions, holders may not be able to sell their Series 2020-1 Bonds when they want to do so, and, as a result, they may be required to bear the financial risks of an investment in the Series 2020-1 Bonds for an indefinite period of time, or they may not be able to obtain the price that they wish to receive. The market values of the Series 2020-1 Bonds may fluctuate and movements in price may be significant.

Uncertainty of Available Remedies

The remedies available to the Trustee or the Registered Owners upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (Federal Bankruptcy Code), the remedies specified by the Indenture or any other applicable transaction documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2020-1 Bonds and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, moratorium, insolvency or other similar laws affecting the rights or remedies of creditors generally.

The Series 2020-1 Bonds May Not Be Repaid on their Respective Final Maturity Dates

The Authority expects that final payment of each Series 2020-1 Bond will occur on or prior to its respective final maturity date. Failure to make final payment of a Series 2020-1 Bond on its respective final maturity date would constitute an Event of Default under the Indenture (except that a failure to pay principal on Subordinate Bonds, including the Series 2020-1B Subordinate Tax-Exempt Bonds, is not an Event of Default if any Senior Bonds or Senior-Subordinate Bonds are Outstanding). However, no assurance can be given that sufficient funds will be available to pay each Series 2020-1 Bond in full on or prior to its respective final maturity date. If sufficient funds are not available, final payment of a Series 2020-1 Bond could occur later than its respective final maturity date or a Registered Owner could suffer a loss on its investment.

There Will Be No Market Valuation of the Financed Eligible Loans

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

Factors Affecting Sufficiency and Timing of Receipt of Revenues

The Authority expects that the Revenues to be received under the Indenture will be sufficient to pay principal of and interest on the Series 2020-1 Bonds, and any other Bonds issued pursuant to the Indenture, when due and also to pay all Senior Transaction Fees and Subordinate Transaction Fees until the final maturity of the Series 2020-1 Bonds. This expectation is based upon an analysis of cash flow assumptions, which the Authority believes are reasonable and are derived from the Authority's experience in the student loan industry and the expected performance of the Brazos Private Loan Programs, regarding the timing of the financing of such Financed Eligible Loans to be held pursuant to the Indenture, the future composition of and yield on the Financed Eligible Loan portfolio, the rate of return on moneys to be invested in various Funds and Accounts under the Indenture, and the occurrence of future events and conditions. For a description of the anticipated composition of the Existing Eligible Loans, see the caption "THE FINANCED ELIGIBLE LOANS" herein. There can be no assurance, however, that the Financed Eligible Loans will be financed as anticipated, that interest and principal payments from Financed Eligible Loans will be received as anticipated or that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized. Furthermore, future events over which the Authority has no control may adversely affect the Authority's actual receipt of Revenues pursuant to the Indenture.

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

Delay in the receipt of principal of and interest on Financed Eligible Loans may adversely affect payment of the principal of and interest on the Bonds, including the Series 2020-1 Bonds, when due. Principal of and interest on Financed Eligible Loans may be delayed due to numerous factors, including, without limitation: (a) forbearance being granted to borrowers under the Brazos Private Loan Programs, (b) loans becoming delinquent for periods longer than assumed, (c) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Eligible Loans expected to be held pursuant to the Indenture, and (d) an increase in interest rates on certain variable rate Financed Eligible Loans.

If actual receipt of Revenues under the Indenture or actual expenditures vary materially from those projected, the Authority may be unable to pay the principal of and interest on the Bonds, including the Series 2020-1 Bonds, and other amounts owing on other obligations when due. In the event that Revenues to be received under the Indenture are insufficient to pay the principal of and interest on the Bonds, including the Series 2020-1 Bonds, and amounts owing on other obligations when due, the Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default and to enforce the rights of the Registered Owners, including selling the Financed Eligible Loans and other assets comprising the Trust Estate and acceleration of the payment of the Bonds, including the

Series 2020-1 Bonds. It is possible that the Trustee would not be able to sell the Financed Eligible Loans and the other assets comprising the Trust Estate in a timely manner or for an amount sufficient to permit payment of the principal of and accrued interest on all Outstanding Bonds, including the Series 2020-1 Bonds, then due and all amounts due with respect to other obligations.

Variety of Factors Affecting Borrowers

Collections on the Financed Eligible Loans may vary greatly in both timing and amount from the payments actually due on such Financed Eligible Loans for a variety of economic, social, and other factors. As a result, the Authority may not receive all the payments that are actually due on the Financed Eligible Loans. Failures by borrowers to make timely payments of the principal and interest due on the Financed Eligible Loans or an increase in forbearances could affect the revenues of the Trust Estate, which may reduce the amounts available to pay principal and interest due on the Bonds, including the Series 2020-1 Bonds. The Authority cannot predict with accuracy the effect of these factors, including the effect on the timing and amount of funds available and the ability to pay principal and interest on the Bonds, including the Series 2020-1 Bonds.

Certain general economic conditions, such as a downturn in the economy resulting in decreased employment, either regionally or nationally, may result in an increase in defaults by borrowers in repaying their Financed Eligible Loans. It is impossible to predict the status of the economy or unemployment levels or when, if ever, a downturn in the economy would impair a borrower's ability to repay his or her Financed Eligible Loans. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Such events may also have other effects, the impact of which is impossible to project.

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

The Trust Estate may include Financed Eligible Loans that are in forbearance for which payments are temporarily postponed for a specific period of time and capitalized and will include Financed Eligible Loans for which the borrower is currently required to make payments of principal and interest. The Authority's cash flow, and its ability to make payments due on the Bonds, including the Series 2020-1 Bonds, will be reduced to the extent interest is not currently payable on the Financed Eligible Loans. As of the Statistical Cut-Off Date, the borrowers on approximately 0.7% of the aggregate principal amount of Existing Eligible Loans are not required to make payments during certain authorized periods as described under the caption "THE BRAZOS PRIVATE LOAN PROGRAMS" herein. The proportions of the Financed Eligible Loans that are in forbearance for which payments are temporarily postponed and capitalized and currently in repayment will vary during the period that the Series 2020-1 Bonds are Outstanding. If defaults occur on the Financed Eligible Loans and the remedies or amounts held under the Indenture are not sufficient, Registered Owners may suffer a delay in payment or a loss on their Bonds, including the Series 2020-1 Bonds.

Risk of Geographic Concentration of the Financed Eligible Loans

Currently, under the Brazos Private Loan Programs, Eligible Loans are only made to persons who are Texas residents at the time of origination. Eligible Loan borrowers who are Texas residents at the time of origination may subsequently relocate out of the State of Texas. The Authority cannot predict how many borrowers may relocate to other states. The concentration of the Financed Eligible Loans in specific geographic areas may increase the risk of losses on the Financed Eligible Loans. Economic

conditions in the states where borrowers reside may affect the delinquency, loan loss and recovery experience with respect to the Financed Eligible Loans. As of the Statistical Cut-Off Date, approximately 99.6% of the Financed Eligible Loans by principal balance were to borrowers with current billing addresses in the State of Texas. Economic conditions in any state or region may decline over time and from time to time. Because of the concentrations of the borrowers in the State of Texas, any adverse economic conditions adversely and disproportionately affecting the State of Texas may have a greater effect on the repayment of the Bonds, including the Series 2020-1 Bonds, than if this concentration did not exist.

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

Generally, if an Event of Default occurs and continues under the Indenture, the Trustee, at the direction of Registered Owners (in the percentage specified in the Indenture), will sell the Financed Eligible Loans. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Remedies on Default; Sale of Trust Estate” attached hereto. However, the Trustee may not find a purchaser for the Financed Eligible Loans or the market value of the Financed Eligible Loans plus other assets in the Trust Estate might not equal the principal amount of outstanding Bonds, including the Series 2020-1 Bonds, plus accrued interest. The market for private student loans, including the Financed Eligible Loans, is not as developed as the market for Federal Family Education Loan Program loans made pursuant to the Higher Education Act. There may be fewer potential buyers for the Financed Eligible Loans, and therefore lower prices available in the secondary market. Investors in the Bonds, particularly investors in the Subordinate Bonds, may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the Financed Eligible Loans sufficient to pay the principal amount of the Bonds, including the Series 2020-1 Bonds, plus accrued interest.

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

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

The Authority also intends to acquire additional Eligible Loans during the Acquisition Period relating to the Series 2020-1 Bonds. The acquisition of Eligible Loans during the Acquisition Period (other than the Existing Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

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

Certain Actions May Be Permitted Without Registered Owner Approval

The Indenture permits the Authority to issue Additional Bonds pursuant to a Supplemental Indenture without Registered Owner consent, and further permits the Authority to take a range of actions in connection with its administration of the assets comprising the Trust Estate without either an amendment or supplement to the Indenture or Registered Owner consent, but requires that the Authority satisfy certain other conditions prior to undertaking, or in conjunction with, certain of such actions. The Indenture requirements applicable to such actions may include satisfying a Rating Agency Notification or Rating Agency Condition requirement; however, implementation of such actions which require only a Rating Agency Notification are not conditioned upon any response, or absence thereof, of any Rating Agency. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Rating Agency Confirmation and Rating Agency Notification” herein. The Indenture requires that the Authority make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission. To the extent such actions are taken, investors in the Series 2020-1 Bonds will be relying primarily upon the evaluation by the Authority of the potential impact of such actions upon the ability of the assets comprising the Trust Estate to provide for the full and timely payment of scheduled principal and interest on the Bonds, including the Series 2020-1 Bonds, payment of all Rebate Amounts and Excess Earnings to the U.S. Treasury and payment of all Senior Transaction Fees and Subordinate Transaction Fees. In addition, to the extent that such actions are taken, a resulting adverse rating action by any Rating Agency in response to such Authority action could materially decrease the market value or existence of a secondary market for the Series 2020-1 Bonds. Moreover, the market price or marketability of the Series 2020-1 Bonds could be adversely affected by such actions even in the absence of such an adverse rating action. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Rating Agency Confirmation and Rating Agency Notification” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Less than All of the Registered Owners can Approve Amendments to the Indenture or Waive Defaults under the Indenture

Under the Indenture, Registered Owners of specified percentages of the aggregate principal amount of the Bonds (including, in many cases, only a specified percentage of the aggregate principal amount of the Highest Priority Bonds) may amend or supplement provisions of the Indenture and the Bonds and waive Events of Defaults and compliance provisions without the consent of the other Registered Owners. You have no recourse if such other Registered Owners vote in a manner with which you do not agree. The other Registered Owners may vote in a manner which impairs the ability to pay principal and interest on the Bonds. Also, so long as the Senior Bonds or Senior-Subordinate Bonds are Outstanding, the Registered Owners of the Subordinate Bonds, including the Series 2020-1B Subordinate Tax-Exempt Bonds, will not have the right to exercise certain rights under the Indenture.

Suitability for Investors

The Series 2020-1 Bonds are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the reinvestment, default and market risk of such an investment, the tax consequences of such an investment, and the interaction of these factors.

Certain Factors Relating to Security

The Authority has covenanted in the Indenture that the assets constituting the Trust Estate pledged by the Authority under the Indenture are and will be owned by the Authority free and clear of any

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

Incentive or Borrower Benefit Programs

The Financed Eligible Loans receive a 0.25% interest rate reduction when they are set up to have regular monthly payments deducted electronically from a savings or checking account. Any incentive program that effectively reduces borrower payments on Financed Eligible Loans will result in a reduction of the Revenues received from such Financed Eligible Loans. The Authority cannot accurately predict the number of borrowers that will utilize the borrower benefits provided under the rate relief program currently offered by the Authority. The greater the number of borrowers that utilize such benefits with respect to Financed Eligible Loans, the lower the total loan receipts on such Financed Eligible Loans. See the captions “THE BRAZOS PRIVATE LOAN PROGRAMS—Brazos Refinance Loan Terms—*Interest Rates*” and “—Brazos Parent Loan Terms—*Interest Rates*” herein.

Risks Relating to Book-Entry Registration

The Series 2020-1 Bonds will be represented by one or more certificates registered in the name of Cede & Co., the nominee for The Depository Trust Company, and will not be registered in an individual investor’s name or the name of its nominee. Unless and until definitive securities are issued, holders of the Series 2020-1 Bonds will not be recognized by the Trustee as Registered Owners as that term is used in the Indenture. Until definitive securities are issued, holders of the Series 2020-1 Bonds will only be able to exercise the rights of Registered Owners indirectly through The Depository Trust Company and its participating organizations. See the caption “THE SERIES 2020-1 BONDS—Book-Entry-Only System” herein.

Potential Conflicts of Interest Relating to the Underwriter

The Underwriter may from time to time perform investment banking services for, or solicit investment banking business from, any person named in this Official Statement. The Underwriter and/or its employees or customers may from time to time have a long or short position in the Series 2020-1 Bonds. These long or short positions may be as a result of any market making activities with respect to the Series 2020-1 Bonds. The Underwriter and/or its employees or customers may from time to time enter into hedging positions with respect to the Series 2020-1 Bonds.

There is the Potential for Conflicts of Interest and Regulatory Scrutiny with Respect to the Rating Agency Rating the Series 2020-1 Bonds

It may be perceived that the Rating Agency has a conflict of interest that may have affected the ratings assigned to the Series 2020-1 Bonds where, as is the industry standard and the case with the

ratings of the Series 2020-1 Bonds, the Authority pays the fees charged by the Rating Agency for its rating services.

Furthermore, the Rating Agency has been and may continue to be under scrutiny by federal and state legislative and regulatory bodies for its role in the financial crisis and such scrutiny and any actions such legislative and regulatory bodies may take as a result thereof may also have an adverse effect on the price that a subsequent purchaser would be willing to pay for the Series 2020-1 Bonds and a Registered Owner's ability to resell its Series 2020-1 Bonds.

Ratings of the Series 2020-1 Bonds

It is a condition to the issuance of the Series 2020-1 Bonds that they be rated as indicated under the caption "RATINGS" herein. Ratings are based primarily on the creditworthiness of the underlying Financed Eligible Loans, the amount of credit enhancement and the legal structure of the transaction. The ratings are not a recommendation to investors to purchase, hold or sell the Series 2020-1 Bonds inasmuch as the ratings do not comment as to the market price or suitability for individual investors. An additional rating agency may rate the Series 2020-1 Bonds, and that rating may not be equivalent to the initial rating described in this Official Statement. Ratings may be increased, lowered or withdrawn by any Rating Agency at any time if in such Rating Agency's judgment circumstances so warrant. A downgrade in the rating of the Series 2020-1 Bonds is likely to decrease the price a subsequent purchaser will be willing to pay for Series 2020-1 Bonds.

A rating is not a recommendation to buy or sell Series 2020-1 Bonds or a comment concerning suitability for any investor. A rating only addresses the likelihood of the ultimate payment of principal and stated interest and does not address the likelihood of redemption of the Series 2020-1 Bonds prior to maturity or the market liquidity of the Series 2020-1 Bonds. A rating may not remain in effect for the life of the Series 2020-1 Bonds. See the caption "RATINGS" herein.

Certain actions affecting the Financed Eligible Loans and the Trust Estate may be taken upon a Rating Agency Confirmation or a Rating Agency Notification. See the caption "Certain Actions May Be Permitted Without Registered Owner Approval" above and the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Rating Agency Confirmation and Rating Agency Notification" herein. The giving of a Rating Agency Notification would not limit the ability of the Rating Agency to downgrade its ratings on the Series 2020-1 Bonds on the basis of the related Proposed Action.

There can be no assurance that the ratings of the Series 2020-1 Bonds will not be downgraded or placed on negative watch by a Rating Agency in the future.

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

Certain student loan-backed bonds have been downgraded in connection with rating agencies revising their rating methodologies with respect to failed auction rate securities, basis risk and loan default expectations, among other factors. Adverse action by any rating agency regarding other securities issued by the Authority may adversely affect the market value of the Series 2020-1 Bonds or any secondary market for the Series 2020-1 Bonds that may develop.

THE AUTHORITY

General

The Authority is a nonprofit corporation organized in 1975 under the Texas Nonprofit Corporation Law and is exempt from payment of federal income taxation as a "501(c)(3)" non-profit corporation. The Authority also operates pursuant to the Act on behalf of the City as a qualified nonprofit

corporation. The Authority is located at 2600 Washington Avenue, P.O. Box 1308, Waco, Texas 76703. The Authority has no employees. The Administrator conducts and operates the business affairs of the Authority. See the caption “The Administrator” below. Certain responsibilities of the Authority under the Indenture will be administered by the Administrator pursuant to the Administration Agreement. See the caption “The Administration Agreement” below.

The Authority’s activities are governed by the Act and the Texas Nonprofit Corporation Law. The Authority is authorized to assist students and families in financing and refinancing the cost of higher education by making or purchasing “alternative education loans” and “guaranteed student loans”. Under the Act, “guaranteed student loan” generally refer to guaranteed student loans originated pursuant to the Federal Family Education Loan Program (“FFELP Loans”) and “alternative education loans” generally refer to any loan other than a guaranteed student loan that is made to a student, a former student, or any other person or for the benefit of a student or former student for the purpose of financing or refinancing all or part of the student’s or former student’s cost of attendance at an accredited institution. Under the Act, the City has no liabilities, costs or expenses relating to the Authority’s student loan program or bonds. The Authority has no power to tax and does not have the power of eminent domain.

In 1980, the Authority initiated a program to fund FFELP Loans. The Authority has funded FFELP Loans from the proceeds of bonds issued pursuant to indentures of trust separate and apart from the Indenture. From 1980 through 2018, the Authority has closed 51 separate investment grade bond issues that provided FFELP Loans to students and families. The Affordable Care Act of 2010 eliminated new originations under the Federal Family Education Loan Program.

Since inception, the Authority has financed approximately \$16.7 billion of guaranteed student loans.

In 2018, the Authority introduced the Brazos Private Loan Programs that provide credit-based fixed rate and variable rate loan options to Texas residents. Initially, the Brazos Private Loan Programs include the Brazos Refinance Student Loan Program and the Brazos Parent Student Loan Program. These private credit based loans constitute alternative education loans under the Act. The Brazos Refinance Student Loan Program allows responsible borrowers to refinance their existing student loans at lower interest rates, with zero fees and multiple repayment options. The Brazos Parent Student Loan Program provides an affordable way for parents, family members or friends to help pay for a benefiting student’s undergraduate or graduate education. Information about the Brazos Private Loan Programs, as well as the online application process, is available at the Authority’s website studentloans.com. See the caption “BRAZOS PRIVATE LOAN PROGRAMS” herein for descriptions of the Brazos Private Loan Programs.

On October 31, 2019, the Authority issued its Series 2019-1 Bonds pursuant to the Indenture. The Series 2019-1 Bonds were the first issuance of Bonds under the Indenture and were the first Bonds issued to expand the Brazos Private Loan Programs. As part of this initial issuance, \$20.3 million of bond proceeds were deposited to the Student Loan Fund for the acquisition of additional Eligible Loans originated under the Brazos Private Loan Programs during the subsequent 12-month acquisition period established for the Series 2019-1 Bonds. Through a variety of direct to consumer marketing initiatives, the Authority successfully used all of these prefunding amounts for Eligible Loan originations in less than a three month period following the closing date.

Board of Directors

The Authority is governed by a Board of Directors currently consisting of nine Directors. All Directors are appointed by the City Council of the City. The City Council may remove Directors of the Authority at any time for cause by a majority vote. Directors serve two-year staggered terms of office.

The members of the Board of Directors serve without compensation, except for the reimbursement of expenses incurred in connection with the business of the Authority. No officer or employee of the City is eligible for appointment as a Director under the Act.

<u>Name</u>	<u>Principal Occupation</u>	<u>Term Expires</u>	<u>Board Tenure*</u>
Mrs. Joyce Packard President	Dean of Women and Supervisor of Student Teachers, Baylor University (retired), Waco, Texas	January, 2022	26 Years
Paul McClinton Vice President	Chairman, Credit Corporation of America, Waco, Texas	January, 2021	2 Years
Bob Chambers	Chairman & CEO, Automatic Chef Co. (retired), Waco, Texas	January, 2022	17 Years
Tom Chase	Chairman, Insurors Indemnity, Waco, Texas	January, 2021	10 Years
Claude Ervin	Chairman of the Waco Scottish Rite Bodies (retired), Waco, Texas	January, 2021	8 Years
Harry Harelik	President of McLennan Community College Foundation (retired), Waco, Texas	January, 2021	2 Years
John Hatchel	Assistant City Manager, City of Waco (retired), Waco, Texas	January, 2021	8 Years
Peter Kultgen	President, Bird Kultgen Ford, Waco, Texas	January, 2022	6 Years
Larry Smith	Assistant Vice President, University Development, Baylor University, Waco, Texas	January, 2021	14 Years

*Number of years of continuous service on the Board.

Outstanding Revenue Bonds of the Authority

The Authority, as of January 31, 2020, had Outstanding Bonds issued pursuant to the Indenture in the respective principal amounts as follows:

<u>Series of Bonds</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>
Series 2019-1A Senior Taxable Bonds	\$18,850,000	\$18,850,000
Series 2019-1A Senior Tax-Exempt Bonds	15,050,000	15,050,000
Series 2019-1B Subordinate Tax-Exempt Bonds	<u>3,800,000</u>	<u>3,800,000</u>
Total	<u>\$37,700,000</u>	<u>\$37,700,000</u>

In addition, the Authority has issued student loan revenue bonds pursuant to other indentures, which bonds are secured by separate and distinct trust estates. The assets of each trust estate are not cross-collateralized or cross-defaulted with the assets of any other trust estate. The total aggregate outstanding principal amount of all of the student loan revenue bonds issued by the Authority as of January 31, 2020, was \$1,233,612,000. See Note 5 to the Financial Statements of the Authority in “APPENDIX E—FINANCIAL STATEMENTS OF THE AUTHORITY” attached hereto. See the caption “Financial Statements” below.

Financial Statements

The financial statements of the Authority at June 30, 2019 and 2018 and for the years then ended, included in Appendix E to this Official Statement, have been audited by BKD, LLP, Independent Auditors, as set forth in their report related thereto. The Authority’s financial statements include information with respect to its loan programs generally, including its FFELP Loan program and other information regarding the Authority. These financial statements only general background information. BKD, LLP, the Authority’s independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. BKD, LLP, also has not performed any procedures relating to this Official Statement. Since the Bonds, including the Series 2020-1 Bonds, are limited obligations of the Authority, payable solely from the Financed Eligible Loans and other assets pledged to the Trustee under the Indenture, the overall financial status of the Authority, or that of its other programs, does not indicate and does not affect whether the Trust Estate will be sufficient to fund the timely and full payment of principal and interest on the Bonds, including the Series 2020-1 Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS” herein.

The Administrator

The Administrator is a private non-profit corporation organized on September 18, 1980, under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, to provide or cause to be provided student loan servicing and administrative support services to certain non-profit holders of student loans, including the Authority and the Seller. The Administrator can be contacted at 2600 Washington Avenue, P.O. Box 1308, Waco, Texas 76703.

The Administrator has served as the administrator on over 100 student loan financings that aggregate in excess of \$28.9 billion of student loan revenue bonds.

The Administrator is headquartered in the City of Waco, Texas and is governed by a nine-member Board of Directors. The members of the Board of Directors serve without compensation, except for the payment of expenses in connection with the business of the Administrator.

As of January 31, 2020, the total number of student loan accounts managed by the Administrator as an administrator was approximately 619,844 aggregating approximately \$4,216,226,866 in principal amount.

Since 1995, the Administrator has managed over \$850 million in private credit student loans under a variety of programs. These private credit student loans have been financed in 13 separate bond issues that the Administrator has administered. As of January 31, 2020, the total number of private credit student loan accounts managed by the Administrator was approximately 23,287 aggregating approximately \$188,534,658 in principal amount. The Administrator regularly publishes investor reports at studentloans.com and actively manages investor relations.

As of January 31, 2020, the Administrator had approximately 34 full time employees. The management team of the Administrator includes the following officers:

Ben Litle, President and Chief Executive Officer. Mr. Litle joined the Administrator in June, 2010. Prior to joining the Administrator, he served as a principal in the law firm of Squire, Sanders & Dempsey, LLP. Mr. Litle has over 17 years of experience in the student lending business. He currently serves on the Board of Directors of the Administrator and the Brazos Education Foundation. He also serves on the Board of Directors and Government Relations Committee of the National Council of Higher Education Resources. Mr. Litle graduated cum laude from Miami University with a B.A. in economics and obtained his J.D. from Duke University School of Law.

Ricky Turman, Executive Vice President and Chief Operating Officer & Chief Financial Officer. Mr. Turman joined the Administrator in November, 1992. Prior to joining the Administrator, he worked in public accounting. Mr. Turman has over 26 years of experience in the student lending business. He currently serves on the Board of Trustees for McLennan Community College and on the Board of Directors of the Brazos Education Foundation. Mr. Turman graduated with a BBA in Accounting and a Master in Taxation from Baylor University. Mr. Turman is a Certified Public Accountant, licensed in the State of Texas.

Kelli Fernandez Uttech, Vice President and General Counsel. Mrs. Uttech joined the Administrator in October, 1999. Prior to joining the Administrator, she worked as an attorney in private practice and in the McLennan County District Attorney's office. Mrs. Uttech has over 18 years of experience in the student lending business. Mrs. Uttech graduated magna cum laude from the University of Houston with a B.S. in Political Science and obtained her J.D. from the University of Texas School of Law.

Sam Redden, Senior Vice President of Technology. Mr. Redden joined the Administrator in November, 2005. Prior to joining the Administrator, he worked as a Technical Consultant for various businesses in managing their networks, computer platforms and production applications. Mr. Redden has over 11 years of experience as the head of Information Technology. Mr. Redden is a Veteran, having served in the United States Army, and an author of several computer technical how to books and computer application manuals.

John Wright, Director of Structured Finance. Mr. Wright joined the Administrator in November, 2003. Prior to joining the Administrator, he worked at several student loan companies including Sallie Mae. Mr. Wright has over 30 years of experience in the student lending business. Mr. Wright graduated from the University of Maryland with a B.S. in Economics.

The Administrator has agreed to perform various administrative activities and obligations on behalf of the Authority under the Administration Agreement. These include providing all necessary personnel, facilities, equipment, forms and supplies for operating the Brazos Private Loan Programs and Authority's financing activities in accordance with the Indenture; disseminating information to the Trustee and to other persons under the Indenture; controlling and accounting for the receipt and expenditure of the Authority's funds; reviewing all statements and reports to the Authority required of the Trustee in accordance with the provisions of the Indenture; and preparing and submitting to the Trustee the Monthly Reports required to be made available to the Registered Owners pursuant to the Indenture. The Administrator also has agreed to provide general oversight of the origination, servicing and collection of the Financed Eligible Loans.

The Administrator is not a student loan servicer or originator. Pursuant to the Administration Agreement, the Administrator is required to cause there to be provided loan origination processing

services and loan servicing and collection services with respect to the Financed Eligible Loans by contracting with an eligible Servicer and, as applicable, collection agencies. Initially, the Administrator has entered into a Servicing Agreement with the Servicer to perform these services, and may enter into one or more additional Servicing Agreements with several separate loan servicing entities to the extent permitted under the Indenture. See the caption “The Administration Agreement” below.

The Administration Agreement

The Authority has entered into the Administration Agreement with the Administrator pursuant to which the Authority authorizes and appoints the Administrator to act as its exclusive agent for the purpose of engaging and managing the Servicers of the Financed Eligible Loans and performing certain administrative duties under the Indenture as provided therein. The Authority authorizes the Administrator to enter into servicing contracts with one or more entities acting as a Servicer pursuant to such contracts, to provide for the servicing of the Financed Eligible Loans pursuant to the Indenture and to meet administrative obligations of the Authority that are set forth in the Administration Agreement. The Administrator covenants and agrees to cause the Servicers to service each Financed Eligible Loan in compliance with all requirements of the Program Guidelines and all other laws and regulations applicable to their activities under the Indenture, and in accordance with the terms and conditions of the Indenture, and to perform all services and duties customary to the servicing of the Financed Eligible Loans, including all collection practices. In connection therewith, the Administrator may designate a collection agent or agents to undertake reasonable collection efforts on behalf of the Authority with respect to any Defaulted Loans in accordance with customary industry standards and practices. All such collection efforts are required to be conducted in material compliance with all applicable federal, state and local laws, including any applicable consumer protection laws. If a designated collection agent successfully collects amounts owed from borrowers on Defaulted Loans, such designated collection agent may be compensated for such collection efforts by deducting and retaining a customary percentage of amounts collected from borrowers, as well as any related collection expenses, with all remaining amounts collected from borrowers being promptly deposited to the Revenue Fund under the Indenture. A designated collection agent is permitted to reschedule, revise, defer or otherwise compromise payments or take other reasonable actions with respect to Financed Eligible Loans that are Defaulted Loans in connection with maximizing the recovery on such Financed Eligible Loans. A designated collection agent shall also be permitted to cease collection and servicing efforts with respect to any Financed Eligible Loan when and if the Authority or the Administrator determines that the probable costs of collection and servicing exceed the expected proceeds of collection or that the Financed Eligible Loan is unsuitable for continued collection efforts.

The Administrator is required to cause the duties and responsibilities of the Authority under the Indenture to be performed. The Administrator advises the Authority when action by the Authority is necessary to comply with the Authority’s duties under the Indenture and the agreements relating thereto. The Administrator will prepare for execution, if required, by the Authority, or shall cause the preparation by other appropriate persons of all such documents, reports, filings, instruments, certificates and opinions as it shall be the duty of the Authority to prepare, file or deliver pursuant to the Indenture. The Administrator covenants to satisfy all of its obligations set forth in the Administration Agreement. The Administrator is required to maintain in effect all qualifications required in order to perform the duties and obligations set forth in the Administration Agreement and comply in all material respects with all requirements of law if a failure to comply would have a materially adverse effect on its ability to perform the duties and obligations of the Administrator set forth in the Administration Agreement. If the Administrator or the Authority deems it necessary or desirable, any of the administrative services performed by the Administrator may be subcontracted by the Administrator. Any such subcontractor must be approved in writing by the Authority and written notice delivered to the Trustee.

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

The Administration Agreement will terminate upon the occurrence of the earlier of (a) the termination of the Indenture, and (b) early termination following an Administrator Default, as defined and described below. No resignation or termination will become effective until a successor Administrator has assumed the Administrator’s administrative obligations and duties under the Administration Agreement.

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

(a) any failure by the Administrator to cause delivery of any payments received with respect to the Financed Eligible Loans to the Trustee as required by the Administration Agreement, which failure continues unremedied for 10 Business Days after written notice of such failure is received by the Administrator from the Trustee or the Authority or after discovery of such failure by an officer of the Administrator; or

(b) any failure by the Administrator to maintain Servicing Agreements with Servicers with respect to the servicing of Financed Eligible Loans pledged under the Indenture, which failure shall (i) materially and adversely affect the rights of holders of Bonds and (ii) continue unremedied for a period of ninety (90) days after the date of discovery of such failure by an officer of the Administrator or on which written notice of such breach or failure, requiring the same to be remedied, shall have been given (A) to the Administrator, by the Trustee or the Authority, or (B) to the Administrator or the Trustee by holders of Bonds representing not less than two-thirds of the Highest Priority Bonds Outstanding; provided, however, if the Administrator proceeds to take curative action with respect to any such failure, which, if begun and prosecuted with due diligence, can cure the failure but cannot be completed within ninety (90) days, then that period will be extended to the extent necessary to enable the Administrator to diligently complete that curative action; or

(c) any breach of a representation or warranty of the Administrator contained in the Administration Agreement or failure by the Administrator duly to observe or to perform in any material respect any term, covenant or agreement set forth in the Administration Agreement or in any Servicing Agreement to which the Administrator is a party (other than any breach of a representation or warranty or failure to observe any, term covenant or agreement of which is specifically dealt with in another “Administrator Default”), which breach or failure shall (i) materially and adversely affect the rights of holders of Bonds and (ii) continue unremedied for a period of 60 days after the date of discovery of such failure by an officer of the Administrator or on which written notice of such breach or failure, requiring the same to be remedied, shall have been given (A) to the Administrator, by the Trustee or the Authority, or (B) to the Administrator or the Trustee by holders of Bonds representing not less than two-thirds of the Highest Priority Bonds Outstanding; or

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

materially and adversely affect the ability of the Administrator to perform its obligations under the Administration Agreement or materially and adversely affect the rights of holders of Bonds; or

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

If an Administrator Default has occurred and is continuing, the Authority and the Trustee acting together may or, at the written direction of 100% of the Registered Owners of the Highest Priority Bonds then Outstanding, the Authority and the Trustee will, by notice then given in writing to the Administrator, terminate all the rights and obligations (other than the indemnification rights and obligations described below) of the Administrator under the Administration Agreement. The Trustee covenants, represents and agrees that upon any termination of the Administrator pursuant to the Administration Agreement, the Trustee (i) may perform the duties of the Administrator specified in the Administration Agreement, (ii) will appoint a successor Administrator to perform such duties whose regular business includes similar administrative and servicing duties or (iii) will petition a court for the appointment of a successor Administrator. If the Trustee is unable to appoint a successor Administrator within four months of any Administrator Default that results in the termination of an administrator as described above, the Trustee shall petition a court for the appointment of a successor whose regular business includes similar administrative duties relating to Financed Eligible Loans and for which a Rating Agency Notification shall first be satisfied and for which the Authority has consented to in writing which consent shall not be unreasonably withheld. The Administrator agrees to cooperate with the successor Administrator, the Trustee and the Authority in effecting the termination of the responsibilities and rights of the Administrator under the Administration Agreement.

The Administration Agreement may be amended, supplemented or modified only by written instrument duly executed by the Administrator, the Authority and the Trustee. So long as any Bonds remain Outstanding under the Indenture, a Rating Agency Notification is required to be satisfied with respect to any such amendment, supplement or modification; provided that, the Administration Agreement may be amended at any time upon the mutual written consent of the parties to cure any ambiguity, defect, or omission in the Administration Agreement without a Rating Agency Notification upon receipt of an opinion of Bond Counsel that any such amendment or modification will not materially adversely affect the rights or security of the Registered Owners, is authorized and permitted by the Administration Agreement and all conditions precedent have been satisfied.

The Administrator shall not have any liability to the Authority or the holders of Bonds for taking any action or for refraining from taking any action pursuant to the Administration Agreement, or for errors in judgment; provided, however, that the Administrator will not be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or negligence in the performance of the Administrator's duties under the Administration Agreement or by reason of reckless disregard of its obligations and duties under the Administration Agreement.

The Authority is required to indemnify and hold the Administrator harmless from all loss, liability, or expense (including reasonable attorneys' fees) except for any loss, liability or expense arising out of or relating to the Administrator's willful misconduct or negligence with regard to the performance

of services under the Administration Agreement or breach of its obligations under the Administration Agreement. Subject to the limitations described below, the Administrator is required to indemnify and hold the Authority harmless from all loss, liability and expense (including reasonable attorneys' fees) arising out of or relating to the Administrator's willful misconduct or negligence with regard to performance of services under the Administration Agreement or breach of its obligations under the Administration Agreement, provided that in no event shall the Administrator be responsible or liable for any incidental, special or consequential damages with respect to any matter whatsoever arising out of the Administration Agreement.

Upon the discovery of a breach of certain covenants that have a materially adverse effect on the Financed Eligible Loans, the Administrator will be obligated to use reasonable efforts to cause the purchase or substitution of the adversely affected Financed Eligible Loan by the applicable Servicer unless the breach is cured within the time period prescribed in the applicable Servicing Agreement. The purchase or substitution and reimbursement obligations of the Administrator will constitute the sole remedy available to the Authority for such uncured breach. In all cases, with respect to any breach by a Servicer that affects a Financed Eligible Loan under the Administration Agreement, the Administrator's liability described in this paragraph will be limited to payments or substitutions received from such Servicer.

PLAN OF FINANCE

The Authority plans to use the proceeds of the Series 2020-1 Bonds, together with other available funds of the Authority, to (a) provide moneys to finance additional Eligible Loans, (b) make an additional deposit to the Debt Service Reserve Fund and (c) pay the costs related to the issuance of the Series 2020-1 Bonds. Upon the issuance of the Series 2020-1 Bonds, the Aggregate Value, which includes the Eligible Loans, cash and investments pledged under the Indenture, will be at least \$112,030,753, the aggregate principal amount of Bonds will be \$105,290,000, net assets under the Indenture will be at least \$6,740,753, the initial Senior Parity Percentage will be at least 119.58% and the initial Overall Parity Percentage will be at least 106.40%.

ESTIMATED SOURCES AND USES OF PROCEEDS

The Authority estimates the sources and uses of funds in connection with the issuance of the Series 2020-1 Bonds as follows:

SOURCES OF FUNDS:

Principal Amount of Series 2020-1 Bonds.....	\$67,590,000
Original issue premium.....	2,934,500
Available Funds of the Authority.....	<u>1,707,305</u>
Total Sources:	<u>\$72,231,805</u>

USES OF FUNDS:

Deposit to Student Loan Fund	
To acquire Eligible Loans on the Closing Date	\$ 8,500,000
To finance additional Eligible Loans	61,500,000
Deposit to Debt Service Reserve Fund	1,351,800
Costs of Issuance.....	<u>880,005</u>
Total Uses:	<u>\$72,231,805</u>

Approximately \$8.5 million of the amounts deposited to the Student Loan Fund in connection with the issuance of the Series 2020-1 Bonds will be used on the Closing Date to acquire (i) Eligible Loans previously originated by the Seller and (ii) additional Eligible Loans originated by the Seller after the Statistical Cut-Off Date but prior to the Closing Date (and not included in the Existing Eligible Loans described under the caption “THE FINANCED ELIGIBLE LOANS” herein). The remaining approximately \$61.5 million of the amounts deposited to the Student Loan Fund in connection with the issuance of the Series 2020-1 Bonds will be used to acquire additional Eligible Loans from the Seller during the Acquisition Period relating to the Series 2020-1 Bonds. The acquisition of Eligible Loans during the Acquisition Period (other than any Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

The actual amounts of: (a) moneys to be transferred to the Authority to acquire Eligible Loans on the Closing Date; and (b) principal and accrued interest on the Eligible Loans credited to the Student Loan Fund, will not be determined until the Closing Date. To the extent the principal amount plus accrued interest of such Eligible Loans so credited to the Student Loan Fund on the Closing Date is less than the amounts set forth in the preceding paragraph, a corresponding amount of moneys described in such paragraph will be retained in the Student Loan Fund and will be used to finance additional Eligible Loans during the Acquisition Period relating to the Series 2020-1 Bonds.

The Existing Eligible Loans (which includes the Financed Eligible Loans already held under the Indenture and the Eligible Loans expected to be acquired and pledged under the Indenture on the Closing Date) are the Financed Eligible Loans referred to and described under “THE FINANCED ELIGIBLE LOANS” herein.

THE BRAZOS PRIVATE LOAN PROGRAMS

General

In 2018, the Authority introduced the Brazos Private Loan Programs that provides credit-based fixed rate and variable rate loan options to residents of the State of Texas. The Brazos Private Loan Programs currently include two loan programs:

- The Brazos Refinance Student Loan Program provides loans to refinance outstanding education loans, including outstanding private credit student loans, loans made under the FFELP Program and loans made under the Federal Direct Loan Program of a Texas borrower that graduated from an eligible post-secondary school (“Brazos Refinance Loans”).
- The Brazos Parent Student Loan Program provides loans to a parent or other individual to finance the qualified education expenses of an eligible benefiting student attending an eligible post-secondary school (“Brazos Parent Loans”).

Private loans made under the Brazos Private Loan Programs are unsecured loans that are structured to meet the requirements for “qualified education loans” and thus are intended to generally be non-dischargeable (absent a showing of undue hardship) under Section 523(a)(8) of the U.S. Bankruptcy Code.

Except for market adjustments to interest rates, the terms of the private loans offered pursuant to the Brazos Private Loan Programs have not changed since the program was launched. The Authority reserves the right to alter the terms and conditions of the Brazos Private Loan Programs and to apply the Indenture funds to finance loans under the Brazos Private Loan Programs that are subject to such altered terms and conditions upon the satisfaction of the Rating Agency Notification. See the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

The following summary describes certain material terms of the Brazos Private Loan Programs.

Origination and Disbursement Process

Under the Brazos Private Loan Programs, all Brazos Refinance Loans and Brazos Parent Loans are originated by the Seller. See the caption “The Program Originator” below. Under the Nelnet Servicing Agreement, Nelnet Servicing currently acts as loan originating agent and performs origination processes, including application processing, credit underwriting, all required verifications, disbursement delivery, and school certifications for the Brazos Parent Loan. See the caption “Servicing of the Financed Eligible Loans—*The Nelnet Servicing Agreement*” below.

Under the Nelnet Servicing Agreement, Nelnet Servicing also currently acts as loan disbursement agent for the Brazos Private Loan Programs. The proceeds of Brazos Refinance Loans are paid directly by Nelnet Servicing to the holders or servicers of the loans being refinanced. No cash is disbursed directly to any borrower of a Brazos Refinance Loan. The Brazos Parent Loans are school-certified, and the proceeds are disbursed by Nelnet Servicing directly to the applicable schools. No cash is disbursed directly to any borrower of a Brazos Parent Loan.

Loan Servicing

Once disbursed, loans under the Brazos Private Loan Programs are converted from Nelnet Servicing’s proprietary origination system to Nelnet Servicing’s servicing system for servicing. Under the Nelnet Servicing Agreement, Nelnet Servicing is required to obtain and maintain all information that is necessary to properly service the loans. See the captions “Servicing of the Financed Eligible Loans—*Nelnet Servicing*” and “—*The Nelnet Servicing Agreement*” below.

Brazos Refinance Loan Terms

Eligibility. To be eligible for a Brazos Refinance Loan under the Brazos Refinancing Student Loan Program an applicant must meet certain eligibility requirements, including that the applicant must:

- be a United States citizen or National, or permanent resident;
- be a resident of the State of Texas;
- be able to meet the borrower credit requirements (as described below), including a no adverse history requirement;
- have graduated and received at least an undergraduate bachelor’s degree from an accredited, Title IV eligible public or private nonprofit 4-year degree-granting institution; and

- Must be applying to refinance at least one outstanding, fully-disbursed qualified education loan as defined by the Code. All loans to be refinanced and consolidated must be “qualified education loans”.

Borrower Credit Requirements. The borrower credit requirements for a Brazos Refinance Loan are extensive and require: (i) that borrowers or cosigners have a minimum FICO score of 720 (provided that borrowers applying with an eligible cosigner may have a minimum FICO score of 690); (ii) no presence of any specified credit derogatories in the borrower’s consumer report; (iii) at least \$60,000 of verified borrower annual gross income (at least \$30,000 if applying with an eligible cosigner); and (iv) that borrowers or cosigners (if applying with a eligible cosigner) have a debt-to-income ratio of 40% or less.

Cosigners. Borrowers that have a verified annual gross income of at least \$30,000 and a FICO score of at least 690 may qualify with an eligible cosigner. To be eligible, a cosigner must pass all of the borrower credit requirements described above. The Brazos Private Loan Programs does not currently include a cosigner release program.

Loan Limits. Brazos Refinance Loans are made subject to a minimum loan amount of \$10,000 and a maximum loan amount of \$150,000 for borrowers with at least a bachelor’s degree and \$250,000 for borrowers with a graduate or professional degree.

Interest Rates. The Brazos Refinance Loan is offered in either a fixed interest rate or a variable interest rate. The Brazos Refinance Loan has tiered, risk- and term-based pricing. For the fixed rate, the interest rate is determined based upon the credit score of the borrower and, if applicable, the cosigner, and the repayment term selected.

The variable interest rate is equal to the “rate index” described below plus the margin. The interest rate margin is determined based upon the credit score of the borrower and, if applicable, the cosigner, and the repayment term selected.

The variable interest rate may change on the first day of the calendar month after the rate index is determined (a “Change Date”). A change in the variable interest rate will cause the monthly payment amount to change.

The rate index will be the One-Month LIBOR that was published in *The Wall Street Journal* “Money Rates” table on the twenty-fifth (25th) day (or if such a day is not a business day, the next business day thereafter) of the month immediately preceding the Change Date. For example, the rate index that will be used on the Change Date of April 1 will be the rate index that was published on March 25. The rate index will be in effect for each monthly period from the Change Date through and including the last day of the calendar month. If the One-Month LIBOR is discontinued or substantially altered, a comparable substitute for the One-Month LIBOR rate will be determined by the Authority.

Interest rates for all Brazos Refinance Loans are capped at 9.90%.

All borrowers are eligible for a 0.25% interest rate reduction when they are set up to have regular monthly payments deducted electronically from a savings or checking account (the “Auto-Pay Discount”). If a borrower is receiving the Auto-Pay Discount and subsequently enters into an approved forbearance period (as described below), the interest rate reduction will cease. A borrower may receive the Auto-Pay Discount benefit again, if they re-enroll in auto debit after their forbearance ends.

Fees. The Brazos Refinance Loan does not include any origination fees or application fees. The Brazos Refinance Loan does include a late payment fee of 5% of the entire payment that was not paid when due or \$7.50 whichever is greater up to maximum of \$35 per month, if the borrower fails to make any part of a payment within 15 days of its due date.

Repayment. Brazos Refinance Loans are offered with repayment terms of 5, 7, 10, 15 and 20-years. Repayment begins immediately upon disbursement. There is no grace period. Brazos Refinance Loans only include a standard repayment plan. For the fixed rate loan, a borrower makes approximately equal monthly payments of principal and interest over the term of the loan. Variable rate loans are reamortized on a monthly basis to ensure the loan pays off in the applicable repayment term. All loans include a minimum monthly payment of \$50. The Brazos Refinance Loan does not currently include any graduated repayment or income based repayment options.

The Brazos Refinance Loan may be prepaid in whole or in part at any time without penalty.

Under certain circumstances described below, borrowers may be eligible for loan forbearance. In this case, the borrower is permitted to temporarily postpone making monthly loan payments for a specific period of time. The three types of payment forbearance offered are:

- A hardship forbearance that is approved in three (3) month increments, with an aggregate limit not to exceed twelve (12) months;
- A natural disaster (as verified via the FEMA website) forbearance in three (3) month increments with an aggregate limit not to exceed twelve (12) months; and
- A military forbearance that covers active duty status in any of the U.S. Armed Forces if either the borrower or cosigner is on active duty. The maximum aggregate time for a military forbearance is thirty six (36) months.

Interest continues to accrue during periods of forbearance. At the end of the forbearance period, the accrued interest is added to the balance of the Brazos Refinance Loan and the loan is reamortized to ensure the loan pays off in the applicable repayment term.

Brazos Parent Loan Terms

Eligibility. To be eligible for a Brazos Parent Loan under the Brazos Parent Student Loan Program an applicant must meet certain eligibility requirements, including that the applicant must:

- be a United States citizen or National, or permanent resident;
- be a resident of the State of Texas;
- be able to meet the borrower credit requirements (as described below), including a no adverse history requirement; and
- must be applying to finance the education of an eligible benefiting student attending an eligible school.

The benefiting student must meet all of the following requirements to be eligible: enrolled at least half time in an accredited, Title IV eligible public or private nonprofit 4-year degree-granting institution as certified by the school; be enrolled in a degree granting program; and must maintain

satisfactory academic progress (demonstrated by school certification or verification of continued enrollment).

Borrower Credit Requirements. The borrower credit requirements for the Brazos Parent Loan are extensive and require: (i) that borrowers or cosigners have a minimum FICO score of 720 (provided that borrowers applying with an eligible cosigner may have a minimum FICO score of 690); (ii) no presence of any specified credit derogatories in the borrower's consumer report; (iii) at least \$60,000 of verified borrower annual gross income (at least \$30,000 if applying with an eligible cosigner); and (iv) that borrowers or cosigners (if applying with a eligible cosigner) have a debt-to-income ratio of 40% or less.

Cosigners. Borrowers that have a verified annual gross income of at least \$30,000 and a FICO score of at least 690 may qualify with an eligible cosigner. To be eligible, a cosigner must pass all of the borrower credit requirements described above. The Brazos Private Loan Programs does not currently include a cosigner release program.

Loan Limits. Brazos Parent Loans are made subject to a minimum loan amount of \$1,000 and may be up to the cost of attendance, less other financial aid, as certified by the school.

Interest Rates. The Brazos Parent Loan is offered in either a fixed interest rate or a variable interest rate. The Brazos Parent Loan has tiered, risk- and term-based pricing. For the fixed rate, the interest rate is determined based upon the credit score of the borrower and, if applicable, the co-signer, and the repayment term selected.

The variable interest rate is equal to the "rate index" as described below plus the margin. The interest rate margin is determined based upon the credit score of the borrower and, if applicable, the co-signer, and the repayment term selected.

The variable interest rate may change on a Change Date after the rate index is determined. A change in the variable interest rate will cause the monthly payment amount to change.

The rate index will be the One-Month LIBOR that was published in *The Wall Street Journal* "Money Rates" table on the twenty-fifth (25th) day (or if such a day is not a business day, the next business day thereafter) of the month immediately preceding the Change Date. For example, the rate index that will be used on the Change Date of April 1 will be the rate index that was published on March 25. The rate index will be in effect for each monthly period from the Change Date through and including the last day of the calendar month. If the One-Month LIBOR is discontinued or substantially altered, a comparable substitute for the One-Month LIBOR rate will be determined by the Authority.

Interest rates for all Brazos Parent Loan are capped at 9.90%.

All borrowers are eligible for a 0.25% Auto-Pay Discount interest rate reduction. If a borrower is receiving the Auto-Pay Discount and subsequently enters into an approved forbearance period (as described below), the interest rate reduction will cease. A borrower may receive the Auto-Pay Discount benefit again, if they re-enroll in auto debit after their forbearance ends.

Fees. The Brazos Parent Loan does not include any origination fees or application fees. The Brazos Parent Loan does include a late payment fee of 5% of the entire payment that was not paid when due or \$7.50 whichever is greater up to maximum of \$35 per month, if the borrower fails to make any part of a payment within 15 days of its due date.

Repayment. Brazos Parent Loans are offered with repayment terms of 5, 7, 10, 15 and 20-years.

The Brazos Parent Loan may be made to cover an academic year and may be disbursed in a single or multiple disbursements. The academic year and number of disbursements are established by the eligible school through the school certification. Repayment begins immediately upon full disbursement. Any interest accrued prior to full disbursement is capitalized. There is no grace period or in-school deferment of interest. Brazos Parent Loans only include a standard repayment plan. For the fixed rate loan, a borrower makes approximately equal monthly payment of principal and interest over the term of the loan. Variable rate loans are reamortized on a monthly basis to ensure the loan pays off in the applicable repayment term. All loans include a minimum monthly payment of \$50. The Brazos Parent Loan does not currently include any graduated repayment or income based repayment options.

The Brazos Parent Loan may be prepaid in whole or in part at any time without penalty.

Under certain circumstances described below, borrowers may be eligible for loan forbearance. In this case, the borrower is permitted to temporarily postpone making monthly loan payments for a specific period of time. The three types of payment forbearance offered are:

- A hardship forbearance that is approved in three (3) month increments, with an aggregate limit not to exceed twelve (12) months;
- A natural disaster (as verified via the FEMA website) forbearance in three (3) month increments with an aggregate limit not to exceed twelve (12) months; and
- A military forbearance that covers active duty status in any of the U.S. Armed Forces if either the borrower or cosigner is on active duty. The maximum aggregate time for a military forbearance is thirty six (36) months.

Interest continues to accrue during periods of forbearance. At the end of the forbearance period, the accrued interest is added to the balance of the Brazos Parent Loan and the loan is reamortized to ensure the loan pays off in the applicable repayment term.

The Program Originator

Under the Brazos Private Loan Programs, the Brazos Refinance Loans and Brazos Parent Loans that will be financed under the Indenture have been, and will be, originated by the Seller. The Seller is a private Texas nonprofit corporation organized in 2005 under the Texas Nonprofit Corporation Law. The Seller is exempt from payment of federal income taxation as a “501(c)(3)” non-profit corporation. The Seller’s address is in care of the Administrator at the address shown under the caption “THE AUTHORITY—The Administrator” herein. The Administrator conducts and operates the business affairs of the Seller. The Seller has no employees. The Seller has been organized to originate alternative education loans under the Brazos Private Loan Programs on behalf of the Authority. The Seller has no other material business activities. Pursuant to the Student Loan Purchase Agreement, Eligible Loans will be transferred to the Authority and pledged under the Indenture as part of the financing. See the caption “THE FINANCED ELIGIBLE LOANS” herein.

The Seller is governed by a Board of Directors currently consisting of seven directors. All Directors are appointed by a majority vote of the Board of Directors. Directors serve two-year staggered terms of office. The members of the Board of Directors serve without compensation, except for the reimbursement of expenses incurred in connection with the business of the Seller.

Under the Nelnet Servicing Agreement, Nelnet Servicing currently acts as loan originating agent under the Brazos Private Loan Programs and performs origination processes, including application processing, credit underwriting, including required verifications, disbursement delivery, and school certifications for the Brazos Parent Loan. Nelnet Servicing has confirmed that the Financed Eligible Loans will be serviced pursuant to the Nelnet Servicing Agreement in a Servicing Letter Agreement among Nelnet Servicing, the Administrator and the Trustee. See the caption “Servicing of the Financed Eligible Loans—*Nelnet Servicing Agreement*” below.

Servicing of the Financed Eligible Loans

Nelnet Servicing. Nelnet Servicing, LLC, d/b/a Firstmark Services (“**Nelnet Servicing**”), a Nebraska limited liability company, is the Servicer. Nelnet Servicing is a subsidiary of Nelnet, Inc. (“**Nelnet**”). Nelnet began its education loan servicing operations on January 1, 1978, and provides, through its subsidiaries, student loan servicing that includes application processing, underwriting, fund disbursement, customer service, account maintenance, federal reporting and billing, payment processing, default aversion, claim filing and delinquency servicing services. These activities are performed internally for Nelnet, Inc.’s portfolio and for third party clients. Nelnet, Inc. has offices located in, among other cities, Aurora, Colorado, Madison, Wisconsin, and Lincoln, Nebraska. On February 7, 2018, Nelnet acquired 100 percent of the outstanding stock of Great Lakes Educational Loan Services, Inc. (Great Lakes). Our combined organization is now made up of approximately 6,400 associates. As of December 31, 2018, the combined companies serviced \$464.6 billion of loans for 15.6 million borrowers. Nelnet Servicing’s due diligence schedule is conducted through automated letter generation. Telephone calls are made using automatic dialing systems where available and appropriate pursuant to applicable law. All functions are monitored by an internal quality control system to ensure their performance. Compliance training is provided on both centralized and unit level basis. In addition, Nelnet Servicing has distinct compliance and internal auditing departments whose functions are to advise and coordinate compliance issues.

The Nelnet Servicing Agreement. The Nelnet Servicing Agreement was executed on July 11, 2017. Pursuant to the Nelnet Servicing Agreement, Nelnet Servicing agrees to perform all origination services for the Seller in a good and workmanlike manner in accordance with the provisions of the Nelnet Servicing Agreement, the Program Guidelines for the Eligible Loans and federal, state or local statutes, rules, regulations, orders or similar legal requirements applicable to properly originating and servicing of Eligible Loans (collectively, “Applicable Law”). All forms of the application and solicitation disclosure, the approval disclosure, the final disclosure, and the credit agreement with respect to Eligible Loans (the “Brazos Loan Documents”) to be utilized by Nelnet Servicing in connection with the origination and servicing of the Eligible Loans are prepared by the Administrator on behalf of the Seller and provided to Nelnet Servicing. Nelnet Servicing has no liability for any inaccuracies or other defects in the form Brazos Loan Documents or for the failure of any form Brazos Loan Document to comply with Applicable Law; provided, however, Nelnet Servicing is responsible for ensuring that the specific borrower information and specific loan terms, including proper calculation of the annual percentage rate (“APR”), relating to each Eligible Loan are accurately, correctly and completely populated into all loan applications, promissory notes, credit agreements, disclosures and notices with respect to the Eligible Loans (the “Loan Documents”), including the form Brazos Loan Documents. All Loan Documents, other than the Brazos Loan Documents, to be utilized by Nelnet Servicing in connection with the origination and servicing of the Eligible Loans are prepared by Nelnet Servicing on behalf of the Seller and Nelnet Servicing is solely responsible to ensure that at all times the Loan Documents, other than Brazos Loan Documents, comply with Applicable Law. Nelnet Servicing shall be solely responsible to ensure that at all times the Loan Documents are presented to applicants and/or borrowers in the form, substance and timeframes as are required by Applicable Law.

Potential applicants are directed to a dedicated Nelnet Servicing website where an applicant can apply for a loan under the Brazos Private Loan Programs. Nelnet Servicing is required to perform origination services in accordance with the provisions of the Nelnet Servicing Agreement and of the Program Guidelines with respect to such applications. Origination services, include, but are not limited to, (i) reviewing all Loan Documents to ensure all required information has been completed by the borrower, (ii) performing credit underwriting, and reviewing and approving applications in accordance with the parameters set forth in the Program Guidelines and (iii) performing all verifications required under the Program Guidelines and delivery and disclosure to applicant and/or borrower of all required Loan Documents, as provided by the Applicable Requirements (defined below). In addition, Nelnet Servicing is responsible for accurately making or causing to be made all disbursements for Eligible Loans, subject to delivery of sufficient funds by the Seller.

Nelnet Servicing represents that it has, and will at all times have, all the rights and licenses in its web-based loan origination platform necessary to allow Nelnet Servicing to utilize that platform in providing the origination services required under the Nelnet Servicing Agreement. The use of Nelnet Servicing's web based loan origination platform under the Nelnet Servicing Agreement does not infringe or misappropriate any copyright, patent, trade secret, trademark or other intellectual property right of any third party.

Absent fraud or inaccurate borrower provided information, with respect to each Eligible Loan, Nelnet Servicing represents that (i) all information and data provided or made available to the Administrator by Nelnet Servicing is true, complete and correct in all material respects; (ii) upon origination, each Eligible Loan shall be in full force and effect in accordance with its terms and shall be the legal, valid and binding obligation of the respective borrower; (iii) each Eligible Loan has been duly made in accordance with all provisions of the requirements and obligations set forth in each of the following, as applicable: (A) the Nelnet Servicing Agreement; (B) the Loan Documents; (C) Applicable Law; (D) the Program Guidelines; (E) the servicing guidelines; and (F) any applicable school requirements (collectively, the "Applicable Requirements"), including all underwriting requirements; and (iv) such Eligible Loan constitutes a "qualified education loan" as defined by the United States Internal Revenue Service.

Upon completion of origination services, Nelnet Servicing will begin post-origination services and will service such Eligible Loan in accordance with all Applicable Requirements. Not later than the second payment processing day after any payment received from a third party is identified by Nelnet Servicing as a payment on a specific Financed Eligible Loan, Nelnet Servicing will post and deposit such funds into the Revenue Fund.

In consideration for its services pursuant to the Nelnet Servicing Agreement, Nelnet Servicing is compensated in accordance with the fee schedule provided in the Nelnet Servicing Agreement, as it may be amended from time to time. Any additional fees for other services not reflected on the fee schedule must be mutually agreed upon in writing by the parties. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Senior Transaction Fees" herein.

If Nelnet Servicing commits an error in connection with the services provided pursuant to the Nelnet Servicing Agreement, which error directly results in such Eligible Loan becoming unenforceable or in nonconformance with the loan terms of the applicable Program Guidelines resulting in a material harm to the value of such Eligible Loan, Nelnet Servicing may cure the error within three (3) months from when Nelnet Servicing learns of the error. In the event the error cannot be cured, Nelnet Servicing will purchase or arrange for purchase of the Eligible Loan at an amount equal to the outstanding principal balance and accrued but unpaid interest thereon (the "Repurchase Obligation"). If the error is cured after the date of purchase by Nelnet Servicing, such Eligible Loan may be repurchased from Nelnet Servicing

or its designee, at a price equal to the outstanding principal amount thereof plus accrued but unpaid interest thereon. The foregoing shall be the sole remedy for errors by Nelnet Servicing which result in such Eligible Loan becoming unenforceable or in nonconformance with the loan terms of the applicable Program Guidelines resulting in a material harm to the value of such Eligible Loan.

Other than as described above, Nelnet Servicing also provides general indemnities for: (i) breaches of any representations, warranties or covenants made by or required of Nelnet Servicing; (ii) the failure by Nelnet Servicing to comply with any Applicable Requirements with respect to any Eligible Loans, including any Applicable Laws; and (iii) any gross negligence or willful misconduct of Nelnet Servicing. The general indemnities are limited to an amount equal to the greater of (A) fees paid hereunder by or on behalf of Brazos for the twelve (12) month period immediately preceding the date such liability accrues, or (B) five hundred thousand dollars (\$500,000); provided, however, that the foregoing limitation of liability does not apply with respect to liabilities arising from or relating to: (a) gross negligence, fraud, intentional misrepresentation, or willful misconduct of Nelnet Servicing; (b) violation of Applicable Law; or (c) its Repurchase Obligation described above.

Subject to the termination provisions described below, the Nelnet Servicing Agreement has an initial term of four (4) years from the date the agreement was executed and automatically renews for successive two (2) year terms, unless either party gives written notice to terminate the Nelnet Servicing Agreement. The Nelnet Servicing Agreement may be terminated: (a) at the expiration of any term, if a party has provided written notice of termination to the other party at least one hundred eighty (180) days prior to the end of such term; (b) upon the refusal or failure of a party to perform any material obligation of the Nelnet Servicing Agreement, and the failure or refusal to correct or cure such performance or lack thereof, within sixty (60) days after the party's receipt of written notice of the failure or refusal; (c) upon the failure of the parties to reach agreement with respect to a change in the fees within ninety (90) days; (d) at Nelnet Servicing's option for nonpayment of fee within sixty (60) days of any billing statement; and (e) if an insolvency, bankruptcy or similar proceeding shall have been commenced, or a decree or order of an appropriate court, agency or supervisory authority for the appointment of a conservator, receiver or liquidator shall have been entered against a party, the other party may terminate the Nelnet Servicing Agreement immediately. Nelnet Servicing is entitled to deconversion fees for converting the Eligible Loans to another servicer, unless the Nelnet Servicing Agreement is terminated pursuant to clause (b) or (e) above upon a bankruptcy of or breach by Nelnet Servicing.

In the event the Nelnet Servicing Agreement is terminated pursuant to its terms, a written schedule and procedure for the orderly deconversion of Eligible Loans at the end of the term will be agreed to by Nelnet Servicing and the Administrator. In the event of a termination by Nelnet Servicing, the Administrator will use all reasonable efforts to find a replacement servicer in a timely manner. Nelnet Servicing will continue to service the Financed Eligible Loans in accordance with the terms of the Nelnet Servicing Agreement and will remain so bound until such time as the Financed Eligible Loans are deconverted and the receiving servicer acknowledges that the Financed Eligible Loans are received and ready for servicing.

Nelnet Servicing will maintain adequate policies, procedures and training programs for employees who will participate in providing the services to comply with all Applicable Requirements and will provide a summary of such policies, procedures, and training programs upon reasonable request.

Custody of Financed Eligible Loans

The promissory notes evidencing the Existing Eligible Loans, together with other materials included in student loan files pledged to the Trustee under the Indenture, are held by Nelnet Servicing, as custodian, for the benefit of the Authority and the Trustee pursuant to the Nelnet Servicing Agreement

and that certain Bailment Notice and Acknowledgement (as supplemented and amended, the “Bailment Notice and Acknowledgement”), among the Authority, the Trustee and Nelnet Servicing.

Similarly, it is anticipated that any additional Eligible Loans which are acquired with proceeds of Series 2020-1 Bonds during the Acquisition Period relating to the Series 2020-1 Bonds will similarly be held by Nelnet Servicing, as custodian, pursuant to the Nelnet Servicing Agreement and the Bailment Notice and Acknowledgement.

Student Loan Purchase Agreement

The Eligible Loans will be acquired from the Seller pursuant to the terms and provisions of the Student Loan Purchase Agreement, between the Seller, as seller, and the Authority, as purchaser.

Subject to the terms and conditions of the Student Loan Purchase Agreement, on each sale date, the Seller will irrevocably sell, assign and otherwise convey to the Authority, certain identified Eligible Loans, together with all of the Seller’s right, title and interest in, to and under the following: (a) all Revenue on or with respect to such Eligible Student Loans on or after the applicable sale date; (b) the rights of the Seller in and to any Servicing Agreements as the same relate to such Eligible Student Loans; (c) all promissory notes, applications and other records (including computer tapes and disks) related to the foregoing; and (d) all collections or other proceeds of any and all of the foregoing.

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

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

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

(c) The amount of the unpaid principal balance of each Eligible Loan shown on the applicable purchase confirmation is correct, and no counterclaim, offset, defense or right to rescission exists with respect to any Eligible Loan that can be asserted and maintained or that, with notice, lapse of time, or the occurrence or failure to occur of any act or event, could be asserted and maintained by the borrower against the Seller or the Authority.

(d) The Seller is the sole owner and holder of each Eligible Loan and has full right and authority to transfer the same free and clear of all liens, pledges or encumbrances, and upon the delivery of a fully executed purchase confirmation, bill of sale and blanket endorsement, with regard to the promissory notes and applications evidencing the transfer of the Eligible Loan to the Authority pursuant to the Student Loan Purchase Agreement, the Authority will acquire full right, title and interest in, such Eligible Loan free and clear of all liens, pledges or encumbrances whatsoever. All documentation relating to the Eligible Loans, including the original promissory note (or legally enforceable valid electronic signature) for each Eligible Loan, is in the possession of the applicable Servicer.

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

(f) The applicable Servicer has exercised due diligence and reasonable care in making, administering, servicing and collecting the Eligible Loans in accordance with the applicable Servicing Agreement.

(g) Each Eligible Loan is evidenced by a single executed promissory note (which may be in electronic form), which note is a valid and binding obligation of the borrower, enforceable by or on behalf of the holder thereof in accordance with its terms, subject to bankruptcy, insolvency and other laws relating to or affecting creditors' rights.

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

(i) No Eligible Loan is a Defaulted Loan.

If any breach of a representation or warranty of the Seller described above, which breach or failure directly results in such Eligible Loan becoming unenforceable or in nonconformance with the loan terms of the Program Guidelines resulting in a material harm to the value of such Eligible Loan, the Seller may cure, or cause the applicable Servicer to cure, the error within three (3) months from when the Seller learns of the error. If the Authority becomes aware of the error prior to the Seller obtaining knowledge, the Authority will give the Seller written notice of the same. In the event the error cannot be cured, the Seller will purchase or arrange for purchase of the loan from the Authority at an amount equal to the outstanding principal balance and accrued but unpaid interest thereon. If the error is cured after the date of purchase by the Seller, the Authority, at its option, may repurchase such Eligible Loan from the Seller or its designee, at a price equal to the outstanding principal amount thereof plus accrued but unpaid interest thereon. The foregoing shall be the Authority's sole remedy for any breach of a representation or warranty of the Seller described above which results in such education loan becoming unenforceable or in nonconformance with the loan terms of the Program Guidelines resulting in a material harm to the value of such loan. In all cases, with respect to any breach by a Servicer that affects an Eligible Loan, the Seller's liability under this paragraph shall be limited to payments or substitutions received from such Servicer.

The Student Loan Purchase Agreement may be terminated at any time: (a) by the mutual consent of the Seller and the Authority; or (b) by either the Seller or the Authority if there has been a material misrepresentation, breach of warranty or breach of covenant on the part of the other of the representations, warranties and covenants set forth in the Student Loan Purchase Agreement. In the event of termination of the Student Loan Purchase Agreement by either the Seller or the Authority: (i) if such termination occurs prior to the initial sale date, the Student Loan Purchase Agreement shall become void and there shall be no liability on the part of the Seller or the Authority, or their respective employees, officers, directors, members or trustees and (ii) if such termination occurs subsequent to the initial sale date, the Student Loan Purchase Agreement shall become void and there shall be no liability on the part of the Seller or the Authority, or their respective employees, officers, directors, members or trustees, except that the representations and warranties and the related repurchase obligation with respect to loans purchased prior to the time of such termination shall survive indefinitely, and except with respect to willful breaches of the Student Loan Purchase Agreement prior to the time of such termination.

THE FINANCED ELIGIBLE LOANS

The Seller has originated, and will originate, certain Eligible Loans with its own funds prior to the Closing Date. The Eligible Loans expected to be acquired or financed with proceeds of the Series 2020-1 Bonds, together with other available funds of the Authority, deposited to the Student Loan Fund include: (i) Eligible Loans originated by the Seller prior to the Statistical Cut-Off Date, (ii) additional Eligible Loans originated by the Seller after the Statistical Cut-Off Date but prior to the Closing Date and (iii) additional Eligible Loans to be acquired during the Acquisition Period relating to the Series 2020-1 Bonds. See the captions “ESTIMATED SOURCES AND USES OF PROCEEDS” and “THE BRAZOS PRIVATE LOAN PROGRAMS” herein.

Following the acquisition of the additional Eligible Loans with the amounts remaining in the Student Loan Fund, the aggregate characteristics of the entire pool of Eligible Loans will vary from those of the Existing Eligible Loans set forth in the tables below and described in this Official Statement. Furthermore, the issuance of Additional Bonds and the purchase of Eligible Loans with the proceeds thereof will cause the aggregate characteristics of the pool of Financed Eligible Loans to vary still further from those of the Existing Eligible Loans and the additional Eligible Loans financed during the Acquisition Period relating to the Series 2020-1 Bonds. The acquisition of Eligible Loans during the Acquisition Period (other than any Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Financed Eligible Loans as to which any payment has been delinquent for 120 days or more will be deemed to have a value of \$0, but will continue to constitute Financed Eligible Loans.

The following tables describe certain characteristics of the Existing Eligible Loans as of the Statistical Cut-off Date. The Existing Eligible Loans include the Eligible Loans acquired in connection with the issuance of the Series 2019-1 Bonds and the Eligible Loans anticipated to be acquired on the Closing Date with proceeds of the Series 2020-1 Bonds and other available funds of the Authority. The Authority expects that the characteristics of the Existing Eligible Loans reflected in these tables will vary due to the continued amortization of the Existing Eligible Loans between the Statistical Cut-off Date and the Closing Date. Although the statistical distribution as of the Closing Date of the characteristics of the Existing Eligible Loans will vary somewhat in other respects from the statistical distribution of those characteristics shown below, the Authority does not believe that those characteristics will differ materially. The sum of the characteristics may not add up to the total therefor in the following tables due to rounding.

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

Aggregate Principal Balance ⁽²⁾	\$46,552,251
Fixed Rate Loan Principal Balance ⁽²⁾	\$43,640,023
Variable Rate Loan Principal Balance ⁽²⁾	\$2,912,228
Total Number of Borrowers	705
Average Principal Balance per Borrower	\$66,032
Total Accrued Interest to be Capitalized	\$5,699
Weighted Average Borrower Interest Rate before Borrower Benefits	4.59%
Weighted Average Borrower Interest Rate adjusted for Borrower Benefits	4.40%
Weighted Average FICO Credit Score ⁽³⁾	785
Weighted Average Debt-to-Income Percent ⁽⁴⁾	27.9%
Weighted Average Verified Income ⁽⁵⁾	\$150,574
Weighted Average Remaining Term to Scheduled Maturity	140
Percent Cosigned	14%
Weighted Average Age	35

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

⁽²⁾ Exclusive of accrued interest to be capitalized.

⁽³⁾ FICO Score at origination of loan.

⁽⁴⁾ Debt-to-income percent at origination of loan.

⁽⁵⁾ Income at origination of loan.

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

Private Loan Program	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Brazos Parent Student Loan Program	68	\$ 1,067,934	2.3%
Brazos Refinance Student Loan Program	<u>637</u>	<u>45,484,317</u>	<u>97.7</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

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

Borrower Repayment Status	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Forbearance	2	\$ 326,059	0.7%
Repayment	<u>703</u>	<u>46,226,192</u>	<u>99.3</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

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

FICO Score Range⁽¹⁾	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
720 to 739	60	\$ 4,334,479	9.3%
740 to 759	93	7,047,524	15.1
760 to 779	124	8,099,600	17.4
780 to 799	160	10,609,975	22.8
800 to 819	139	8,783,734	18.9
820 and up	<u>129</u>	<u>7,676,938</u>	<u>16.5</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

⁽¹⁾ FICO Score at origination of loan.

**Distribution of the Existing Eligible Loans by Degree Type
As of the Statistical Cut-Off Date**

Degree Type	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Dental	10	\$ 1,341,893	2.9%
Doctorate – Ph.D., Ed.D., Psy.D., Th.D.	51	5,151,376	11.1
Graduate – M.A., M.A., M.Arch	187	12,669,598	27.2
Law – J.D.	49	4,996,147	10.7
M.B.A.	54	3,142,339	6.8
Medical – M.D., Pharm.D., D.O.	47	6,415,953	13.8
Undergraduate	<u>307</u>	<u>12,834,946</u>	<u>27.6</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

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

Remaining Months Until Scheduled Maturity	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
31 to 60	155	\$ 6,683,425	14.4%
61 to 90	95	5,161,969	11.1
91 to 120	186	13,074,023	28.1
121 to 150	0	-	0.0
151 to 180	178	13,870,114	29.8
181 to 240	<u>91</u>	<u>7,762,720</u>	<u>16.7</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

**Distribution of the Existing Eligible Loans by Current Borrower Interest Rate
As of the Statistical Cut-Off Date**

Current Borrower Interest Rate (Adjusted for Benefits)	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Less than 4.00%	200	\$11,883,692	25.5%
4.00% to 4.49%	171	12,603,275	27.1
4.50% to 4.99%	177	13,971,057	30.0
5.00% to 5.49%	102	5,609,144	12.0
5.50% to 5.99%	31	1,885,671	4.1
6.00% to 6.49%	13	367,057	0.8
6.50% and Greater	<u>11</u>	<u>232,355</u>	<u>0.5</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

**Distribution of the Existing Eligible Loans
by Payment Delinquency Status
As of the Statistical Cut-Off Date**

Payment Delinquency	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Current	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

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

Outstanding Principal Balance	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Less than \$5,000	10	\$ 32,112	0.1%
\$5,000 to \$9,999	24	196,258	0.4
\$10,000 to \$19,999	76	1,109,431	2.4
\$20,000 to \$29,999	84	2,106,670	4.5
\$30,000 to \$39,999	67	2,333,654	5.0
\$40,000 to \$49,999	79	3,570,807	7.7
\$50,000 to \$59,999	67	3,659,757	7.9
\$60,000 to \$69,999	43	2,779,452	6.0
\$70,000 to \$79,999	45	3,378,216	7.3
\$80,000 to \$89,999	38	3,203,497	6.9
\$90,000 to \$99,999	27	2,574,418	5.5
More than \$99,999	<u>145</u>	<u>21,607,978</u>	<u>46.4</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

**Distribution of the Existing Eligible Loans by Number of Payments Made
As of the Statistical Cut-Off Date**

Number of Payments Made	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
0 to 6	479	\$33,290,409	71.5%
7 to 12	107	6,743,014	14.5
13 to 18	74	4,487,179	9.6
19 to 24	44	2,006,985	4.3
25 to 30	<u>1</u>	<u>24,664</u>	<u>0.1</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

**Geographic Distribution of the Existing Eligible Loans
As of the Statistical Cut-Off Date**

Location ¹	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Texas	700	\$46,381,599	99.6%
Other	<u>5</u>	<u>170,652</u>	<u>0.4</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

¹Based upon the billing address of the borrower as of the Statistical Cut-Off Date.

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

School ¹	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
University of Texas—Austin	48	\$ 3,355,072	7.2%
Texas A&M University	57	3,287,320	7.1
University of Houston	31	2,125,585	4.6
Texas Tech University	36	1,643,368	3.5
Southern Methodist University	14	1,484,445	3.2
Baylor University	29	1,453,773	3.1
University of Texas Health Science Center at San Antonio	11	1,421,064	3.1
University of Texas at Arlington	19	885,889	1.9
University of North Texas Health Science Center at Fort Worth	7	805,823	1.7
Texas Wesleyan University	6	737,435	1.6
Other	<u>447</u>	<u>29,352,476</u>	<u>63.1</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

¹Based upon the highest degree attained by the borrower.

**Distribution of the Existing Eligible Loans by Servicer
As of the Statistical Cut-Off Date**

Servicer	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Nelnet Servicing, LLC	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>
Total	<u>705</u>	<u>\$46,552,251</u>	<u>100.0%</u>

Performance of the Existing Eligible Loans

The Existing Eligible Loans were all originated after January 1, 2018; therefore, there is only a limited amount of historical performance information. As of the Statistical Cut-Off Date, none of the Existing Eligible Loans were delinquent, and none of the Existing Eligible Loans have defaulted. Only two of the Existing Eligible Loans are currently in a forbearance status.

TAX MATTERS

The Series 2020-1A Senior Taxable Bonds

General Matters. Special Tax Counsel is of the opinion that interest on the Series 2020-1A Senior Taxable Bonds is included in gross income for federal income tax purposes. Special Tax Counsel has expressed no opinion regarding legal matters concerning the Series 2020-1A Senior Taxable Bonds under the laws of the State of Texas or any other state or jurisdiction, except with respect to the federal income tax matters to the extent set forth in this paragraph.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2020-1A Senior Taxable Bonds under the Code and the Treasury Regulations thereunder, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2020-1A Senior Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2020-1A Senior Taxable Bonds.

In general, interest paid on the Series 2020-1A Senior Taxable Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2020-1A Senior Taxable Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Series 2020-1A Senior Taxable Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Series 2020-1A Senior Taxable Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount. An investor that acquires a Series 2020-1A Senior Taxable Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Code and the regulations thereunder, “market discount” means the amount by which the stated redemption price of a Series 2020-1A Senior Taxable Bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2020-1A Senior Taxable Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Series 2020-1A Senior Taxable Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest includable in such owner’s gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2020-1A Senior Taxable Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2020-1A Senior Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Series 2020-1A Senior Taxable Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Series 2020-1A Senior Taxable Bonds and to gain on the sale of a Series 2020-1A Senior Taxable Bond.

Sales or Other Dispositions. If an owner of a Series 2020-1A Senior Taxable Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner’s basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2020-1A Senior Taxable Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in

a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2020-1A Senior Taxable Bonds should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Series 2020-1A Senior Taxable Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Series 2020-1A Senior Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. An owner of a Series 2020-1A Senior Taxable Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2020-1A Senior Taxable Bonds, if such owner, upon issuance of the Series 2020-1A Senior Taxable Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Series 2020-1A Senior Taxable Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2020-1A Senior Taxable Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2020-1A Senior Taxable Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid on Series 2020-1A Senior Taxable Bonds owned by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2020-1A Senior Taxable Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by an organization from any unrelated trade or business as defined in Section 513 of the Code. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2020-1A Senior Taxable Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated

business taxable income. Each potential tax-exempt holder of a Series 2020-1A Senior Taxable Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2020-1A Senior Taxable Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2020-1A Senior Taxable Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Authority or any dealer of the Series 2020-1A Senior Taxable Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2020-1A Senior Taxable Bonds are acquired by such plans or arrangements with respect to which the Authority or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2020-1A Senior Taxable Bonds. The sale of the Series 2020-1A Senior Taxable Bonds to a plan is in no respect a representation by the Authority or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2020-1A Senior Taxable Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

The Series 2020-1A Senior Tax-Exempt Bonds and Series 2020-1B Subordinate Tax-Exempt Bonds

General Matters. In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds is excludable from gross income for federal income tax purposes. The opinion described above assumes the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds. Failure to comply with such requirements could cause interest on the

Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds. The Authority has covenanted to comply with such requirements. In the opinion of Special Tax Counsel, interest on the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Special Tax Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2020-1A Senior Tax-Exempt Bonds or the Series 2020-1B Subordinate Tax-Exempt Bonds.

The accrual or receipt of interest on the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds may otherwise affect the federal income tax liability of the owners of the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Special Tax Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds.

Special Tax Counsel has expressed no opinion regarding legal matters concerning the Series 2020-1A Senior Tax-Exempt Bonds or the Series 2020-1B Subordinate Tax-Exempt Bonds under the laws of the State or Texas or any other state or jurisdiction, except with respect to federal income tax matters to the extent set forth in the preceding two paragraphs. With respect to legal matters concerning the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds under the laws of the State of Texas, Special Tax Counsel has relied on the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the effect that the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds constitute valid and legally binding special obligations of the Authority. A copy of the form of opinion of Special Tax Counsel is attached as Appendix C hereto. Copies of the form of the opinion of Bond Counsel is attached as Appendix B hereto.

Original Issue Premium. The Series 2020-1A Senior Tax-Exempt Premium Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and

treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2020-1A Senior Tax-Exempt Bonds or the Series 2020-1B Subordinate Tax-Exempt Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series 2020-1 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2020-1 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2020-1 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2020-1 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Tax Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2020-1 Bonds, and Special Tax Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2020-1 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2020-1 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2020-1 BONDS.

CERTAIN INVESTMENT COMPANY ACT CONSIDERATIONS

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

ABSENCE OF CERTAIN LITIGATION

To the knowledge of the Authority, there is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2020-1 Bonds, or in any way contesting or affecting the validity of the Series 2020-1 Bonds, any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2020-1 Bonds or the due existence of powers of the Authority.

LEGALITY

The legality of the authorization, issuance and sale of the Series 2020-1 Bonds is subject to the approving opinions of the Attorney General of the State of Texas and the legal opinion of McCall, Parkhurst & Horton LLP, Bond Counsel. The opinion of Bond Counsel will be delivered substantially in the form attached hereto as Appendix B. Certain additional legal matters will be passed upon for the Authority by its internal counsel and by Kutak Rock LLP, as Special Tax Counsel to the Authority. The opinion of Special Tax Counsel will be delivered substantially in the form attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP.

UNDERWRITING

The Series 2020-1 Bonds are to be purchased by RBC Capital Markets, LLC (the “Underwriter”) pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”) between the Authority and the Underwriter. The Underwriter will purchase the Series 2020-1 Bonds at a price equal to \$70,031,621.65 (which is equal to the par amount of the Series 2020-1 Bonds, plus an initial issue premium of \$2,934,500.40 and less an underwriting discount of \$492,878.75). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2020-1 Bonds if any are purchased. The obligation of the Underwriter to purchase the Series 2020-1 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The initial public offering prices of the Series 2020-1 Bonds set forth on the inside front cover page may be changed without notice by the Underwriter. The Underwriter may offer and sell the Series 2020-1 Bonds to certain dealers (including dealers depositing Series 2020-1 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the offering prices set forth on the inside front cover page hereof.

RATINGS

Prior to the issuance and delivery of the Series 2020-1 Bonds, S&P Global Ratings (“S&P”), is expected to assign its bond rating of “AA(sf)” to the Series 2020-1A Senior Taxable Bonds and the Series 2020-1A Senior Tax-Exempt Bonds and its bond rating of “BBB(sf)” to the Series 2020-1B Subordinate Tax-Exempt Bonds.

Such ratings reflect only the views of S&P at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings can only be obtained from S&P. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2020-1 Bonds. The ratings are not a recommendation to buy or sell the Series 2020-1 Bonds, and are not a comment as to the suitability of the

Series 2020-1 Bonds for any investor. See the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

RELATIONSHIP AMONG FINANCING PARTICIPANTS

The Underwriter and its affiliates are full service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

CONTINUING DISCLOSURE AND INVESTOR REPORTING

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority will enter into a continuing disclosure agreement with respect to the Series 2020-1 Bonds (a “Continuing Disclosure Agreement”) setting forth the undertaking of the Authority regarding continuing disclosure with respect to the Series 2020-1 Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix D attached hereto. The Authority has not had a continuing disclosure obligation during the last five years prior to the issuance of the Series 2019-1 Bonds in October of 2019. The Authority is in compliance with the provisions of the continuing disclosure agreement with respect to the Series 2019-1 Bonds.

Semi-annual reports concerning the Bonds and the Financed Eligible Loans will be made available to Registered Owners as described in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Monthly Reports; Periodic Information on the Financed Eligible Loans” attached hereto. These semi-annual reports will contain information concerning the Bonds and the Financed Eligible Loans during the period since the previous report. The Authority initially intends to post these reports on the Administrator’s website, the address of which is currently <https://studentloans.com/investors/bhea.php>. The Authority reserves the right (a) to alter the format in which such periodic information is presented, (b) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website, or (c) to make such periodic information available by including it as part of the Monthly Report that is delivered during that period.

Rule 15Ga-1 promulgated by the Securities and Exchange Commission requires “securitizers” of “asset-backed securities” as such terms are defined for purposes of the rule (including, with respect to the Series 2020-1 Bonds, the Authority), for which the underlying transaction documents contain a covenant to repurchase or replace underlying assets for breaches of representations or warranties, to periodically file specified information regarding securitized assets that were the subject of a demand for repurchase or replacement due to a breach of a representation or warranty. The Authority intends to file such reports on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board located at <http://emma.msrb.org>.

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Definitions

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

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

“*Acquisition Period*” means, with respect to the use of the proceeds of the Series 2020-1 Bonds deposited into the Student Loan Fund pursuant to the Series 2020-1 Supplemental Indenture, the period beginning on the Date of Issuance and ending on and including March 1, 2021, provided such period may be extended upon satisfaction of the Rating Agency Notification with respect to said extension. All of the proceeds of the Series 2019-1 Bonds have been expended.

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

“*Administration Agreement*” means the Administration Agreement, dated as of October 1, 2019, among The Brazos Higher Education Service Corporation, Inc., the Authority and the Trustee, and any other administration agreement with any successor Administrator, each as amended from time to time.

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

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

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

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

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

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

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

“*Authorized Denominations*” means the Authorized Denominations specified for a Series of Bonds in the Supplemental Indenture relating to such Series of Bonds. The Authorized Denominations for the Series 2019-1 Bonds and the Series 2020-1 Bonds are \$5,000 or any integral multiple thereof.

“*Authorized Officer*” means, when used with reference to the Authority, the Administrator, the Authority’s President, the Authority’s Chief Financial Officer, the Authority’s Executive Director and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Administrator or the Authority then authorized to perform such act or discharge such duty.

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

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

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

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

“*Bond Purchase Agreement*” means the Bond Purchase Agreement, dated February 26, 2020, by and between the Authority and the Underwriter, as amended and supplement pursuant its terms.

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

“*Brazos Private Loan Programs*” means the Brazos Refinance Student Loan Program and the Brazos Parent Student Loan Program.

“*Business Day*” shall have the meaning, with respect to any Series of Bonds, set forth in the Supplemental Indenture pursuant to which such Series of Bonds is issued. With respect to the Series 2019-1 Bonds and the Series 2020-1 Bonds, the term “Business Day” means any day on which banks located in the cities in which the principal corporate trust offices of the Trustee are located (presently, Cincinnati, Ohio and St. Paul, Minnesota) are generally open for business.

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

“*City*” means the City of Waco, Texas.

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

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

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

“*Date of Issuance*” means the date of original issuance and delivery of any Bonds to an Underwriter or other initial purchaser of Bonds from the Authority. The “Date of Issuance” for the Series 2020-1 Bonds is March 6, 2020.

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

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

“*Debt Service Reserve Fund Requirement*” has the meaning set forth in a Supplemental Indenture; provided, however, any such requirement may be reduced if the Authority shall have satisfied the Rating Agency Notification. Pursuant to the Series 2020-1 Supplemental Indenture, “Debt Service Reserve Fund Requirement” means an amount equal to 2.0% of the aggregate principal amount of the Bonds then Outstanding (calculated semi-annually on each April 1 and October 1), with a minimum balance of \$1,000,000.

“*Defaulted Loan*” means, except as otherwise provided in a Supplemental Indenture, an Eligible Loan which has reached 120 days of delinquency and has been classified in the Authority’s loan files as a Defaulted Loan.

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

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

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

“*Event of Bankruptcy*” means (a) the Authority has commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a

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

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

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

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

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

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

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

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

“*Fiscal Year*” means the fiscal year of the Authority as established from time to time; currently, the Fiscal Year of the Authority commences each July 1 and ends on the following June 30.

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

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

“*Indenture*” means the Indenture of Trust, dated as of October 1, 2019, between the Authority and the Trustee, including all supplements and amendments thereto.

“*Interest Payment Date*” means the Interest Payment Dates specified for a Series of Bonds in the Supplemental Indenture relating to such Series of Bonds. The Interest Payment Dates for the Series 2020-1 Bond are each April 1 and October 1, commencing October 1, 2020.

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

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

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

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

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

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

(i) be an obligation of or guaranteed by an insurance company or other corporation or financial institution whose debt obligations or insurance financial strength or claims-paying ability are rated “AAA” by S&P, provided further that if there is a

downgrade below "AAA" by S&P, the Authority shall replace or cause to be replaced the provider within 60 days of such downgrade at no cost to the Trust Estate; and

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

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

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

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

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

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

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

"*Net Asset Requirement*" means, and shall be satisfied when, the Value of assets constituting the Trust Estate exceeds the amount of Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by at least \$1 million; provided, any such requirement may be reduced if the Authority shall have satisfied the Rating Agency Notification.

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

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

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

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

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

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

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

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

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

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

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

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

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

“*Program Guidelines*” means the Program Guidelines relating to the Program, and all documentation adopted or used in connection with the Program, and the origination and servicing standards for the Program as in effect on the date of execution of the Indenture and as revised, amended, altered, or supplemented from time to time.

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

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

“*Rating Agency*” means any one or more nationally recognized statistical rating organizations or other comparable Persons, designated by the Authority to assign Ratings to any of the Bonds. S&P is the Rating Agency designated by the Authority with respect to the Series 2020-1 Bonds.

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

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

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

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

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

“*Record Date*” means the Record Date established for any Bonds pursuant to the Supplemental Indenture relating to such Bonds. The Series 2020-1 Supplemental Indenture established the Business Day immediately preceding an Interest Payment Date as the “Record Date” with respect to the Series 2020-1 Bonds.

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

“*Recycling Period*” has the meaning ascribed to such term in any Supplemental Indenture. There is no Recycling Period designated in the Series 2019-1 Supplemental Indenture or the Series 2020-1 Supplemental Indenture.

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

“*Redemption Price*” means the total of principal, premium (if any) and interest due on any Bond redeemed pursuant to any applicable redemption provision of the Indenture and any Supplemental Indenture. See the caption “THE SERIES 2020-1 BONDS—Redemption Provisions” in the body of this Official Statement.

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

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

“*Required Overall Parity Percentage*” means 113%; provided, however, that the Required Overall Parity Percentage may be reduced if the Authority shall have satisfied the Rating Agency Notification.

“*Required Senior Parity Percentage*” means 120%; provided, however, that the Required Senior Parity Percentage may be reduced if the Authority shall have satisfied the Rating Agency Notification.

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

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

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

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

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

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

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

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

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

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

“*Senior Transaction Fees*” means (a) the Trustee Fees, (b) the Administration Fees, (c) the Standard Servicing Fees (subject to the provisions described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Senior Transaction Fees” in this Appendix A), (d) the Rating Agency Fees and (e) Extraordinary Expenses (including any rebate analyst fees, counsel fees, audit and tax return fees and expenses of the Authority) (subject to any limitations set forth in any Supplemental Indenture, including the limitations set forth in the Series 2020-1 Supplemental Indenture that are described under the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Senior Transaction Fees” in the body of this Official Statement).

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

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

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

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

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

“*Series 2019-1 Bonds*” means, collectively, the Series 2019-1A Senior Taxable Bonds, the Series 2019-1A Senior Tax-Exempt Bonds and the Series 2019-1B Subordinate Tax-Exempt Bonds.

“*Series 2019-1 Supplemental Indenture*” means the Series 2019-1 Supplemental Indenture of Trust, dated as of October 1, 2019 between the Authority and the Trustee, as amended or supplemented in accordance with the terms thereof and of the Indenture.

“*Series 2019-1A Senior Taxable Bonds*” means the Bonds created and issued under the Series 2019-1 Supplemental Indenture and designated as the “Taxable Student Loan Program Revenue Bonds, Senior Series 2019-1A.”

“*Series 2019-1A Senior Taxable Term Bonds*” means the Series 2019-1A Senior Taxable Bonds maturing on April 1, 2039.

“*Series 2019-1A Senior Tax-Exempt Bonds*” means the Bonds created and issued under the Series 2019-1 Supplemental Indenture and designated as the “Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2019-1A (AMT).”

“*Series 2019-1A Senior Tax-Exempt Term Bonds*” means the Series 2019-1A Senior Tax-Exempt Bonds maturing on April 1, 2039.

“*Series 2019-1B Subordinate Tax-Exempt Bonds*” means the Bonds created and issued under the Series 2019-1 Supplemental Indenture and designated as the “Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2019-1B (AMT).”

“*Series 2020-1 Bonds*” means, collectively, the Series 2020-1A Senior Taxable Bonds, the Series 2020-1A Senior Tax-Exempt Bonds and the Series 2020-1B Subordinate Tax-Exempt Bonds.

“*Series 2020-1 Supplemental Indenture*” means the Series 2020-1 Supplemental Indenture of Trust, dated as of March 1, 2020 between the Authority and the Trustee, as amended or supplemented in accordance with the terms thereof and of the Indenture.

“*Series 2020-1 Unamortized Premium*” means the unamortized portion of the Redemption Price for the Series 2020-1A Senior Tax-Exempt Premium Bonds for purposes of the redemptions described

under the caption “THE SERIES 2020-1 BONDS—Redemption Provisions” in the body of this Official Statement, which shall be a price equal to the excess amount over 100% using the applicable yield of the Series 2020-1A Senior Tax-Exempt Premium Bonds, the Redemption Date, semi-annual compounding and a 360-day year consisting of twelve 30-day months, as determined by the Authority.

“*Series 2020-1A Senior Taxable Bonds*” means the Bonds created and to be issued under the Series 2020-1 Supplemental Indenture and designated as the “Taxable Student Loan Program Revenue Bonds, Senior Series 2020-1A.”

“*Series 2020-1A Senior Taxable Term Bonds*” means the Series 2020-1A Senior Taxable Bonds maturing on April 1, 2040.

“*Series 2020-1A Senior Tax-Exempt Bonds*” means the Bonds created and to be issued under the Series 2020-1 Supplemental Indenture and designated as the “Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2020-1A (AMT).”

“*Series 2020-1A Senior Tax-Exempt Premium Bonds*” means those Series 2020-1A Senior Tax-Exempt Bonds which were initially sold at offering prices in excess of 100% of the principal amount thereof, which are the Series 2020-1A Senior Tax-Exempt Bonds maturing on April 1, 2021 through April 1, 2030.

“*Series 2020-1A Senior Tax-Exempt Term Bonds*” means the Series 2020-1A Senior Tax-Exempt Bonds maturing on April 1, 2040.

“*Series 2020-1B Subordinate Tax-Exempt Bonds*” means the Bonds created and to be issued under the Series 2020-1 Supplemental Indenture and designated as the “Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2020-1B (AMT).”

“*Servicer*” means Nelnet Servicing, LLC (d/b/a Firstmark Services), and also means any additional Person (a) with which the Authority or the Administrator has entered into a Servicing Agreement with respect to Financed Eligible Loans and (b) for which the Authority shall have satisfied a Rating Agency Notification; provided, however, a collection agency hired by the Authority, the Administrator or a Servicer to collect on Defaulted Loans shall not be deemed to be a Servicer under the Indenture.

“*Servicing Agreement*” means the Private Student Loan Origination and Servicing Agreement, dated as of July 11, 2017, between The Brazos Higher Education Service Corporation, Inc. and Nelnet Servicing, LLC (d/b/a Firstmark Servicing), and any additional servicing agreements with any other Servicer, in each case relating to the Financed Eligible Loans, as amended from time to time.

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

“*Stated Maturity*” means, with respect to any Bonds, the date specified in the Supplemental Indenture relating to such Bonds as the fixed date on which principal of such Bonds is due and payable.

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

“*Student Loan Purchase Agreement*” means the Transfer and Sale Agreement, dated as of October 1, 2019, between the Authority and the Seller, as amended and supplemented pursuant to the terms thereof and of the Indenture.

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

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

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

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

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

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

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

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

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

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

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

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

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

“*Underwriter*” means the underwriter or underwriters of any of the Bonds as may be specified in a Supplemental Indenture. The Underwriter for the Series 2020-1 Bonds is RBC Capital Markets, LLC.

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

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

BOND DETAILS

Bond Details

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

Issuance of Bonds.

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

No Bonds may be authenticated and delivered pursuant to the Indenture until the following conditions have been satisfied; provided, however, with respect to the issuance of the initial Series of Bonds which are issued concurrently with each other, satisfaction of the condition provided in paragraph (b) below is not required:

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

(b) A Rating Agency Confirmation shall have been received with respect to the issuance of such Series of Bonds;

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

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

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

Redemption of Bonds.

Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture with respect to a Series shall be redeemable at such times, at such Redemption Prices and upon such terms as may be specified in the Supplemental Indenture authorizing such Series. See the caption “THE SERIES 2020-1 BONDS—Redemption Provisions” in the body of this Official Statement.

PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS

Trust Estate

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

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

(b) All moneys and investments held in the Funds (other than the Operating Fund and the Rebate Fund);

(c) The Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof;

(d) The rights of the Authority in and to the Administration Agreement, the Student Loan Purchase Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and

(e) Any and all other property, rights and interests of every kind or description from time to time hereafter granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture.

Parity and Priority of Lien

As they relate to the Bonds and the Registered Owners, the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of

the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in the Indenture with respect to certain payment and other priorities.

Other Obligations.

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

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

The Revenues and other moneys, Financed Eligible Loans, securities, evidences of indebtedness, interests, rights and properties pledged under the Indenture are and will be owned by the Authority free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, except as otherwise expressly provided in the Indenture, and all action on the part of the Authority to that end has been duly and validly taken. If any Financed Eligible Loan is found to have been subject to a lien at the time such Financed Eligible Loan was financed, the Authority is required to cause such lien to be released, purchase such Financed Eligible Loan from the Trust Estate for a purchase price equal to its principal amount plus any accrued unpaid interest thereon, or replace such Financed Eligible Loan with another Eligible Loan with substantially identical characteristics which replacement Eligible Loan is required to be free and clear of liens at the time of such replacement. Except as otherwise provided in the Indenture, the Authority shall not create or voluntarily permit to be created any debt, lien, or charge on the Financed Eligible Loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture; 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 Indenture or the priority of such lien for the Bonds might or could be lost or impaired; and is required to pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the Financed Eligible Loans; provided, however, that nothing described in this paragraph requires the Authority to pay, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof is contested in good faith, unless thereby, in the opinion of the Trustee, the same will endanger the security for the Bonds; and provided further that any lien on the Trust Estate subordinate to the lien of the Indenture (i.e., subordinate to the lien securing the Senior Bonds, the Senior-Subordinate Bonds and the Subordinate Bonds) will be entitled to no payment from the Trust Estate, nor may any remedy be exercised with respect to such subordinate lien against the Trust Estate until all Bonds have been paid or deemed paid under the Indenture.

PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY

Payment of Bonds

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

The Authority is required at all times to maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon the Authority in

respect of the Bonds or of the Indenture may be served. The Authority has appointed the Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds, and for the service of such notices, presentations and demands upon the Authority.

Covenant to Perform Obligations Under The Indenture

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

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

Further Instruments and Actions

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

Administration of the Program

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

Financing, Collection and Assignment of Eligible Loans

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

Enforcement of Financed Eligible Loans

The Authority shall, subject to the succeeding paragraph and the last sentence of this paragraph, cause to be diligently enforced, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all terms, covenants and conditions of all Financed Eligible Loans, the Program Guidelines,

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

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

The Authority, or its designated agent (which designated agent may be the Administrator, a Servicer or any third-party collection agent), is required to undertake reasonable collection efforts with respect to any Defaulted Loans in accordance with customary industry standards and practices. All such collection efforts are required to be conducted in material compliance with all applicable federal, state and local laws, including any applicable consumer protection laws. Any such designated agent of the Authority that successfully collects amounts owed from borrowers on Defaulted Loans may be compensated for such collection efforts by deducting and retaining a customary percentage of amounts collected from borrowers, as well as any related collection expenses, on Defaulted Loans that is approved by the Authority with all remaining amounts collected from borrowers on Defaulted Loans being promptly deposited to the

applicable Account of the Revenue Fund, regardless of whether any such borrower payments result in a reduction in the outstanding principal balance of any such Defaulted Loans. Notwithstanding anything set forth in the Indenture to the contrary, such designated agent of the Authority may directly collect amounts received from borrowers with respect to Defaulted Loans for deposit with the Trustee and any deductions from amounts collected on Defaulted Loans by designated agents of the Authority as compensation for performing collection efforts, as well as any related collection expenses, are not deemed to be Revenue or a Senior Transaction Fee or Subordinate Transaction Fee under the Indenture. To the extent that the Administrator pays or advances collection expenses on behalf of a collection agent for Defaulted Loans, the Administrator may be reimbursed from collections prior to the deposit of such amounts in the Revenue Fund to the same extent as if such collection expenses had been directly paid, and deducted from such collections, by the collection agent. The Authority, or its designated agent serving as collection agent, may act as custodian for any Defaulted Loans. The Authority, or its designated agent, is permitted to reschedule, revise, defer or otherwise compromise payments or take other reasonable actions with respect to Financed Eligible Loans that are Defaulted Loans in connection with maximizing the recovery on such Financed Eligible Loans. The Authority, or its designated agent, is also permitted to cease collection and servicing efforts with respect to any Financed Eligible Loans when and if the Authority determines that the probable costs of collection and servicing exceed the expected proceeds of collection or that the Financed Eligible Loan is unsuitable for continued collection efforts.

Administration and Servicing

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

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

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

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

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

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

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

Administration and Collection of Financed Eligible Loans.

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

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

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

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

Tax Covenants.

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

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

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

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

No Waiver of Laws

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

Pledge of Trust Estate.

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

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

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

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

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

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

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

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

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

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

Amendment of Student Loan Purchase Agreement

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

Senior Transaction Fees

The amount of the Senior Transaction Fees may be increased at any time upon satisfaction of the Rating Agency Notification. The Standard Servicing Fees payable to the Servicers servicing Financed Eligible Loans on the Date of Issuance that are payable as Senior Transaction Fees may not exceed the existing amounts of Standard Servicing Fees payable pursuant to the applicable Servicing Agreements in

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

Monthly Reports; Periodic Information on the Financed Eligible Loans.

Except as provided below, the Authority will cause the Administrator to prepare and furnish to the Trustee a Monthly Report at least two (2) Business Days prior to the last Business Day of each calendar month. The Trustee is required to make available a copy of each Monthly Report or portion thereof (as provided in the last paragraph of this caption) promptly after receipt thereof via its website at <https://pivot.usbank.com>, or such other internet address as the Trustee may specify from time to time, to each Registered Owner requesting a copy thereof, and to each Rating Agency then rating Outstanding Bonds.

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

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

General Terms of the Program

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

Restrictions on the Financing of Eligible Loans during the Acquisition Period

The following restrictions apply to the aggregate portfolio of Eligible Loans Financed during the Acquisition Period relating to the Series 2020-1 Bond (and do not apply to the portion of the portfolio of

Eligible Loans Financed on the Date of Issuance of the Series 2020-1 Bonds that were included in the cash flow modeling presented to the Rating Agency):

(a) At least 95% of the principal balance of such Eligible Loans shall be originated pursuant to the Authority's Refinance Student Loan Program.

(b) At least 95% of the principal balance of such Eligible Loans shall have fixed rates of interest.

(c) At least 80% of the principal balance of such Eligible Loans shall have FICO Scores equal to or greater than 740.

(d) All of such Eligible Loans shall be in immediate repayment.

(e) All of such Eligible Loans shall satisfy the following Program eligibility requirements:

(i) *Refinance Student Loan Program*—All borrowers are required to have graduated and received at least an undergraduate bachelor's degree from a school that is an accredited Title IV school that is eligible for federal financial aid and is a 4-year degree granting school that is a state or private nonprofit institutions (none of the Eligible Loans shall be to a borrower whose highest degree achieved was from a proprietary school); and

(ii) *Parent Student Loan Program*—Must be financing the education of an eligible benefiting student who is enrolled at least half-time in an accredited Title IV school that is eligible for federal financial aid and is a 4-year degree granting school that is a state or private nonprofit institutions (none of the Eligible Loans shall be for a benefiting student attending a proprietary school).

(f) At least 50% of the principal balance of such Eligible Loans shall be to borrowers with (or for the benefit of students pursuing) an advance degree.

(g) At least 10% of the principal balance of such Eligible Loans shall cosigned.

(h) None of such Eligible Loans may be over 30 days delinquent when purchased.

(i) Such Eligible Loans shall have a weighted average interest rate of not less than 4.15%.

(j) At least 35% of the principal amount of such Eligible Loans shall have a remaining repayment term to scheduled maturity of 120 months or less.

(k) At least 75% of the principal amount of such Eligible Loans shall have a remaining repayment term to scheduled maturity of 180 months or less.

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

FUNDS

Creation and Continuation of Funds and Accounts.

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

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

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

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

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

Student Loan Fund

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

Moneys on deposit in the Student Loan Fund are required to be used solely to pay costs of issuance of the Bonds and, during any Acquisition Period and any Recycling Period, as set forth in a Supplemental Indenture, to acquire and finance or refinance Eligible Loans. If the Authority determines that all or any portion of such moneys cannot be so used, then an Authorized Representative of the Authority may by Authority Order direct the Trustee that such moneys shall be transferred to the Tax-Exempt Retirement Account or the Taxable Retirement Account, as applicable, of the Debt Service Fund and used to redeem Bonds in accordance with any Supplemental Indenture. See the captions “THE SERIES 2020-1 BONDS—Redemption Provisions—*Mandatory Redemption from Unexpended Taxable Proceeds*” and “—*Mandatory Redemption from Unexpended Tax-Exempt Proceeds*” in the body of this Official Statement.

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

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

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

the Student Loan Fund (but only from cash or Investment Securities and not from Financed Eligible Loans or from amounts necessary for the acquisition of Approved Undisbursed Loans, which aggregate principal amount, if any, of such Approved Undisbursed Loans has been certified by the Authority to the Trustee on or prior to the last day of an Acquisition Period or Recycling Period, as applicable, with respect to a Series of Bonds) to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but only from amounts on deposit in the Student Loan Fund not constituting the proceeds of a Series of Tax-Exempt Bonds unless a Favorable Opinion has been received by the Authority and the Trustee) as directed by and in accordance with the applicable Monthly Report or Authority Order. To the extent that amounts are available within an Account of the Student Loan Fund, (i) amounts on deposit in the Tax-Exempt Account of the Student Loan Fund are required to be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Student Loan Fund and (ii) amounts on deposit in the Taxable Account of the Student Loan Fund are required to be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Student Loan Fund.

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

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

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

- (a) an Authority Order stating the sale price and directing that Financed Eligible Loans be sold, transferred or otherwise disposed of and delivered:
 - (i) to any Person, whose name is required to be specified; or
 - (ii) to the trustee under another indenture securing bonds issued by the Authority or another nonprofit corporation managed by the Administrator whose name is required to be specified in such Authority Order; and

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

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

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

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

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

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

Revenue Fund

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

other Revenue derived from moneys or assets on deposit in the Taxable Accounts of the Debt Service Reserve Fund, the Capitalized Interest Fund and the Revenue Fund and any other amounts deposited thereto upon receipt of an Authority Order or otherwise required pursuant to a Supplemental Indenture.

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

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

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

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

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

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

purpose, to make the transfers required pursuant to paragraph (e) under the caption “*Taxable Account*” below;

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

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

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

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

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

(k) (i) at the option of the Authority and upon receipt by the Trustee of an Authority Order or (ii) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of February and August), to the Tax-Exempt Retirement Account of the Debt Service Fund for the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Authority by Authority Order) (See the caption “THE SERIES 2020-1 BONDS—Redemption Provisions” in the body of this Official Statement);

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

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

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

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

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

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

(d) (i) *first*, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption “Debt Service Fund—*Taxable Principal Account*” below, to provide for the payment of principal

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

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

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

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

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

Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (h) described under the caption “*Tax-Exempt Account*” above;

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

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

(k) (i) at the option of the Authority and upon receipt by the Trustee of an Authority Order or (ii) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of February and August), to the Taxable Retirement Account or the Tax-Exempt Retirement of the Debt Service Fund, as directed by an Authority Order, for the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Authority by Authority Order) (See the caption “THE SERIES 2020-1 BONDS—Redemption Provisions” in the body of this Official Statement);

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

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

Capitalized Interest Fund

There will be deposited to the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund the amount, if any, specified in each Supplemental Indenture, and any other moneys of the Authority designated by the Authority for deposit therein pursuant to an Authority Order. If (a) on the last Business Day of any calendar month, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund to make the transfers required by paragraphs (a) through (d) under the caption “Revenue Fund—*Tax-Exempt Account*” above (or through paragraph (g) if no Senior

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

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

Debt Service Fund

The Debt Service Fund will only be used for the payment of principal, premium, if any, and interest on the Bonds. The Paying Agent on behalf of the Trustee may establish separate Subaccounts within the Tax-Exempt Interest Account, the Tax-Exempt Principal Account, the Tax-Exempt Retirement Account, the Taxable Interest Account, the Taxable Principal Account or the Taxable Retirement Account of the Debt Service Fund, as applicable, for each Series of Bonds or source of deposit (including any investment income thereon) made therein as directed by an Authority Order so that the Administrator can at all times ascertain the date of deposit, the amounts and the source of the funds therein. All references under this caption to mandatory sinking fund redemption dates or to principal installments due on such dates are deemed to include all cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund installments.

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

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

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

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

Tax-Exempt Principal Account. The Trustee shall deposit to the credit of the Tax-Exempt Principal Account: (a) that portion of the proceeds from the sale of the Authority’s bonds, if any, to be

used to pay principal of Tax-Exempt Bonds if so directed by the Authority, and (b) all amounts required to be transferred from the Funds and Accounts under this caption “*Tax-Exempt Principal Account.*”

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

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

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

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

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

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

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

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

the following Funds, in the following order of priority: the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund, the Tax-Exempt Account or the Taxable Account of the Student Loan Fund and the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund, subject to the limitations and conditions with respect thereto described under the captions “Capitalized Interest Fund” and “Student Loan Fund” above and “Debt Service Reserve Fund” below, respectively.

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

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

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

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

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

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

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

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

deposit in the any Account or Subaccount of the Debt Service Fund to pay principal or interest on a Subordinate Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount, not required to make a payment on any other Subordinate Bonds on such Bond Payment Date to make the payment due on such Subordinate Bond on such Bond Payment Date. To the extent there are still insufficient amounts in the Debt Service Fund to make the full payments of principal and interest due on the Senior Bonds (or, if there are no Senior Bonds Outstanding, on the Senior-Subordinate Bonds or, if there are no Senior Bonds or Senior-Subordinate Bonds Outstanding, on the Subordinate Bonds) on such Bond Payment Date, the Bonds to be paid shall be allocated a pro rata share of the amounts on deposit in the Debt Service Fund based upon the amounts due and owing on such Bonds on such Bond Payment Date. Any amounts within the Debt Service Fund that were reallocated from one Series of Bonds to be used to pay another Series of Bonds as described under this caption “*Reallocation of amounts on deposit in the Debt Service Fund*” are required to be added to the amounts required to be deposited with respect to such Series of Bonds for which previously set aside amounts were used to pay another Series of Bonds as described under this caption “Debt Service Fund” and the caption “Revenue Fund” above on the next monthly distribution date.

Debt Service Reserve Fund.

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

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

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

Rebate Fund.

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

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

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

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

Notwithstanding anything in the Indenture to the contrary, in the event the Authority and the Trustee receives a Favorable Opinion to the effect that it is not necessary under either existing statutes and court decisions or under any then federal legislation to pay any portion of earnings on Funds held under the Indenture or Excess Earnings to the United States of America in order to assure the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds, then the provisions described

under this caption “Rebate Fund” need not be complied with and will no longer be effective and all or a portion of such amounts on deposit in the Rebate Fund will be transferred to the Account of the Revenue Fund designated by an Authority Order.

Operating Fund

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

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

Releases from the Indenture

No transfers from the Revenue Fund to the Authority or any subsequent holder of the residual interest in the Trust Estate may be made pursuant to paragraphs (m) under the captions “Revenue Fund—*Tax-Exempt Account*” and “—*Taxable Account*” above, as applicable, if there is not on deposit in the Debt Service Reserve Fund an amount equal to at least the Debt Service Reserve Fund Requirement, and unless all conditions contained in any Supplemental Indenture are complied with and the Trustee has received (a) a certificate of an Authorized Representative of the Authority to the effect that all rebate liability as calculated pursuant to any Tax Document through the date of such transfer has been paid or deposited in the Rebate Fund and (b) a certificate of an Authorized Officer of the Authority stating that, immediately following such release, (i) the Overall Parity Percentage (assuming that amounts in the Tax-Exempt Retirement Account or the Taxable Retirement Account of the Debt Service Fund have been used to redeem a principal amount of Bonds equal to amounts on deposit therein) will equal or exceed 113% (provided, however, that such Overall Parity Percentage may be lowered by the Authority if the Authority shall have satisfied the Rating Agency Notification), (ii) the Net Asset Requirement shall be satisfied and (iii) the aggregate principal amount of all Bonds Outstanding will be greater than 10% of the aggregate principal amount of all Bonds Outstanding as of the last date of issuance of a Series of Bonds.

Subject to compliance with the provisions described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” in this Appendix A, any amounts transferred from the Revenue Fund to the Authority or any subsequent holder of the residual interest in the Trust Estate in accordance with the Indenture shall be released from the lien of the Indenture,

shall no longer be part of the Trust Estate and shall be the property of the Authority or any subsequent holder of such residual interest in the Trust Estate.

Investment of Funds Held by Trustee

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

The Investment Securities purchased are required to be held by the Paying Agent on behalf of the Trustee and will be deemed at all times to be part of such Fund or Account or Subaccounts or combination thereof, and the Paying Agent on behalf of the Trustee is required to inform the Authority of the details of all such investments. Earnings with respect to, and any net gain on the disposition of, any such investments, except on investments contained in the Rebate Fund and the Operating Fund, are required to be deposited into the Revenue Fund. Earnings on amounts contained in the Rebate Fund remain in the Rebate Fund. Earnings on amounts contained in the Operating Fund remain in the Operating Fund. Upon direction in writing (or orally, confirmed in writing) from an Authorized Representative of the Authority, the Paying Agent on behalf of the Trustee is required to use its best efforts to sell at the best price obtainable, or present for redemption, any Investment Securities purchased by it as an investment whenever it is necessary to provide money to meet any payment from the applicable Fund. The Paying Agent on behalf of the Trustee is required to advise the Authority in writing, on or before the fifteenth day of each calendar month (or such later date as reasonably consented to by the Authority), of all investments held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month and the value thereof, and will list any investments which were sold or liquidated for less than their value at the time thereof.

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

Notwithstanding the foregoing, neither the Paying Agent nor the Trustee is responsible or liable for any losses on investments made by it under the Indenture or for keeping all Funds held by it fully invested at all times, its only responsibility being to comply with the investment instructions of the Authority or its designee in compliance with the Trustee's standard of care described under the caption "THE TRUSTEE" in this Appendix A.

Purchase of Bonds

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

DEFAULTS AND REMEDIES

Events of Default Defined

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

- (a) default in the due and punctual payment of the principal of or interest on any of the Senior Bonds when due (other than the failure to make Principal Reduction Payments);
- (b) if no Senior Bonds are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Senior-Subordinate Bonds when due (other than the failure to make Principal Reduction Payments);
- (c) if no Senior Bonds or Senior-Subordinate Bonds are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Subordinate Bonds when due (other than the failure to make Principal Reduction Payments);
- (d) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Authority, other than an Administrator Default with respect to the Authority, to be kept, observed, and performed contained in the Indenture or in the Bonds, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the Trustee to the Authority; and
- (e) the occurrence of an Event of Bankruptcy with respect to the Authority.

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

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

Remedy on Default; Possession of Trust Estate

Upon the happening and continuance of any Event of Default, the Trustee, personally or by its attorneys or agents, may (but in the case of an Event of Default described in paragraph (d) under the caption “Events of Default Defined” above only upon the written direction of 100% of the Registered Owners of the Highest Priority Bonds then Outstanding and the written consent of the Registered Owners of a majority of the collective aggregate principal amount of each of the Senior-Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds) enter into and upon and take possession of such portion of the Trust Estate as is in the custody of others, and all property comprising the Trust Estate, and each and every part thereof, and exclude the Authority and its agents, servants, and employees wholly therefrom, and have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Authority or otherwise, as they shall deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and powers of the Authority and use all of the then existing Trust Estate for that purpose, and collect and receive all charges, income and Revenue of the same and of every part thereof, and after deducting therefrom all expenses incurred under the Indenture (including any Extraordinary Expenses) and all other proper outlays authorized in the Indenture, and all payments which may be made as just and reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Trustee is required to apply the rest and residue of the money received by the Trustee as follows:

(a) if the principal of none of the Bonds has become due: *first*, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; *second*, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *third*, to the payment of the interest in default on the Senior Bonds, in order of the maturity of the installments thereof, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and *fourth*, to the payment of the interest in default on the Senior-Subordinate Bonds, in order of the maturity of the installments of such interest, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior-Subordinate Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and *fifth*, to the payment of the interest in default on the Subordinate Bonds, in order of the maturity of the installments of such interest, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference.

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

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

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

Remedies on Default; Advice of Counsel

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

Remedies on Default; Sale of Trust Estate

Upon the happening and continuation of any Event of Default and if the principal of all of the Outstanding Bonds has been declared due and payable pursuant to the provisions described under the caption “Accelerated Maturity” below, then and in every such case, and irrespective of whether other remedies authorized have been pursued in whole or in part, the Trustee may sell, with or without entry, to the highest bidder the Trust Estate, and all right, title, interest, claim and demand thereto and the right of redemption thereof, at any such place or places, and at such time or times and upon such notice and terms as may be required by law; provided, however, that no such sale shall be made unless the Trustee has received an opinion of Bond Counsel stating that adequate provision has been made to assure that such transfer shall not impair the Authority’s capacity to comply with its obligations relative to the restrictions upon Portfolio Yield and to the rebate of certain amounts to the federal government as such obligations would be calculated upon the date of such opinion in accordance with any Tax Document and that such transfer will not affect adversely the exclusion from federal income taxation of interest on the Bonds afforded by Section 103 of the Code. Upon such sale the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale will be a perpetual bar both at law and in equity against the Authority and all Persons claiming such properties. No purchaser

at any sale shall be bound to see to the application of the purchase money or to inquire as to the authorization, necessity, expediency or regularity of any such sale. The Trustee is irrevocably appointed the true and lawful attorney-in-fact of the Authority, in its name and stead, to make and execute all bills of sale, instruments of assignment and transfer and such other documents of transfer as may be necessary or advisable in connection with a sale of all or part of the Trust Estate, but the Authority, if so requested by the Trustee, shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary, or in the judgment of the Trustee, proper for the purpose which may be designated in such request. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee and the Registered Owners of the Bonds in such manner as counsel for the Trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of such other appropriate legal or equitable remedies as may in the opinion of such counsel, be more effectual to protect and enforce the rights aforesaid. The Trustee is required to take any such action or actions if requested to do so in writing by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds at the time Outstanding. Such a sale following an Event of Default, other than a default in the payment of any principal or interest on any Bond, also requires the written consent of all the Registered Owners of the Senior-Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds unless the proceeds of such a sale would be sufficient to discharge the Senior Subordinate Bonds and the Subordinate Bonds at the date of such a sale.

Appointment of Receiver

In case an Event of Default occurs, and if all of the Outstanding Bonds have been declared due and payable and in case any judicial proceedings are commenced to enforce any right of the Trustee or of the Registered Owners under the Indenture or otherwise, then as a matter of right, the Trustee is entitled to the appointment of a receiver of the Trust Estate and of the earnings, income or Revenue, rents, issues and profits thereof with such powers as the court making such appointments may confer.

Restoration of Position

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

Purchase of Properties by Trustee or Registered Owners

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

Application of Sale Proceeds

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

Accelerated Maturity

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

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

Remedies Not Exclusive

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

Direction of Trustee

Upon the happening of any Event of Default, the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding, have the right by an instrument or instruments in writing delivered to the Trustee to direct and control the Trustee as to the method of taking any and all proceedings for any sale of any or all of the Trust Estate, or for the appointment of a receiver, if permitted by law, and may at any time cause any proceedings authorized by the terms of the Indenture to be so taken or to be discontinued or delayed; provided, however, that such Registered Owners will not be entitled to cause the Trustee to take any proceedings which in the Trustee’s opinion would be unjustly prejudicial to non-assenting Registered Owners of Bonds, but the Trustee is entitled to assume that the action requested by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding will not be prejudicial to any non-assenting Registered Owners unless the Registered Owners of at least two-thirds of the collective

aggregate principal amount of the non-assenting Registered Owners of such Highest Priority Bonds, in writing, show the Trustee how they will be prejudiced. The provisions described above are expressly subject to the provisions described under paragraph (c) under the caption “THE TRUSTEE—Acceptance of Trust” and described under the caption “THE TRUSTEE—Indemnification of Trustee” in this Appendix A.

Right to Enforce in Trustee

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

Waivers of Events of Default

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

THE TRUSTEE

Acceptance of Trust

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

- (a) Except during the continuance of an Event of Default,
 - (i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and
 - (ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming on their face to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provisions of the Indenture are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture, without any duty to inquire to the matters stated in the Indenture.
- (b) In case an Event of Default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, is required to use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.
- (c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:
 - (i) this paragraph (c) shall not be construed to limit the effect of paragraph (a) above;
 - (ii) the Trustee will not be liable for any error of judgment made in good faith, unless it is conclusively determined by a court of competent jurisdiction that the Trustee was negligent in ascertaining the pertinent facts;
 - (iii) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the requisite percentage of Registered Owners permitted to direct the Trustee pursuant to the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture; and
 - (iv) no provision of the Indenture (including but not limited to any time that the Trustee is acting as a prudent person following an Event of Default described in paragraph (d) under the caption “DEFAULTS AND REMEDIES—Events of Default Defined” in this Appendix A) requires the Trustee to expend or risk its own funds or otherwise incur any liability (financial or otherwise) in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, unless directed in

writing by the Registered Owners of at least two-thirds in aggregate of the Highest Priority Bonds Outstanding and the Trustee is furnished an indemnity bond or other indemnity and security satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which results from the negligence or willful misconduct of the Trustee.

Recitals of Others

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

As to Filing of Indenture

The Trustee is under no duty (a) to file or record, or cause to be filed or recorded, the Indenture or any instrument supplemental thereto; (b) to procure any further order or additional instruments of further assurance; (c) to see to the delivery to it of any personal property intended to be mortgaged or pledged under the Indenture or thereunder; (d) to do any act which may be suitable to be done for the better maintenance of the lien or security of the Indenture; or (e) for giving notice of the existence of such lien, or for extending or supplementing the same or to see that any rights to Revenue and Funds intended now or hereafter to be transferred in trust under the Indenture are subject to the lien thereof. The Trustee will not be liable for failure of the Authority to pay any tax or taxes in respect of such property, or any part thereof, or the income therefrom or otherwise, nor will the Trustee be under any duty in respect of any tax which may be assessed against it or the Registered Owners in respect of such property or pledged Revenue and Funds. The Trustee has no responsibility for the sufficiency, adequacy or priority of any initial filing and in the absence of written notice to the contrary by the Authority or other Authorized Representative, may conclusively rely and will be protected in relying on all information and exhibits in such initial filings for the purposes of any continuation statements.

Trustee May Act Through Agents

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

Indemnification of Trustee

Other than with respect to its duties to make payment on the Bonds when due and its duty to pursue the remedy of acceleration as described under the caption “DEFAULTS AND REMEDIES—Accelerated Maturity” in this Appendix A for each of which no additional security, indemnity or consent may be

required, the Trustee will be under no obligation or duty to take any action or refrain from taking any action under the Indenture or to perform any act at the request of Registered Owners or to institute or defend any suit in respect thereof unless properly indemnified and provided with security to its satisfaction as described under paragraph (c) under the caption “Acceptance of Trust” above. The Trustee is not required to take notice, or be deemed to have knowledge, of any default or Event of Default of the Authority or any Administrator Default under the Indenture and may conclusively assume that there has been no such default or Event of Default (other than an Event of Default described in paragraph (a), (b) or (c) under the caption “DEFAULTS AND REMEDIES—Events of Default Defined” in this Appendix A) unless and until a Responsible Officer of the Trustee has been specifically notified in writing at the address set forth in the Indenture of such default or Event of Default by (a) the Registered Owners of the required percentages in principal amount of the Bonds then Outstanding hereinabove specified or (b) an Authorized Representative of the Authority. However, the Trustee may begin suit, or appear in and defend suit, execute any of the trusts created by the Indenture, enforce any of its rights or powers under the Indenture, or do anything else in its judgment proper to be done by it as Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee is required to be reimbursed or indemnified by the Registered Owners requesting such action, if any, for all fees, costs and expenses (including extraordinary out-of-pocket expenses), liabilities, outlays and counsel and agent fees and other reasonable disbursements properly incurred in connection therewith (including, but not limited to the costs of defending any claim of bringing any claim to enforce any indemnification obligation), unless such costs and expenses, liabilities, outlays and attorneys’ fees and other reasonable disbursements properly incurred in connection therewith are adjudicated to have resulted from the negligence or willful misconduct of the Trustee. In furtherance and not in limitation of the provisions described above, the Trustee will not be liable for, and will be held harmless by the Authority from, following any Authority Orders, instructions or other directions (including electronic communications) upon which the Trustee is authorized to rely pursuant to the Indenture or any other agreement to which it is a party. If the Authority or the Registered Owners, as appropriate, fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, (i) except during the continuance of an Event of Default, subject only to the prior lien of the Bonds for the payment of the principal thereof, premium, if any, and interest thereon from the Revenue Fund; and (ii) during the continuance of an Event of Default in accordance with the provisions described under the caption “DEFAULTS AND REMEDIES—Remedy on Default; Possession of Trust Estate” in this Appendix A. None of the provisions contained in the Indenture or any other agreement to which it is a party require the Trustee to act or to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the Registered Owners have not offered security and indemnity acceptable to it or if it has reasonable grounds for believing that prompt repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

In no event will the Trustee be responsible or liable for any failure or delay in the performance of its obligations under the Indenture arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities or communication, or any other similar events outside the control of the Trustee.

Trustee's Right to Reliance

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

Whenever in the administration of the Indenture the Trustee reasonably deems it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Indenture, the Trustee (unless other evidence is specifically prescribed in the Indenture) may require and, in the absence of bad faith on its part, may rely upon a certificate signed by an Authorized Representative of the Authority. Whenever in the administration of the Indenture the Trustee is directed to comply with an Authority Order, the Trustee will be entitled to act in reliance on such Authority Order.

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

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

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

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

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

In no event will the Trustee be liable for punitive, special, indirect, or consequential damages (including, but not limited to, loss of profit).

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

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

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

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

To the extent U.S. Bank National Association is acting as Trustee under the Indenture, it will be afforded the same rights, protections and indemnities in its other capacities under the Indenture that it is afforded as Trustee.

Compensation of Trustee

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

The Authority is required to indemnify and hold harmless the Trustee and any director, officer, employee, or agent of the Trustee, Paying Agent, Transfer Agent and Registrar against any loss, liability or reasonable expense (including, without limitation, reasonable: legal fees and expenses; extraordinary expenses; fees of agents and experts; and the reasonable costs of defending any claim or bringing any claim to enforce the indemnification obligations of the Authority) incurred in connection with its actions or inactions under the Indenture, the Administration Agreement or the Bonds, other than any loss, liability, or expense incurred by reason of willful misfeasance, bad faith, or negligence in the performance by the Trustee, Paying Agent, Transfer Agent, or Registrar or their agents or attorneys of the duties of the Trustee, Paying Agent, Transfer Agent, or Registrar under the Indenture.

Trustee May Own Bonds

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

Resignation of Trustee

The Trustee and any successor to the Trustee may resign and be discharged from the trust created by the Indenture by giving to the Authority 30 days prior written notice, which notice is required to specify the date on which such resignation is to take effect; provided, however, that such resignation will only take effect on the day specified in such notice if a successor Trustee has been appointed as described under the caption “Successor Trustee” below (and is qualified to be the Trustee under the requirements described under the caption “Successor Trustee” below) and said successor Trustee has accepted such appointment in writing. If no successor Trustee has been appointed by the later of the date specified or 60 days after the receipt of the notice by the Authority, the Trustee may (a) appoint a temporary successor Trustee having the qualifications described under the caption “Successor Trustee” below; or (b) request a court of competent jurisdiction to (i) require the Authority to appoint a successor, as provided under the caption “Successor Trustee” below, within three days of the receipt of citation or notice by the court; or (ii) appoint a Trustee having the qualifications described under the caption “Successor Trustee” below. In no event may the resignation of the Trustee be effective until a qualified successor Trustee shall have been selected and appointed and said successor Trustee has accepted such appointment in writing. In the event a temporary successor Trustee is appointed pursuant to clause (a) above, the Authority may remove such temporary successor Trustee and appoint a successor thereto pursuant to the provisions described under the caption “Successor Trustee” below.

Removal of Trustee

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

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

Successor Trustee

In case at any time the Trustee or any successor Trustee resigns, is dissolved or otherwise is disqualified to act or be incapable of acting, or in case control of the Trustee or of any successor Trustee or

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

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

Manner of Vesting Title in Trustee

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

Right of Inspection.

A Registered Owner will be permitted at reasonable times during regular business hours and in accordance with reasonable regulations prescribed by the Trustee to examine at an office of the Trustee a copy of any documents authorizing and securing a Series of Bonds or any report or instrument theretofore filed with the Trustee relating to the condition of the Trust Estate.

At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives have the right fully to inspect all books, papers and records of the Authority, the Administrator and, to the extent provided in a Servicing Agreement, the related Servicer, pertaining to Financed Eligible Loans, and to copy or take such memoranda from and in regard thereto as may be desired.

Limitation With Respect to Examination

Except as expressly provided in the Indenture, the Trustee will be under no duty to examine any report or statement or other document required or permitted to be filed with it by or on behalf of the

Authority, and the Trustee may accept the same as conclusive evidence of the truth and accuracy of any statement contained therein or as to the existence or nonexistence of any fact stated therein.

Servicing Agreements

The Trustee is not responsible for servicing the Eligible Loans held or financed or refinanced under the terms of the Indenture or for the custody, safekeeping, or preservation of the Eligible Loans held or financed or refinanced under the terms of the Indenture. The Trustee has no duty to monitor or supervise the Administrator, any Servicer, or any custodian of the Eligible Loans held or financed or refinanced under the terms of the Indenture and is not responsible for any of their acts or omissions in servicing or maintaining custody of the Eligible Loans held or financed or refinanced under the terms of the Indenture.

Additional Covenants of Trustee

The Trustee, by the execution of the Indenture, covenants, represents and agrees that:

(a) it will not exercise any of the rights, duties, or privileges under the Indenture in such manner as would cause the Eligible Loans held or financed or refinanced under the terms of the Indenture to be transferred, assigned, or pledged as security to any person or entity other than as permitted by the Indenture; and

(b) it will, upon written notice from an Authorized Representative of the Authority, use its reasonable efforts to cause the Indenture to be amended (in accordance with the provisions described under the caption “SUPPLEMENTAL INDENTURES—Supplemental Indentures Not Requiring Consent of Registered Owners” in this Appendix A) if the Program Guidelines are hereafter amended so as to be contrary to the terms of the Indenture.

Merger of the Trustee, Etc.

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

Survival of Trustee’s Rights to Receive Compensation, Reimbursement and Indemnification

The Trustee’s rights to receive compensation, reimbursement and indemnification of money due and owing under the Indenture at the time of the Trustee’s resignation or removal shall survive the Trustee’s resignation or removal.

Provisions Controlling as to Trustee Conduct and Liability

Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of the Trustee is subject to the provisions described under this caption “TRUSTEE”.

Statement by Trustee of Funds and Accounts and Other Matters

Not more than thirty days after the close of each Fiscal Year the Trustee shall furnish the Authority, the Administrator and any Registered Owner filing with the Trustee a written request for a copy, a bank statement setting forth (to the extent applicable) in respect to such Fiscal Year, (a) all transactions relating to the receipt, disbursement and application of all moneys received by the Trustee pursuant to all terms of the Indenture, (b) the balances held by the Trustee at the end of such Fiscal Year to the credit of each Fund and Account, (c) a brief description of all moneys and Investment Securities held by the Trustee as part of the balance of each Fund and Account as of the end of such Fiscal Year, (d) the principal amount of Bonds repaid during such Fiscal Year, and (e) any other information which the Authority or the Administrator may reasonably request.

In addition, the Trustee shall furnish the Authority and the Administrator on or before the fifth day of each calendar month a bank statement of all moneys and Investment Securities to the credit of each Fund and Account as of the last day of the preceding month.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Registered Owners

The Authority and the Trustee, at the request of the Authority, may, without the consent of or notice to any of the Registered Owners, enter into any indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Registered Owners or the Trustee;
- (c) to subject to the Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- (e) to evidence the appointment of a separate or co-Trustee or a co-registrar or Transfer Agent or the succession of a new Trustee under the Indenture;
- (f) to add such provisions to or to amend such provisions of the Indenture as may be necessary or desirable to assure implementation of the Program if, together with such Supplemental Indenture there is filed an Opinion of Counsel (which may be counsel to the Authority) addressed to the Authority and the Trustee to the effect that the addition or amendment of such provisions will not materially impair the existing security of the Registered Owners of any Outstanding Bonds;

(g) to make any change as shall be necessary in order to obtain and maintain for any of the Bonds an investment grade Rating from a nationally recognized rating service, if along with such Supplemental Indenture there is filed a Bond Counsel's opinion addressed to the Trustee to the effect that such changes will in no way impair the existing security of the Registered Owners of any Outstanding Bonds;

(h) to make any changes necessary to comply with the Code and the regulations promulgated thereunder;

(i) to provide for the issuance of Bonds pursuant to the provisions described under the caption "BOND DETAILS—Issuance of Bonds" in this Appendix A, including the creation of appropriate Funds, Accounts and Subaccounts with respect to such Bonds;

(j) with a Rating Agency Notification, in connection with the issuance of Senior Bonds, Senior-Subordinate Bonds or Subordinate Bonds, to create any additional Funds or Accounts or Subaccounts under the Indenture, including without limitation in the nature of debt service reserve or capitalized interest Funds, Accounts or Subaccounts for such Senior Bonds, Senior-Subordinate Bonds or Subordinate Bonds, and to modify or amend the provisions described under the captions "FUNDS—Revenue Fund—*Tax-Exempt Account*" and "*Taxable Account*" in this Appendix A in connection with the foregoing; provided, that no such modification or amendment is permitted to change the amount or timing of application of Revenues or of amounts transferred to the Revenue Fund from other funds and accounts to pay principal of or interest or redemption premium, if any, on Senior Bonds;

(k) to create any other additional Funds or Accounts or Subaccounts under the Indenture deemed by the Trustee to be necessary or desirable;

(l) to amend the Indenture to provide for use of a surety bond or other financial guaranty instrument in lieu of cash and/or Investment Securities in all or any portion of the Debt Service Reserve Fund upon satisfaction of a Rating Agency Notification;

(m) with a Rating Agency Notification, to the extent required by a Supplemental Indenture, to evidence the extension of any Acquisition Period or Recycling Period;

(n) to modify any of the provisions of the Indenture in any respect whatever; provided, however, that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution by the Authority of such Supplemental Indenture shall cease to be Outstanding; and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution by the Authority of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(o) to conform the terms of the Indenture to the description of such terms in an offering memorandum used in connection with the sale of any Bonds; or

(p) to make any other change (other than changes with respect to any matter requiring satisfaction of the Rating Agency Notification or the Rating Agency Confirmation unless the Bonds are not rated at the time) which, in the judgment of the Authority and the Trustee, is not materially adverse to the Registered Owners of any Bonds;

provided, however, that nothing described under this caption “Supplemental Indentures Not Requiring Consent of Registered Owners” permits, or is to be construed as permitting, any modification of the trusts, powers, rights, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

Supplemental Indentures Requiring Consent of Registered Owners

Exclusive of Supplemental Indentures described under the caption “Supplemental Indentures Not Requiring Consent of Registered Owners” above and subject to the terms and provisions contained described under this caption “Supplemental Indentures Requiring Consent of Registered Owners,” and not otherwise, the Registered Owners of not less than a majority of the collective aggregate principal amount of the then Outstanding Bonds affected thereby shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing described under this caption “Supplemental Indentures Requiring Consent of Registered Owners” shall permit, or be construed as permitting (a) without the consent of the Registered Owners of all then Outstanding Bonds affected thereby, (i) an extension of the maturity date of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided in the Indenture, (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture except as otherwise provided in the Indenture; or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

If at any time the Authority requests the Trustee to enter into any such Supplemental Indenture for any of the purposes described under this caption “Supplemental Indentures Requiring Consent of Registered Owners,” the Trustee is required, upon being satisfactorily indemnified with respect to expenses, to cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to each Registered Owner of a Bond at the address shown on the registration records. Such notice is required to briefly set forth the nature of the proposed Supplemental Indenture and to state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Registered Owners. If, within 60 days, or such longer period as is prescribed by the Authority, following the mailing of such notice, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture have consented in writing to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as described under this caption “Supplemental Indentures Requiring Consent of Registered Owners,” the Indenture will be and be deemed to be modified and amended in accordance therewith. The Trustee is not obligated to enter into any Supplemental Indenture which affects the Trustee’s own rights, duties or indemnities or otherwise.

Additional Limitation on Modification of Indenture

No amendment to the Indenture or to the indentures supplemental thereto will be effective unless the Trustee receives an opinion of Bond Counsel to the effect that such amendment was adopted in conformance with the Indenture and will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

GENERAL PROVISIONS

Consent of Registered Owners Binds Successors

Any request or consent of the Registered Owner of any Bonds given for any of the purposes of the Indenture will bind all future Registered Owners of the same Bond or any Bonds issued in exchange therefor or in substitution thereof in respect of anything done or suffered by the Authority or the Trustee in pursuance of such request or consent.

No Liability of Directors

It is expressly made a condition of the Indenture that any agreements, covenants, or representations contained in the Indenture or contained in the Bonds do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the incorporators, officers, employees, agents or directors of the Authority, and in the event of a breach of any such agreement, covenant, or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Authority shall arise therefrom.

Laws Governing

The Indenture will in all respects be governed by the laws of the State of Texas.

Non-Business Days

Except as may otherwise be provided in the Indenture, if the date for making payment of any amount under the Indenture or on any Bond, or if the date for taking any action under the Indenture, is not a Business Day, then such payment can be made without accruing further interest or action can be taken on the next succeeding Business Day, with the same force and effect as if such payment were made when due or action taken on such required date.

Objection of Registered Owners

Anything in the Indenture to the contrary notwithstanding, whenever in the Indenture a Rating Agency Notification or a Rating Agency Confirmation is required with respect to any Proposed Action, to the extent that the Bonds no longer carry a Rating from any Rating Agency, the Authority will give notice of any Proposed Action to the Registered Owners and will be permitted to take such Proposed Action unless the Registered Owners of not less than a majority of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding object to the Proposed Action within 20 Business Days of the giving of such notice.

Rating Agency Notifications and Rating Agency Confirmations

Anything in the Indenture to the contrary notwithstanding, (a) the Authority is not required to satisfy a Rating Agency Notification or a Rating Agency Confirmation with respect to any Rating Agency which has not been designated by the Authority to provide a rating on any of the Bonds and (b) the rating requirements with respect to Investment Securities shall not apply with respect to the ratings of any Rating Agency which has not been designated by the Authority to provide a rating on any of the Bonds.

PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE

Trust Irrevocable

The trust created by the terms and provisions of the Indenture is irrevocable until the indebtedness secured by the Indenture (the Bonds and interest thereon) and all other payment obligations under the Indenture are fully paid or provision made for its payment as described under this caption “PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE.”

Satisfaction of Indenture.

If the Authority pays, or causes to be paid, or there is otherwise paid (i) to the applicable parties, all Senior Transaction Fees and Subordinate Transaction Fees then due and owing, (ii) to the Registered Owners of the Bonds, the principal of and interest on the Bonds, at the times and in the manner stipulated in the Indenture; and (iii) to the United States of America, the amount required to be rebated in satisfaction of its obligations as described in any Tax Document, then the pledge of the Trust Estate, except the Rebate Fund, which is not pledged under the Indenture, and all covenants, agreements, and other obligations of the Authority to the Registered Owners of Bonds other than as described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” in this Appendix A will thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee is required to execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee is required to pay over or deliver all money held by it under the Indenture to the party entitled to receive the same under the Indenture. If the Authority pays or causes to be paid, or there is otherwise paid, to the Registered Owners of any Outstanding Bonds the principal of and interest on such Bonds, such Bonds will cease to be entitled to any lien, benefit, or security under the Indenture, and all covenants, agreements, and obligations of the Authority to the Registered Owners thereof will thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or interest installments will be deemed to have been paid within the meaning of the preceding paragraph if money for the payment or redemption thereof has been set aside and is being held on behalf of the Registered Owners by the Trustee at the Stated Maturity or earlier redemption date thereof. Any Outstanding Bond will, prior to the Stated Maturity or earlier redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (i) such Bond is to be redeemed on any date prior to its Stated Maturity; and (ii) the Authority has given notice of redemption as provided in the Indenture on said date and there has been deposited with the Paying Agent on behalf of the Trustee either money in an amount which are sufficient, or Governmental Obligations (including any Governmental Obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Paying Agent on behalf of the Trustee at the same time, are sufficient, to pay when due the principal of and interest to become due on such Bond on and prior to the redemption date or Stated Maturity thereof, as the case may be, provided that with respect to

the defeasance of Bonds in a variable-rate mode (the “Variable Rate Bonds”) for which the interest rate cannot be determined at the time of defeasance, the Authority has deposited funds with the Trustee sufficient to pay interest at the maximum rate allowable on the Variable Rate Bonds for the defeasance period. Notwithstanding anything in the Indenture to the contrary, however, no such deposit shall have the effect specified in this paragraph; (A) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding; (B) unless on the date of such deposit of Governmental Obligations, but only if the deposit consists of Governmental Obligations, there will be provided to the Trustee a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay in full the Outstanding Bonds to be redeemed or to be deemed paid pursuant to this paragraph; and (C) unless there is delivered to the Trustee an Opinion of Bond Counsel to the effect that such deposit will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on any Bond. Neither Governmental Obligations nor money deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Governmental Obligations may be withdrawn or used for any purpose other than, and will be held irrevocably in trust in an escrow account for, the payment of the principal of and interest on such Bonds. Any cash received from such principal of and interest on such Governmental Obligations deposited with the Paying Agent on behalf of the Trustee, if not needed for such purpose, will, to the extent practicable, be reinvested in Governmental Obligations maturing at times and in amounts sufficient to pay when due the principal of and interest on such Bonds on and prior to such redemption date or Stated Maturity thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Authority, as received by the Paying Agent on behalf of the Trustee, free and clear of any trust, lien, or pledge. Any payment for Governmental Obligations purchased for the purpose of reinvesting cash as aforesaid will be made only against delivery of such Governmental Obligations. For the purposes of this paragraph, “Governmental Obligations” means and include only non-callable direct obligations of the Department of the Treasury of the United States of America or portions thereof (including interest or principal portions thereof). Such Governmental Obligations must be of such amounts, maturities, and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payments required in the Indenture, and which obligations have been deposited in an escrow account which is irrevocably pledged as security for the Bonds. Such term does not include mutual funds and unit investment trusts.

The provisions described above are applicable to the Bonds and any portion of the Bonds.

Cancellation of Paid Bonds

Any Bonds which have been paid or purchased by the Authority, Bonds exchanged for new Bonds, mutilated Bonds replaced by new Bonds, and any temporary Bond for which definitive Bonds have been delivered will (unless otherwise directed by the Authority by Authority Order) forthwith be cancelled by the Trustee and, except for temporary Bonds, returned to the Authority.

APPENDIX B

FORM OF BOND COUNSEL OPINION

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel,
upon the delivery of the Bonds, assuming no material changes in facts or law.*

March __, 2020

**BRAZOS HIGHER EDUCATION AUTHORITY, INC.
TAXABLE STUDENT LOAN PROGRAM REVENUE BONDS, SENIOR SERIES 2020-1A
TAX-EXEMPT STUDENT LOAN PROGRAM REVENUE BONDS, SENIOR SERIES 2020-1A (AMT)
TAX-EXEMPT STUDENT LOAN PROGRAM REVENUE BONDS, SUBORDINATE SERIES 2020-1B (AMT)
DATED AS OF MARCH 1, 2020
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$67,590,000**

AS BOND COUNSEL FOR THE BRAZOS HIGHER EDUCATION AUTHORITY, INC. (the "**Authority**") in connection with the issuance of the bonds described above (the "**Bonds**"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Bonds, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Bonds and the hereinafter defined Indenture. The Bonds are issued pursuant to and secured under an *Indenture of Trust*, dated as of October 1, 2019 (as previously amended and supplemented, the "**Master Indenture**"), as further amended and supplemented by a *Second Supplemental Indenture of Trust*, dated as of March 1, 2020, each by and between the Issuer and *U.S. Bank National Association*, as Trustee (collectively with the Master Indenture, the "**Indenture**").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the Authority, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the resolution of the Authority approving the Indenture and authorizing the issuance of the Bonds (the "**Bond Resolution**"), (ii) one of the executed Bonds (Bond No. T-1), and (iii) the Indenture.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law, including particularly Chapter 53B of the Texas Education Code, as amended; that the Bonds constitute valid and legally binding special obligations of the Authority in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of



judicial discretion; that the Authority has the legal authority to issue the Bonds and to repay the Bonds; and that the Bonds are solely secured by and payable from the assets held in the Trust Estate created under the Indenture.

WE EXPRESS NO OPINION as to any federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Authority, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds, and we have relied solely on certificates executed by officials of the Authority as to the sufficiency of expected assets pledged under the Indenture to pay the Bonds.

Respectfully,

APPENDIX C

FORM OF SPECIAL TAX COUNSEL OPINION

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March __, 2020

Brazos Higher Education Authority, Inc.
Waco, Texas

RBC Capital Markets, LLC, as Underwriter
New York, New York

U.S. Bank National Association, as Trustee
Cincinnati, Ohio

Re: \$37,025,000 Taxable Student Loan Program Revenue Bonds, Senior Series 2020-1A, \$22,765,000 Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2020-1A (AMT) and \$7,800,000 Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2020-1B (AMT)

Ladies and Gentlemen:

We have acted as special tax counsel to the Brazos Higher Education Authority, Inc. (the “Authority”) in connection with the issuance by the Authority on the date hereof of the referenced Taxable Student Loan Program Revenue Bonds, Senior Series 2020-1A (the “Taxable Bonds”), Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2020-1A (AMT) (the “Senior Tax-Exempt Bonds”) and Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2020-1B (AMT) (collectively with the Senior Tax-Exempt Bonds, the “2020-1 Tax-Exempt Bonds” and, collectively with the Taxable Bonds, the “Bonds”). We understand that McCall, Parkhurst & Horton L.L.P. is serving as bond counsel (“Bond Counsel”) to the Authority with respect to the issuance of the Bonds and that the Bonds are being sold pursuant to a public offering by RBC Capital Markets, LLC, as underwriter (the “Underwriter”).

The Bonds are issued and secured pursuant to the Indenture of Trust, dated as of October 1, 2019 (as previously amended and supplemented, the “Master Indenture”), as amended and supplemented by a Series 2020-1 Supplemental Indenture of Trust, dated as of March 1, 2020 (the “Supplemental Indenture”), each between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Master Indenture, as amended and supplemented by the Supplemental Indenture is referred to herein as the “Indenture.” The Bonds have the terms and conditions set forth in the Indenture. We understand the Authority expects to use the sale proceeds of the Bonds to acquire Eligible Loans (within the meaning of the Indenture) pursuant to the Supplemental Indenture.

KUTAKROCK

Brazos Higher Education Authority, Inc.
RBC Capital Markets, LLC
U.S. Bank National Association, as Trustee
March __, 2020
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In connection with delivering this letter, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of the Indenture and the Tax Certificate and Agreement, dated the date hereof (the “Tax Certificate and Agreement”), between the Authority and the Trustee, and such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinions rendered below in this letter.

As to questions of fact material to our opinions, we have relied on covenants and representations of the Authority contained in the Indenture, the Tax Certificate and Agreement and the certified proceedings and other certifications furnished to us of officials of the Authority and other parties involved in the issuance of the Bonds, without undertaking to verify the same by independent investigation.

We have also relied on the opinions, dated this date, of Bond Counsel, with respect to (a) the authorization, issuance and delivery of the Bonds in accordance with law, (b) the status of the Bonds as valid and legally binding special obligations of the Authority, (c) the Authority’s legal authority to issue the Bonds and to repay the Bonds and (d) the security and payment of the Bonds from assets held in the Trust Estate created under and defined in the Indenture.

We have assumed (a) the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, (b) the accuracy of the statements of fact contained in such documents, instruments and certificates, and (c) the correctness of the opinions of Bond Counsel, without undertaking to verify the same by independent investigation.

Based on and subject to the foregoing we are of the opinion that, assuming compliance by the Authority with certain covenants and procedures set forth in the Indenture, the Tax Certificate and Agreement and certain other documents designed to meet the requirements of the Internal Revenue Code of 1986, as amended, under the laws, regulations, rulings and judicial decisions existing on the date hereof, interest on the 2020-1 Tax-Exempt Bonds is excludable from gross income for federal income tax purposes. However, interest on the 2020-1 Tax-Exempt Bonds is a specific preference item for purposes of the federal alternative minimum tax. Failure of the Authority to comply with certain of its covenants contained in the Indenture and the Tax Certificate and Agreement could cause interest on the 2020-1 Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020-1 Tax-Exempt Bonds. Further, we are of the opinion that interest on the Taxable Bonds is included in gross income for federal income tax purposes. Finally, we are of the opinion that the execution and delivery, in and of itself, of the Supplemental Indenture will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds (as such term is defined in the Indenture). We express no opinion with respect to any other federal

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tax consequences of the purchase, ownership, accrual or receipt of interest on, or disposition of the Bonds or of the Tax-Exempt Bonds other than as set forth in this paragraph.

Furthermore, based on and subject to the foregoing we are also of the opinion that the statements contained in the Official Statement, dated February 26, 2020, pursuant to which the Underwriter offered the Bonds for sale (the “Official Statement”), under the caption “TAX MATTERS” are accurate in all material respects insofar as such statements purport to summarize certain provisions of our opinion concerning federal tax matters relating to the Bonds.

We express no legal opinions other than as set forth in the preceding two paragraphs. In particular, but without limitation, we express no opinion as to any state or local tax consequences of the purchase, ownership, accrual or receipt of interest on, or disposition of the Bonds. In addition, we call attention to the fact that we have not been requested to, and accordingly we do not, render any opinion relating in any manner to the validity of the proceedings taken in connection with the issuance of the Bonds under the laws of the State of Texas.

In our role as special tax counsel to the Authority, we have not been engaged to prepare or review and have not assumed or undertaken responsibility for the preparation or review of any offering document relating to the Bonds, except to the extent of our limited review of the Official Statement as described above. We have not assumed responsibility for any description in any offering document or other document relating to the Bonds of the revenues or other sources of security for or other matters relating to any evaluation of the likelihood of payment of, or creditworthiness of, the Bonds, or the adequacy of the security provided to owners of the Bonds. We also have not been engaged to review, and we did not review, the financial condition of the Authority or the revenues or other sources of security for or other matters relating to an evaluation of the likelihood of payment of, or creditworthiness of, the Bonds or the security provided to owners of the Bonds.

Our services as special tax counsel to the Authority have not extended beyond the examinations and expressions of the conclusions referred to in the opinions set forth in this letter. The opinions expressed herein are based on existing law as of the date hereof and we express no opinion herein as of any subsequent date. Furthermore, we assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, legislative or regulatory action taken subsequent to the date hereof, judicial decisions issued subsequent to the date hereof, or for any other reason.

In performing our services as special tax counsel, the Authority is our sole client in this engagement and as special tax counsel we have not been engaged by, nor have we undertaken to advise, any other party or to opine as to matters not specifically covered herein. The inclusion of

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addressees of this opinion letter other than the Authority does not create or imply an attorney-client relationship between Kutak Rock LLP, as special tax counsel, and any such other addressee.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Continuing Disclosure Agreement”) is executed and delivered by Brazos Higher Education Authority, Inc. (the “Obligated Person”) in connection with the issuance of \$67,590,000 aggregate principal amount of its Taxable Student Loan Program Revenue Bonds, Senior Series 2020-1A, Tax-Exempt Student Loan Program Revenue Bonds, Senior Series 2020-1A (AMT) and Tax-Exempt Student Loan Program Revenue Bonds, Subordinate Series 2020-1B (AMT) (collectively, the “Series 2020-1 Bonds”). The Series 2020-1 Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2019, as previously amended and supplemented, and as further amended and supplemented by a Series 2020-1 Supplemental Indenture, dated as of March 1, 2020 (collectively, the “Indenture”), between the Obligated Person and U.S. Bank National Association, as trustee (the “Trustee”). The Obligated Person undertakes and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Obligated Person for the benefit of the Registered Owners and beneficial owners of the Series 2020-1 Bonds and in order to assist the Underwriter (as defined below) in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” shall mean any Annual Financial Information provided by the Obligated Person pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“*Dissemination Agent*” shall mean any Dissemination Agent designated by the Obligated Person.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Financial Obligation*” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Listed Event*” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board, and any successors or assigns, or any other entities or agencies approved under the Rule.

“*Official Statement*” shall mean the Official Statement, dated February 26, 2020, of the Obligated Person with respect to its offering of the Series 2020-1 Bonds.

“*Repository*” shall mean, until otherwise designated by the Securities and Exchange Commission, the EMMA website of the MSRB located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Underwriter” means the “participating underwriter” as that term is defined in the Rule, and in relation to the Series 2020-1 Bonds, shall mean RBC Capital Markets, LLC or any successors known to the Obligated Person.

Section 3. Provision of Annual Financial Information.

(a) The Obligated Person shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Obligated Person’s fiscal year, commencing with the report of the fiscal year ending June 30, 2020, provide to the Repository, in such electronic format accompanied by such identifying information (the “Prescribed Form”) as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information, the Annual Financial Information which is consistent with the requirements of Section 4 hereof. The Dissemination Agent shall only be obligated to provide the Annual Financial Information to the Repository if such information has been provided to the Dissemination Agent by the Obligated Person sufficiently prior to any deadlines for filing set forth herein.

(b) The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, or by specific cross reference to other documents which have been submitted to the Repository and available to the public on the Repository’s website or filed with the SEC. If the document so referenced is a final offering document within the meaning of the Rule, such final offering document must be available from the Repository. The Obligated Person shall clearly identify each such other document so incorporated by cross-reference.

(c) If the financial statements of the Obligated Person are audited, the audited financial statements of the Obligated Person must be submitted if and when available but may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if they are not available by that date.

Section 4. Content of Annual Financial Information. The Obligated Person’s Annual Financial Information shall contain or incorporate by reference the following:

(a) annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America;

(b) an update of the financial information and operating data in the Official Statement under the heading “THE FINANCED ELIGIBLE LOANS” (provided that information regarding the Financed Eligible Loans shall be updated for the acquisition of additional Eligible Loans); and

(c) The following Indenture information:

(1) balances in the Student Loan Fund, the Capitalized Interest Fund (if any), the Revenue Fund, the Rebate Fund and the Debt Service Reserve Fund;

(2) the issuance of any additional bonds; and

(3) the outstanding principal amount of the Series 2020-1 Bonds and other bonds issued under the Indenture.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the Obligated Person shall give, or cause to be given, on behalf of itself and any other persons providing undertakings under the Rule with respect to the Series 2020-1 Bonds, notice to the Repository of the occurrence of any of the following events with respect to the Series 2020-1 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2020-1 Bonds, or other material events affecting the Series 2020-1 Bonds;
- (vii) modifications to rights of Registered Owners of the Series 2020-1 Bonds, if material;
- (viii) any call of any Series 2020-1 Bonds, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2020-1 Bonds, if material;
- (xi) rating changes and any Rating Agency Notification or any Rating Agency Confirmation as required under Section 7.17 of the Indenture;
- (xii) bankruptcy, insolvency, receivership, or similar event of the Obligated Person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(b) If the Obligated Person obtains knowledge of the occurrence of a Listed Event, the Obligated Person shall file, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, a notice of such occurrence in Prescribed Form with EMMA.

(c) The Obligated Person shall provide, in a timely manner, to the MSRB in Prescribed Form in accordance with EMMA, notice of any failure of the Obligated Person to timely provide the Annual Financial Information as specified in Section 4 hereof.

(d) If the Obligated Person changes its fiscal year, it shall provide in Prescribed Form notice of the change of fiscal year to the Trustee and to the MSRB.

Section 6. Termination of Reporting Obligation. The Obligated Person's obligations under this Continuing Disclosure Agreement shall terminate upon the earliest to occur of (a) the legal defeasance, prior redemption or payment in full of all of the Series 2020-1 Bonds; or (b) the date that the Obligated Person shall no longer constitute an "obligated person" with respect to the Series 2020-1 Bonds within the meaning of the Rule (or, if later, the date on which the Obligated Person determines to no longer voluntarily comply with the Rule in the event that the Rule does not apply to the Series 2020-1 Bonds at the time). The Obligated Person shall file a notice of any such termination with the Repository in the Prescribed Form in accordance with EMMA.

Section 7. Dissemination Agent. The Obligated Person may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment: Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Obligated Person may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is consistent with the Rule, as determined by an Opinion of Counsel experienced in federal securities laws selected by the Obligated Person. Written notice of any such amendment or waiver shall be provided by the Obligated Person to the MSRB in Prescribed Form in accordance with EMMA, and the next Annual Financial Information shall explain in narrative form the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Obligated Person shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Obligated Person to comply with any provision of this Continuing Disclosure Agreement, any Registered Owner or beneficial owner of the Series 2020-1 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Person to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this

Continuing Disclosure Agreement in the event of any failure of the Obligated Person to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 11. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Obligated Person, any Dissemination Agent, the Underwriter and Registered Owners and beneficial owners from time to time of the Series 2020-1 Bonds and shall create no rights in any other person or entity.

Date: March 6, 2020

**BRAZOS HIGHER EDUCATION
AUTHORITY, INC.**

By _____
Its _____

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APPENDIX E

FINANCIAL STATEMENTS OF THE AUTHORITY

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FINANCIAL STATEMENTS

Brazos Higher Education Authority, Inc.
Years Ended June 30, 2019 and 2018
With Independent Auditor's Report

Brazos Higher Education Authority, Inc.

Financial Statements

Years Ended June 30, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
of Brazos Higher Education Authority, Inc.

We have audited the accompanying financial statements of Brazos Higher Education Authority, Inc. (a not-for-profit organization), which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of changes in fund balance and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
of Brazos Higher Education Authority, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brazos Higher Education Authority, Inc., as of June 30, 2019 and 2018, and the changes in its fund balance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2019, Brazos Higher Education Authority, Inc. adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Dallas, Texas
October 1, 2019

Brazos Higher Education Authority, Inc.
Balance Sheets
(In Thousands)

	June 30, 2019	June 30, 2018
Assets		
Cash and short-term investments	\$ 48,926	\$ 54,986
Interest receivable:		
Student loan notes receivable	31,915	29,645
Investments	83	72
Accounts receivable	-	6
Student loan notes receivable, net	1,244,419	1,431,829
Other assets	63	60
Total assets	\$ 1,325,406	\$ 1,516,598
 Liabilities and fund balance		
Liabilities:		
Bonds and notes payable, net	\$ 1,292,782	\$ 1,489,914
Accrued interest payable	16,311	13,528
DOE rebate fees payable	801	903
Administrative and loan servicing fees payable	184	221
Total liabilities	1,310,078	1,504,566
 Fund balance:		
With restrictions	21,031	17,432
Without restrictions	(5,703)	(5,400)
Total fund balance	15,328	12,032
Total liabilities and fund balance	\$ 1,325,406	\$ 1,516,598

The accompanying notes are an integral part of these financial statements.

Brazos Higher Education Authority, Inc.
 Statements of Changes in Fund Balance
(In Thousands)

	For the Years Ended	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Interest revenue:		
Student loan notes receivable	\$ 53,515	\$ 49,359
Investments	1,182	705
	<u>54,697</u>	<u>50,064</u>
Interest expense:		
Bonds and notes payable	<u>46,271</u>	<u>38,281</u>
Net interest revenue before provision for loan losses	8,426	11,783
Provision for loan losses	(294)	(279)
Net interest revenue after provision for loan losses	<u>8,132</u>	<u>11,504</u>
Noninterest revenue:		
Other	408	475
Noninterest expense:		
Administrative and loan servicing fees	4,964	5,789
Other	280	308
Total noninterest expense	<u>5,244</u>	<u>6,097</u>
Revenue over expenses	3,296	5,882
Fund balance, beginning of year	12,032	6,150
Fund balance, end of year	<u><u>\$ 15,328</u></u>	<u><u>\$ 12,032</u></u>

The accompanying notes are an integral part of these financial statements.

Brazos Higher Education Authority, Inc.
Statements of Cash Flows
(In Thousands)

	For the Years Ended	
	June 30, 2019	June 30, 2018
Operating activities		
Revenue over expenses	\$ 3,296	\$ 5,882
Adjustment to reconcile revenue over expenses to net cash used in operating activities:		
Student loan interest capitalized	(15,358)	(17,533)
Notes payable interest capitalized	-	1,088
Amortization of loan purchase premiums/discounts	1,037	2,569
Amortization of bond discount	(4,445)	(4,157)
Amortization of debt issue costs	784	783
Provision for loan losses	294	279
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Interest receivable	(2,281)	(5,340)
Accounts receivable	6	(6)
Other assets	(2)	-
Increase (decrease) liabilities:		
Administrative and loan servicing fees payable	(37)	(55)
Accrued interest payable	2,783	2,545
DOE rebate fees payable	(102)	(110)
Net cash used in operating activities	<u>(14,025)</u>	<u>(14,055)</u>
Investing activities		
Principal collected on student loan note receivable	207,331	236,884
Proceeds from sale of student loan notes receivable	56	35
Purchase of student loan notes receivable	(5,951)	(6,178)
Net cash provided by investing activities	<u>201,436</u>	<u>230,741</u>
Financing activities		
Payment of bonds and notes payable	(193,471)	(222,759)
Net cash used in financing activities	<u>(193,471)</u>	<u>(222,759)</u>
Net change in cash and short-term investments	(6,060)	(6,073)
Cash and short-term investments, beginning of year	54,986	61,059
Cash and short-term investments, end of year	<u>\$ 48,926</u>	<u>\$ 54,986</u>
Supplemental disclosure of cash and noncash items		
Cash paid during the year for interest	<u>\$ 47,149</u>	<u>\$ 39,110</u>

The accompanying notes are an integral part of these financial statements.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements
(In Thousands)
June 30, 2019 and 2018

1. Organization

Brazos Higher Education Authority, Inc. (the Authority) is a Texas not-for-profit public benefit corporation, which was incorporated in May 1975 for the purpose of providing funds for the acquisition and servicing of student loans that are insured by the U.S. Department of Education (DOE) and guaranteed by various national guarantors under the Federal Family Education Loan Program (FFELP) as provided for in the Higher Education Act of 1965, as amended. To maintain such insurance and guarantee of student loans, the Authority must comply with the servicing, collecting, accounting, and reporting requirements of the FFELP. The Authority has contracted with Brazos Higher Education Service Corporation, Inc. (BHESC) to serve as Master Servicer. BHESC has contracted with various sub-servicers for loan servicing duties. Funding for the Authority has been provided through the issuance of asset-backed notes and, periodically, by advances from affiliates.

The Authority's primary source of revenue is interest on student loans and investment revenue. All borrowings on the notes payable are expected to be repaid solely from funds derived from student loan principal repayments, interest, special allowance payments, interest subsidy payments, guarantee payments on defaulted notes, proceeds from sales of student loan notes, and investment revenue.

2. Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States and, accordingly, reflect all significant receivables, payables and other liabilities. The accounts of the Authority are maintained in accordance with the principles of fund accounting in compliance with the debt instruments. This is a system under which resources are classified for accounting purposes into funds established for specific purposes. The Authority aggregates its funds into general groups by the source of funding. The fund balance related to specific financings is with restrictions from each indenture, and as such, is shown as with restrictions on the balance sheets. The non-debt-related fund balance is shown as without restrictions on the balance sheets.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
(In Thousands)
June 30, 2019 and 2018

Affiliated Entities

The Authority is affiliated with the following entities, which are required to be audited due to federal program requirements, or which are audited due to the significance of their activities and operations:

- Brazos Student Finance Corporation (BSFC)
- Bosque Higher Education Authority, Inc. (Bosque)
- Federated Student Finance Corporation (FSFC)
- Acapita Education Finance Corporation (AEFC)
- Brazos Higher Education Service Corporation, Inc. (BHESC)
- Brazos Education Loan Authority, Inc. (BELA)

All of the entities operate in the student loan higher education industry and are controlled by common officers and directors with the ability to influence the business performed by each entity. BHESC, by contract and for compensation, serves as Master Servicer and provides headquarter facilities, management, administrative support, marketing and accounting services. BHESC also oversees the subcontracting of servicing and collection activities.

Debt Issue Costs and Note Discount

The Authority capitalizes debt issue costs incurred when issuing debt. Debt issue costs include costs related directly to the issuance of notes payable and consist primarily of filing fees, trustee fees and expenses, document reproduction costs, legal fees, costs of credit ratings, underwriter's fees, and other costs. The Authority also issues notes at a discount and records the discount as an adjustment to notes payable, net, on the balance sheet. Debt issue costs and note discounts are amortized over the terms of the notes using a method that approximates the effective interest method. The amortization of the debt issue costs and bond discount is included within interest expense on notes payable in the statement of changes in fund balance.

Interest Receivable

Interest receivable on student loan notes receivable includes special allowance payments receivable from or payable to the DOE, government subsidy interest, and borrower interest on all student loans outstanding.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
(In Thousands)
June 30, 2019 and 2018

Cash and Short-Term Investments

Cash and short-term investments consist of demand deposits in banks, money market funds, and guaranteed investment contracts with original maturities of 90 days or less. Cash and short-term investments are held by U.S. Bank, N.A. (the Trustee) under various indentures, subject to certain limitations, and are pledged to secure related notes payable. See Note 2. The short term investments are stated at fair value and represent unsecured investments. Any realized or unrealized changes in fair value are recorded through the statement of changes in fund balance. Interest revenue from these investments is recorded on an accrual basis.

Cash and short-term investments comprised the following:

	June 30,	
	2019	2018
Guaranteed investment contracts	\$ 507	\$ 507
Money market funds	48,419	54,479
Total cash and short-term investments	\$ 48,926	\$ 54,986

As of June 30, 2019 and 2018, the Authority had \$6,371 and \$6,371, respectively, in cash and short-term investment reserves in compliance with the note indenture requirements.

Student Loan Notes Receivable

Student loans are stated at the principal amount outstanding, plus unamortized purchase premiums, net of the allowance for loan losses. All student loan notes receivable are pledged to secure related notes payable.

There was no impairment of student loan notes receivable during the years ended June 30, 2019 and 2018. A loan is considered past due or delinquent when it becomes 31 days past due. At June 30, 2019 and 2018, there are no loans placed in nonaccrual status. Delinquent FFELP loans cannot be submitted to the guarantor for payment until the loan is 270 days past due, but before 330 days past due. The guarantor pays interest accrued through the date of the claim payment.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
(In Thousands)
June 30, 2019 and 2018

Premiums/Discounts on Loans Purchased

The Authority defers premiums and discounts paid on those student loan notes purchased and used to secure long-term financings, and amortizes such premiums and discounts over the estimated life of the student loan notes as an adjustment to the yield of the related loans utilizing a method which approximates the effective interest rate method. Amortization of the premiums and discounts is included within the statement of changes in fund balance in interest on student loan notes receivable. The unamortized loan purchase premium and discount are included on the balance sheet within the student loan notes receivable.

Income Taxes

The Authority is a not-for-profit public benefit corporation, which is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Authority is also exempt from state income tax. Income that is not related to its exempt purposes, less applicable deductions, is subject to federal income taxes. The Authority had no net unrelated business income for the years ended June 30, 2019 and 2018. As such, no provision for federal or state income taxes has been provided in the accompanying financial statements.

The Authority files federal information returns in the United States. The Authority may be subject to examinations for the tax years ended June 30, 2016 and later by the Internal Revenue Service (IRS). The Authority is not currently under examination for any open tax year.

The Authority follows the accounting standard related to the accounting for uncertainty in income taxes recognized in the Authority's financial statements. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Authority currently does not have any positions reserved.

Trustee

The Authority contracts certain services to the Trustee. The Trustee holds the pledged student loan notes receivable and other invested assets in the Authority's name, and invests and disburses funds as directed by the Authority pursuant to the requirements of the indenture and note agreements. The trustee also monitors the invested assets of the Authority and the related cash flows of the loans and other assets pledged under the indenture to secure the related debt.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
(In Thousands)
June 30, 2019 and 2018

Concentration Risk

The Authority's credit risk is inherent principally in its student loan notes receivable. It is impossible to predict the status of the economy or unemployment levels, which could significantly affect the Authority's credit risk exposure. However, the credit risk of the Authority is substantially decreased by the guaranteed nature of its investments in student loan notes receivable.

Additionally, at June 30, 2019 and 2018, 100% of the portfolio is comprised of FFELP loans. Any changes in legislation related to existing FFELP or consolidation loans could have a significant impact on the Authority.

Student Loan Revenue

The Authority recognizes interest revenue on student loans, special allowance revenues (rebates), and government interest subsidies as earned, net of DOE rebate fees paid on a monthly basis. Additionally, revenue is recognized based upon the principal amount outstanding in accordance with the terms of the applicable loan agreement on a monthly basis until the outstanding balance is paid or charged off.

Based upon the core guidance of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, revenue derived from financial instruments, such as student loan notes receivable and investments, is exempt from this guidance as recognition of revenue is covered in other applicable accounting standards.

Interest Expense

Interest expense is based upon contractual interest rates (variable) adjusted for the amortization of note discount and debt issue costs.

Department of Education Fees

Approximately, 72% and 71% of the student loan notes receivable portfolio is consolidation loans, on which the Authority pays fees to the DOE, for the years ended June 30, 2019 and 2018, respectively. DOE fees consist of rebate fees due to the DOE. Rebate fees are monthly fees assessed by the DOE on the outstanding consolidation loan balance at the end of the month. Rebate fees are accounted for as an adjustment to the yield on student loan notes receivable included within the statement of changes in fund balance in interest revenue from student loan notes receivable.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
(In Thousands)
June 30, 2019 and 2018

Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Key accounting policies that include significant judgments and estimates include the provision for loan losses and the effective interest rate method to amortize premiums on loans purchased, and amortization of debt issue costs and note discounts.

Change in Accounting Principles

On July 1, 2018, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a full retrospective method of adoption to all contracts with customers at July 1, 2018.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services in amounts that reflect the consideration to which the Authority expects to be entitled in exchange for those goods or services.

The amount to which the Authority expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

The adoption of ASU 2014-09 did not significantly impact the Authority since revenues recognized from financial instruments are exempt from Topic 606, the related disclosures in the notes to the financial statement were expanded to comply with the requirements of this standard.

During fiscal year 2019, the Authority, adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Balance Sheets

- The balance sheets distinguish between two new classes of fund balance—those with restrictions and those without restrictions. This is a change from the previously required three classes of fund balance—unrestricted, temporarily restricted and permanently restricted.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
(In Thousands)
June 30, 2019 and 2018

Statement of Changes in Fund Balance

- Expenses are reported by nature. All expenses related to the single function of the Authority.
- Investment revenue is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment revenue is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of changes in fund balance.

This change had no impact on previously reported total change in fund balance.

3. Student Loan Interest Receivable and Revenue

FFELP loans obligate the borrower to either pay interest at a stated fixed rate or an annually reset variable rate that has a cap depending on when the loan was originated. The interest earned by the Authority is dependent upon the borrower's interest rate, the date the loan was originated, and the Special Allowance Payment formula.

The Special Allowance Payment formula, or SAP rate, is determined by the DOE, based upon an average of all of the applicable floating rates (91-day Treasury bill, commercial paper, and 52-week Treasury bill) in a calendar quarter, plus a spread between 1.74% and 3.50%, depending on the underlying loan status and origination date. These rates are then applied to the quarterly average daily balance for loans eligible to receive SAP.

For loans first disbursed prior to April 1, 2006, the Authority earns interest at the higher of the borrower's rate or the SAP rate. If the SAP rate exceeds the borrower's rate, the DOE makes a payment directly to the Authority. For loans first disbursed after April 1, 2006, the Authority earns interest at the SAP rate. If the SAP rate is less than the borrower's rate, the Authority "rebates" the difference between the borrower's rate and the lower SAP rate to the DOE. If the SAP rate is greater than the borrower's rate, the DOE makes SAP payments to the Authority for the difference between the two rates.

At June 30, 2019 and 2018, student loans held by the Authority had stated interest rates determined annually by the DOE ranging from 3.63% to 8.50% and 2.68% to 8.50%, respectively, are generally payable by the borrower following a specified grace period. Effective July 1, 2019, the DOE reset these rates to range from 4.06% to 8.50%.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
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June 30, 2019 and 2018

For FFELP loans, the U.S. government pays the Authority the interest on subsidized student loans from the date of acquisition until the end of the grace period, as defined in the regulations.

Interest revenue from student loan notes receivable consists of the following:

	June 30,	
	2019	2018
Student loan interest revenue	\$ 55,019	\$ 60,732
Interest subsidiary revenue	2,869	3,391
Special allowance revenue (rebates)	6,812	(742)
Loan premium amortization	(1,757)	(3,289)
Loan discount amortization	720	720
Borrower benefits	18	(11)
DOE rebate fees	<u>(10,166)</u>	<u>(11,442)</u>
Net interest revenue on student loan notes receivable	<u>\$ 53,515</u>	<u>\$ 49,359</u>

Under certain conditions, the Authority may capitalize accrued interest receivable and add it to the borrower's outstanding principal. For unsubsidized FFELP student loans, the borrower has the option of either paying the interest or having accrued interest capitalized from the date of the loan origination until the end of the grace period and during periods of deferment. Borrowers of both subsidized and unsubsidized FFELP student loans have the option of having accrued interest capitalized during periods of forbearance. Subsequent interest accrues on the new total principal balance which includes any capitalized interest.

Interest receivable on student loan notes receivable consists of the following:

	June 30,	
	2019	2018
Student loan interest receivable	\$ 29,605	\$ 27,258
Interest subsidy receivable	657	799
Special allowance receivable	<u>1,653</u>	<u>1,588</u>
Interest receivable on student loan notes receivable	<u>\$ 31,915</u>	<u>\$ 29,645</u>

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
(In Thousands)
June 30, 2019 and 2018

4. Student Loan Notes Receivable

Student loan notes are purchased by the Authority primarily from affiliates. The Authority's student loan portfolio consists solely of loans originated under the FFELP federally sponsored student loan program.

Total student loan notes receivable consist of the following:

	June 30,	
	2019	2018
FFELP student loan notes receivable	\$ 1,246,812	\$ 1,433,347
Deferred loan premiums and transfer fees, net of accumulated amortization	-	1,757
Deferred loan discounts net of accumulated amortization	(1,528)	(2,248)
	1,245,284	1,432,856
Allowance for student loan losses	(865)	(1,027)
Student loan notes receivable, net	\$ 1,244,419	\$ 1,431,829

Loan Programs

The FFELP includes the Federal Stafford Loan (Stafford) Program, the Federal Supplemental Loans for Students (SLS) Program, the Federal Parent Loan for Undergraduate Students (PLUS) Program, the Federal Parent Loan for Graduate Students (GradPLUS) Program, and the Federal Consolidation Loan Program. These loan programs are available to students or parents of students who, when the loans were originated, were enrolled in postsecondary institutions.

Stafford, SLS, GradPLUS, and PLUS loans have repayment periods ranging from between five and ten years. Federal consolidation loans have repayment periods of 12 to 30 years. Repayment on these loans commences subsequent to a grace period following the student's graduation.

All FFELP loans held by the Authority have been either insured or guaranteed by the U.S. government, Texas Guaranteed Student Loan Corporation (TGSLC), or other national guarantors, provided applicable program requirements have been met by the original lender, prior servicer, and the current servicing agent with respect to such loans. The original lenders have warranted to the Authority that the student loans have met these requirements and are valid obligations of the borrowers. Student loan notes that do not conform to the terms of the purchase

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
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agreement between the individual entities and the original lender may be returned to the original lending institution for reimbursement of principal, interest, and costs incurred while held by the individual entities.

In the event of default on a student loan due to borrower default, death, disability, or bankruptcy, the Authority files a claim with the insurer or guarantor of the loan. The Authority will receive the unpaid principal balance and accrued interest on the loan less any risk sharing, if applicable, provided the loan has been properly originated and serviced.

Student Loan Servicing

BHESC serves as Master Servicer for the Authority with the necessary student loan servicing to maintain compliance with the requirements of the FFELP loan program by holding subservicing agreements for loan servicing duties with various student loan servicing agents. BHESC currently holds subservicing agreements for loan servicing duties with American Education Services, Nelnet Diversified Solutions LLC, and Navient (formerly known as Sallie Mae Servicing Corporation) on behalf of the Authority. Under the terms of these subservicing agreements, the subservicer indemnifies the Authority for any loss of principal and interest resulting from deficiencies in the loan servicing performed by the subservicer. At June 30, 2019 and 2018, 100% of the loan portfolio is serviced by third-party sub-servicers.

Allowance for Student Loan Losses

The Budget Reconciliation Act of 1993 (the Act) lowered the federal guarantee for FFELP student loans made on or after October 1, 1993, to 98%. The Deficit Reduction Act of 2006 lowered the federal guarantee for FFELP student loans made on or after July 1, 2006, to 97%. The Authority provides an allowance for estimated loss of guaranteed student loan principal and interest related to the 2% unguaranteed and unrecoverable amounts on student loan notes receivable. The Act's lowering of the federal guarantee has not historically had a material impact on the Authority. The Authority determines the allowance for loan losses based on loss factors applied to the portion of student loan balances without guarantees by individual loan type and status. Because the Authority's portfolio consists of guarantees ranging from 97% to 99%, and because there is a relatively small percentage of loans at the 97% guarantee, management has considered that 98% of principal and interest is guaranteed and there is only 2% of principal with credit risk.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
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June 30, 2019 and 2018

Activity in the allowance for loan losses is summarized as follows:

	June 30,	
	2019	2018
Balance, beginning of year	\$ 1,027	\$ 1,202
Provision for loan losses	294	279
Recoveries	-	255
Charge-offs	(456)	(709)
Balance, end of year	\$ 865	\$ 1,027

5. Notes Payable

Notes payable consist of the following:

	June 30, 2019	June 30, 2018	Final Maturity Date
Student Loan Revenue Note Series 2010 A-1 through A-2 and B-1 through B-3	\$ 354,585	\$ 406,667	February 2029 - February 2041
Student Loan Revenue Note Series 2011 A-1 through A-3 and B-1 through B-5	469,000	539,475	February 2047
Student Loan Revenue Note Series 2011 II-A-1 through II-A-3 and II-B-1 and II-C-1	475,275	546,189	July 2045
Notes payable to BHESC (see Note 9)	5,285	5,285	February 2031
	1,304,145	1,497,616	
Unamortized debt issue costs	(1,408)	(2,192)	
Unamortized note discount	(9,955)	(5,510)	
	\$1,292,782	\$1,489,914	

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
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The Series “A” notes are senior notes and the Series “B” and Series “C” notes are subordinate notes. Per the indentures, the senior notes have a superior interest to the indenture assets over the subordinate notes. Due to this higher risk, subordinate notes yield a higher interest rate. Interest rates for the various note series are based on fixed and variable rates. The interest rates at June 30, 2019 and 2018, for each class of notes are:

	June 30, 2019	June 30, 2018
Floating rate securities 3-month LIBOR plus spread varying from 0.02% – 1.25%	2.47%–3.77%	3.13%–3.58%

Pursuant to the individual indenture agreement for each debt instrument, the respective note issues are secured solely by those student loans and other invested assets held by each individual note issue’s indenture estate.

Pursuant to the indenture and note agreements, the Authority is subject to certain financial and nonfinancial covenants. Under the note agreements, the Authority has certain minimum collateral coverage requirements. Under the indenture covenants, the Authority must make timely principal and interest payments or the notes will default.

The maturities of notes payable as of June 30, 2019, by fiscal year, are as follows:

2020	\$	-
2021		-
2022		-
2023		-
2023		-
Thereafter		-
		1,304,145
		\$ 1,304,145

The actual maturities of notes payable may differ from the contractual maturities noted above, as the Authority has the ability to prepay the debt outstanding.

6. Fund Balance

Fund Balance with Restrictions

As noted in Note 2 of significant accounting policies of the Authority, the fund balance with restrictions by each indenture is noted on the balance sheets. For the Authority, all funds are considered with restrictions for the fiscal years ended June 30, 2019 and 2018 as noted below:

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
(In Thousands)
June 30, 2019 and 2018

	June 30,	
	2019	2018
Subject to expenditure for specified purpose:		
Fund balance with restrictions	\$ 21,031	\$ 17,432

Fund Balance without Restrictions

As noted in Note 2 of significant accounting policies of the Authority, fund balance without restrictions is limited to any non-debt related funds as of fiscal years ended June 30, 2019 and 2018 designated as without restrictions fund balance on the balance sheets.

	June 30,	
	2019	2018
Fund balance (deficit) without restrictions	\$ (5,703)	\$ (5,400)

Fund Balance Released from Restrictions

As noted in Note 2 of significant accounting policies of the Authority, resources of the Authority are established for specific purposes or financings. As shown in the Statement of Changes in Fund Balance, all funds with restrictions saw revenues received exceeded expenses in the amount of \$3,599 and the non-debt related fund balance without restrictions saw revenue under expenses of \$303 for the year ended June 30, 2019.

7. Revenue of the Authority

As noted in Note 2 of significant accounting policies of the Authority, full retrospective approach of Topic 606 was adopted effective July 1, 2018. Additionally, revenue recognition of the direct, significant revenue of the Authority is disclosed in Note 2 to the financial statements. However as the nature and concentration of the Authority’s significant source of revenue is concentrated and derived from financial instruments, this revenue stream is exempt from Topic 606 and thus no significant impact to the financial statements is noted.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
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Disaggregation of Revenue

As included in Note 2 of significant accounting policies of the Authority, the disaggregation of total revenue per percentage including both interest revenue and noninterest revenue is as follows for the years ended June 30, 2019 and 2018:

	June 30,	
	2019	2018
Interest revenue:		
Student loans note receivable	97.11%	97.67%
Investments	2.15%	1.39%
Noninterest revenues:		
Other	0.74%	0.94%

8. Liquidity and Availability

As disclosed in Note 2 of significant account policies, all financial assets of the Authority are limited and with restrictions for a specific purpose in accordance with the principles of fund accounting in compliance with debt instruments. Revenue from those assets with restrictions is for specific purposes of the fund. Funds of the Authority are not available for general expenditure.

9. Related Party Transactions

Included in administrative and loan servicing fees are administrative fees paid to BHESC and servicing fees paid to BHESC third-party sub-servicers. During the years ended June 30, 2019 and 2018, the Authority recorded \$2,517 and \$2,885, respectively, in administrative and servicing fees paid to BHESC, Master Servicer, for providing administrative support, such as accounting and information technology infrastructure, respectively.

During the years ended June 30, 2019 and 2018, the Authority purchased \$-0- and \$3, respectively, in principal amounts of student loans from affiliated entities at market prices.

During the years ended June 30, 2019 and 2018, affiliated entities purchased \$-0- and \$7, respectively, in principal amounts of student loans from the Authority at market prices.

Brazos Higher Education Authority, Inc.
Notes to Financial Statements (continued)
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The Authority has a note payable to BHESC. At June 30, 2019 and 2018, the total amounts outstanding were \$5,285 and \$5,285, respectively. The note carries an interest rate of 5.75% and matures February 14, 2031. The Authority incurred interest expense of \$304 and \$210 in the years ended June 30, 2019 and 2018, respectively, and had accrued interest of \$419 and \$115 at June 30, 2019 and 2018, respectively.

10. Subsequent Events

Subsequent events have been evaluated through October 1, 2019, which is the date the financial statements were available to be issued. No events requiring disclosure were noted.

APPENDIX F

WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020-1A SENIOR TAXABLE TERM BONDS AND THE SERIES 2020-1A SENIOR TAX-EXEMPT TERM BONDS

The following information with respect to the Series 2020-1A Senior Taxable Term Bonds and the Series 2020-1A Senior Tax-Exempt Term Bonds has been prepared by the Underwriter in consultation with the Authority. No representation is made by the Authority, the Underwriter or any of their respective agents concerning the actual average life of the Series 2020-1A Senior Taxable Term Bonds, the Series 2020-1A Senior Tax-Exempt Term Bonds or the Financed Eligible Loans and how it compares to the various forward-looking average life estimates herein.

Prospective purchasers of the Series 2020-1A Senior Taxable Term Bonds and the Series 2020-1A Senior Tax-Exempt Term Bonds are urged to base their decisions whether to purchase the Series 2020-1A Senior Taxable Term Bonds and the Series 2020-1A Senior Tax-Exempt Term Bonds upon the purchaser's own determinations about anticipated rates of prepayments with respect to the Financed Eligible Loans and the estimated weighted average life of the Series 2020-1A Senior Taxable Term Bonds and the Series 2020-1A Senior Tax-Exempt Term Bonds.

Prepayments of loans may be measured by a prepayment standard or model. The model used herein is the constant prepayment rate (“CPR”) model. CPR represents a constant rate of prepayment on the Financed Eligible Loans each month relative to the then outstanding aggregate principal balance of the Financed Eligible Loans in repayment status for the life of such Financed Eligible Loans.

The tables below indicate the Weighted Average Life (“WAL”) of the (a) entire Series 2020-1A Senior Taxable Term Bonds based on the assumption that Financed Eligible Loans allocable to the Series 2020-1A Senior Taxable Bonds prepay at the respective indicated percentages of CPR (the “CPR Prepayment Assumption Rates”) and (b) entire Series 2020-1A Senior Tax-Exempt Term Bonds based on the assumption that Financed Eligible Loans prepay at the respective indicated CPR Prepayment Assumption Rates. It is unlikely that the Financed Eligible Loans will prepay at any of the CPR Prepayment Assumption Rates presented, and the timing of changes in the rate of prepayments actually experienced on the Financed Eligible Loans is unlikely to follow the pattern described for the CPR Prepayment Assumption Rates presented.

Each Weighted Average Life is likely to vary, perhaps significantly, from that set forth in the table below due to the differences between the actual rate of prepayments on the related Financed Eligible Loans and the assumptions described herein.

Estimated Weighted Average Life of Series 2020-1A Senior Taxable Term Bonds

Prepayment Speed/Cash Flow Scenario	Estimated WAL (Years)	First Bond Retirement Date	Last Bond Retirement Date	Average Maturity Date
0% CPR	6.96	04/01/2020	10/01/2033	02/21/2027
2% CPR	5.38	04/01/2020	04/01/2033	07/24/2025
4% CPR	4.06	04/01/2020	04/01/2032	03/28/2024
6% CPR	2.94	04/01/2020	04/01/2031	02/13/2023
8% CPR	2.05	04/01/2020	10/01/2026	03/22/2022
10% CPR	1.67	04/01/2020	04/01/2024	11/08/2021

Estimated Weighted Average Life of Series 2020-1A Senior Tax-Exempt Term Bonds

Prepayment Speed/Cash Flow Scenario	Estimated WAL (Years)	First Bond Retirement Date	Last Bond Retirement Date	Average Maturity Date
0% CPR	6.97	04/01/2020	04/01/2034	02/23/2027
2% CPR	5.39	04/01/2020	04/01/2033	07/27/2025
4% CPR	4.06	04/01/2020	04/01/2032	03/27/2024
6% CPR	2.95	04/01/2020	04/01/2031	02/16/2023
8% CPR	2.05	04/01/2020	10/01/2026	03/23/2022
10% CPR	1.67	04/01/2020	04/01/2024	11/08/2021

Weighted average lives (WALs) are influenced by, among other things, the initial parity percentage, cash releases, actual prepayments, bond interest rates, bond redemptions, reinvestment income, the future path of interest rates, loan interest rates and borrower repayment plans selected, the amount and timing of loans acquired, including recycling, borrower delinquencies and defaults, default recoveries, program expenses, allocation of loans between applicable tax-exempt and taxable series, compliance with IRS yield restrictions and the issuance of Additional Bonds in the future under the Indenture. Actual results will vary from assumptions made in the base case. The following assumptions were used in estimating the weighted average lives of the Series 2020-1A Senior Taxable Term Bonds and the Series 2020-1A Senior Tax-Exempt Term Bonds:

1. WALs are computed from the expected Closing Date for the Series 2020-1 Bonds.
2. WALs assume the Authority releases cash in the amounts and at the times permitted under the Indenture.
3. WALs assume the Authority uses bond proceeds to acquire Eligible Loans that have characteristics that are materially the same as the Existing Eligible Loans.
4. All scenarios assume a 0% default rate and no delinquencies or forbearance.
5. Scenarios do not take into account any Additional Bonds that may be issued under the Indenture in the future.
6. WALs assume Senior Bonds are redeemed pro rata within Series and Subordinate Bonds are redeemed after all Senior Bonds are retired.

See also the captions “THE SERIES 2020-1 BONDS—Redemption Provisions—*Optional Redemption from Excess Taxable Revenue*,” “—*Optional Redemption from Excess Tax-Exempt Revenues*,” “—*Mandatory Redemption from Excess Taxable Revenues*” and “—*Mandatory Redemption from Excess Tax-Exempt Revenues*” in the body of this Official Statement.

